



Address by Michael Kilgariff

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SLIDE ONE

Good morning, and thank you for the opportunity to speak with you this morning about some of the challenges and opportunities in Australia's freight logistics sector.

Today, I want to touch on some of the significant developments that have occurred since I last addressed this conference just over a year ago, and also reflect on what the next steps are to secure greater safety and efficiency in the supply chain.

SLIDE TWO

Just to provide some background for those of you who may not be aware of our activities, the Australian Logistics Council is the peak industry body for Australia's logistics industry.

Many of the organisations that comprise our membership are household names, and all are significant players in Australia's freight transport network.

SLIDE THREE

We represent those at all stages of the supply chain; suppliers, the owners of transport infrastructure, service providers and logistics customers.

We are a leading voice in the national conversation about the need for a more efficient supply chain in Australia, for the benefit not only of our members, but also of all consumers.

Freight issues affect all of us, even if the vast majority of Australians don't stop to think about them.

But the fact is that without the freight and logistics industry, most Australians would struggle to feed themselves and their families.

They would also find it difficult to obtain those items that make modern life not just comfortable, but possible - clothes, electrical appliances, furniture, household products, medication and the like.

Thus, the question of how we ensure our transport infrastructure is sufficient to meet the rapidly growing freight demands of our burgeoning population is an urgent one.

SLIDE FOUR

It's also one of enormous economic importance for Queensland.

The National Transport Commission's *Who Moves What Where* report states that Australia's national freight task is set to grow by 26% in the next decade alone.

A significant amount of that growth will directly impact Queensland.

The Queensland State Government's *State Infrastructure Plan*, released just over a year ago, points to significant expansion in freight movement, from 817 million tonnes in 2010-11 to over 1.5 billion tonnes by 2026.

When we examine ABS data regarding tonne-kilometres travelled on roads by heavy vehicles, around 23% of them originate in Queensland – the second highest in the nation and not significantly behind NSW.

Our growing population, coupled with continuing growth in e-Commerce and anticipated growth in exports – especially agricultural exports – will add further pressures to the freight network.

Accordingly, our challenge is to make sure the network is sufficiently robust to deal with those pressures.

SLIDE FIVE

At the same time, we have to be aware of prevailing economic reality. The first part of 2017 has witnessed some sobering economic data.

Although the March quarter's CPI figures pointed to an end to the deflationary trend, they were still weaker than market forecasts had predicted, and point to continuing economic uncertainty.

The figures also pushed the underlying inflation rate back into the lower end of the Reserve Bank's target range of 2-3%. That means any further easing of interest rates is unlikely.

There was also disappointing news on the retail front, with the ABS' March quarter figures on retail sales showing further slippage, falling by 0.1%, when the market expectation was for an increase of around 0.3%.

All told, this means that retail sales have now declined in three out of the last four months, putting retail growth in its weakest position for four years.

Consumer confidence is also down, with the ANZ/Roy Morgan consumer confidence survey pointing to a 1.4% decline over the past year.

In part, this is a reflection of low wages growth. Figures released last week by the ABS showed that in the March quarter of 2017, wages rose by just 0.5%.

That makes the annual rate of wage growth 1.9% - which is the lowest rate the ABS has recording in its figures that date back to the late 1990s – and economists suggest is the lowest rate of wage growth since the recession of 1990/91.

Taken together, these figures point to an economy that is in desperate need of investment in productive infrastructure, which will help to restore confidence, create jobs and ultimately drive productivity and economic growth.

ALC believes there are ways to do this that will also allow us to improve the safety and efficiency of the supply chain.

SLIDE SIX

In the lead up to the 2016 Federal Election, ALC made it a top priority to secure a commitment from whichever party won government to develop a National Freight and Supply Chain Strategy.

This was consistent with a recommendation that has been made by Infrastructure Australia.

ALC was exceptionally pleased when Prime Minister Malcolm Turnbull used his annual Infrastructure Statement to Parliament in November last year confirm that the Federal Government had agreed to develop such a Strategy.

Work on its development is now underway, with an Expert Panel comprised of respected, knowledgeable industry experts advising the Department of Infrastructure and Regional Development on the preparation of an issues paper to help guide consultations.

This is part of the Department's broader *Inquiry into National Freight and Supply Chain Priorities*, which is expected to produce a draft report in December this year, with the final report expected in March 2018.

To assist that process, earlier this month ALC released the first in what will be a series of Working Papers, which reflect the views of industry about what needs to be contained in the Strategy, so that it is relevant to their needs.

Although this conference is focussed on Queensland issues, it's also true that freight does not stop at state borders.

One of the most frustrating issues faced by freight operators is that there is currently a hodgepodge of overlapping, and at times inconsistent, set of rules and regulations that govern this industry.

