

***Delivered by The Honourable Mike Gallacher to the Standing Committee on Infrastructure, Transport and Cities on the 22.03.2018 in Sydney.***

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Mr Chairman, on behalf of the Board of Ports Australia I wish to thank the Committee for this opportunity to present to the Inquiry into the Australian Government's role in the development of cities.

In addition to the written submission we made to the inquiry in 2017, we wish to provide the Committee with an update on the progress of matters raised, together with some additional information that I am confident will assist the Federal Government to identify the ensuing challenges facing the movement of freight but also to leadership role we believe can be taken by Government in minimising the negative impacts that are likely to occur as a result of the freight tsunami headed our way.

All Members of this Committee are well aware of the projected population growth figures for Australia over the next 12 years:

- Highest growth rate of major OECD countries currently, growing at 1.6% per annum
- A population base expanding from 24 million to 30 million
- Capital cities will house up to 69.3% of the entire population in that time – growing further to 73.4% in just over 40 years.

Correspondingly, as population grows, so too does demand. However, alarmingly, as the Government's National Freight and Supply Chain Priorities Discussion Paper highlighted that the total road freight task in all capital cities is forecast to increase by 2.33% per annum; from 40 billion tonne kilometres back in 2008 to 66.60 billion tonne kilometres within the next 12 years.

To put that into perspective Australia's Shipping Container Freight movement are expected to grow by 165% over the same period;

Non-containerised freight is projected to grow by 138% over the same period.

The overwhelming majority of containerised freight will be delivered to one of four capital city ports; Melbourne, Port Botany, Brisbane or Fremantle, with Sydney and Melbourne accounting for around 70% of containerised freight.

In total the domestic freight task of the nation, that is, moving freight around the country which includes exports and imports, natural resources, shipping containers, bulk goods such as machinery,

imported motor vehicles, agricultural goods, general cargo to name a few... in 2016 totalled 738 billion tonnes kilometres – 15% of this was moved by Coastal shipping; Rail 56% and road 29%.

And of those figures, Coastal shipping contribution to the domestic freight task has grown, over the last 25 years by 1% - Rail has grown by 210% and Road 61%.

For a Maritime nation with over 70 ports strategically located right around our country, each with road and rail access, each with maritime related industry nearby, in either