Very often, this results slower transport times and greater costs for operators, which ultimately means higher costs for consumers.

The development of a National Freight and Supply Chain Strategy reflects the fact that the freight market is a national one, and will help to stamp out regulatory inconsistencies that cost operators – and ultimately consumers - time and money.

Of course, ALC recognises that in order to be effective, the National Strategy will require not just the support and cooperation of industry, but also the support and cooperation of state and territory governments.

One of the areas where that cooperation is most urgently needed is around the issue of urban encroachment, and most particularly the preservation of freight corridors.

In the case of Queensland, there is a live example of the urgency of this, with regard to the proposed Inland Rail route.

I will come to the specifics of Inland Rail shortly, but from the outset I cannot emphasise strongly enough the importance of getting the long-term planning right on this project, and immediately commencing the work necessary to preserve an alternative rail corridor through to the Port of Brisbane.

We won't have a second chance to get the planning right - and preserving a dedicated corridor for an eventual alternate rail link to the Port of Brisbane is crucial to realising the full benefit of this project.

SLIDE SEVEN

In early March, ALC held its annual Forum, and the entire agenda was devoted to discussing the contents of the National Freight and Supply Chain Strategy, from a wide variety of industry perspectives.

In looking back over those discussions, the one thing that stands out is how frequently urban encroachment and planning issues emerged as a theme.

Many of you will be aware of the adage that sums up the difficulty for the freight logistics sector when dealing with decision-makers – freight doesn't vote.

Nowhere is there a clearer manifestation of this than when it comes to urban encroachment and the planning of future freight needs.

It's an increasingly common phenomenon – state and local governments face cost pressures around essential services, as well as increasing demands for housing as the population grows.

These factors help to explain the current movement towards 'urban infill', which sees land once classified as industrial or commercial space being rezoned to accommodate residential development – and very often, medium or high-density residential development.

Because 'freight doesn't vote', and because residential development is financially lucrative for local and state governments, we increasingly find that so-called 'solutions' are imposed that consistently favour residential interests.

These take the form of things such as curfews on ports, airports and key road freight routes, complete truck bans in certain areas, speed limits that inhibit the efficient movement of freight and other onerous measures that all hamper efficiency in the supply chain.

SLIDE EIGHT

One of the most important requirements for the developing National Freight and Supply Chain Strategy is to put a stop to this situation, and to promote physical land separation and protection of employment lands and freight infrastructure corridors from sensitive uses, such as residential development.

In ALC's view, one way to overcome this is to establish some form of incentive that supports the preservation of freight corridors.

Many of you will be familiar with the Federal Government's City Deals initiative, which received further attention in the Budget delivered earlier this month. Essentially these deals bring the Commonwealth into the planning process.

To date, much of the focus of this initiative has been around housing, public transport and enhanced urban amenity.

However, ALC sees no reason why freight transport planning should not form an equal part of the equation. After all, a city which cannot transport freight is a city that cannot function.

It is our view that the Federal Government should be prepared to offer incentive payments to state and local governments to ensure the protection of freight transport corridors and employment lands from urban encroachment and inappropriate residential development.

SLIDE NINE

I would like to turn now to a matter that has enormous national significance, and particular significance for Queensland.

I'm sure it will not have escaped the attention of anyone in this room that this year's Federal Budget included an investment of \$8.4 billion to finally construct Inland Rail.

This decision represented the culmination of decades of discussion and advocacy about the importance role this project will play in permitting Australia to meet its future freight task.

By 2030, it will be necessary to move more than 32 million tonnes of freight along Australia's east coast.

We must find ways to do that which are safe, and which don't add to road congestion and other existing bottlenecks in the freight network.

At the moment, only around 26% of the freight moving between Melbourne and Brisbane does so via rail – because the congestion of the existing freight and passenger rail network in Sydney slows the journey down. Inland Rail helps to eliminate this bottleneck.

As per the Australian Rail Track Corporation business case for Inland Rail – which has been positively assessed by Infrastructure Australia –the project provides a return of \$2.60 for every dollar invested by the Government.

There is also a \$16 billion boost to Australia's GDP during construction and its first 50 years of operation, and 16,000 jobs at the peak of construction, with a further 700 jobs every year over the life of the project.

However, given the substantial public investment that has now been made, it is even more important to ensure Inland Rail delivers end-to-end connectivity. This project must directly link the Port of Melbourne with the Port of Brisbane via a dedicated alternative rail link.

In order to achieve that effectively and economically, preserving the corridor for such a link must be an immediate consideration.

Even though we expect the existing rail link to the Port of Brisbane will be capable of meeting demand for the next decade, our task is to think beyond that time frame and consider longer-term freight needs.

Given the size of the Inland Rail project and the significant public investment being made in its construction, we can't afford to leave consideration of this issue off the table for a decade.

As experience has taught us, delays and failure to plan for future needs ultimately makes the provision of infrastructure a more costly proposition.

Accordingly, when we construct the Inland Rail, we must ensure important future freight corridors are protected and preserved, so that freight infrastructure is able to accommodate demand levels that will exist decades from now.

It is thus in the best interests of industry and taxpayers alike that the necessary corridor preservation be undertaken now.

Likewise, governments at all levels should be encouraged to work with private sector partners to build a dedicated alternative rail link to the port.

As both the Port of Brisbane and the Infrastructure Association of Queensland have noted over recent days, private sector involvement in the construction of this final link would ultimately make Inland Rail deliver a more attractive project, and lock-in the economic benefits.

The Port of Brisbane is central to Queensland's ability to meet its freight task, and is already undertaking significant work to improve its infrastructure in a way that will meet future needs.

Already, the port handles around \$50 billion in trade each year, including 95% of Queensland's international container trade, and around 50% of its agricultural exports.

With free trade agreements with South Korea, Japan and China already in effect, and negotiations with India, Indonesia and Hong Kong now in progress, demand for Australian agricultural exports is likely to rise appreciably in the years ahead – and Queensland will be a large beneficiary of that.

ALC has long maintained that good outcomes for freight does not have to mean poor outcomes for residents – provided we get the long-term planning right.

The people in this room understand that corridor preservation equates to improve safety, liveability and efficiency outcomes. Our challenge is to help the wider community understand it too.

Inland Rail is one project that will allow governments and industry to show exactly how exactly how this balance can be achieved – and we cannot afford to fail.

This means governments must not surrender to NIMBY-style politicking from pressure groups seeking route variations or curfews on a piece of infrastructure that must have operational flexibility 24 hours a day, seven days a week.

Likewise, it's also important to support the development of a network of intermodal freight hubs at key points along the Inland Rail route, such as the one InterLinkSQ is constructing near Toowoomba.

As a final note on Inland Rail, I would also note that there is some tension between the Commonwealth and Queensland governments at present, most noticeably over Commonwealth funding support for the Cross River Rail project here in Brisbane.

Given the implications for Inland Rail, it is our hope this impasse can be resolved soon.

SLIDE TEN

I'd like to turn briefly to the subject of road transport.

Firstly, regarding the difficult issue of road pricing, I note that last week's Transport and Infrastructure Council meeting, also here in Brisbane, left key decisions on reform to the next TIC meeting, which will occur in November.

I again reiterate ALC's long-standing support for reform that improves the long-term sustainability of road funding, especially for key freight routes.

The current approach of using revenue raised through registration and fuel excise not only fails to provide a sufficient revenue base to maintain the road network, but fails to ensure investment is targeted where it is most needed.

However, industry support for reform measures will be contingent on the provision of appropriate measures to ensure that funds collected from freight vehicles are used to support freight infrastructure – and not siphoned off into consolidated revenue.

SLIDE ELEVEN

Safety is another issue of significant concern in the road transport sector. After all, you can't have an efficient supply chain without also having a safe supply chain.

It was pleasing to note last week's TIC meeting approved the 2017-18 Heavy Vehicle Road Safety Initiatives work plan, which will be undertaken by the NHVR, supported with funding from the now-abolished Road Safety Remuneration Tribunal.

ALC welcomes this step. For many years, ALC was the only voice calling for the RSRT's abolition, because we believed it caused significant confusion and regulatory overlap with the Heavy Vehicle National Law and other regulatory instruments.

We are pleased that other industry bodies, the Government and eventually the Senate came to view the situation in the same light.

We are also pleased to be working with other like-minded industry bodies on other measures designed to improve road safety for heavy vehicles. ALC will be making further comment in this regard in the coming days.

SLIDE TWELVE

In closing, let me observe that this is an exciting and busy time for the freight and logistics industry in Australia.

The Federal Government's agreement to develop a National Freight and Supply Chain Strategy has been a significant breakthrough, which I hope will finally mean freight planning and infrastructure issues receive the attention they deserve in policy-making at all levels.

To succeed, the Strategy must be dynamic one – and a dynamic Strategy requires a dynamic consultation process.

To that end, I encourage everyone present today with an interest in freight issues to look at the issues paper the Federal Government will be releasing in the coming weeks, as the first stage in an intensive consultation process with stakeholders.

I'd encourage as many of you as possible to get involved in the submission process, so that issues can be fully ventilated, resulting in a Strategy that is as relevant as it is comprehensive.

This will provide Queensland and the nation with the best possible opportunity to realise the full economic benefits that will from improvements to supply chain safety and efficiency.

Thank you.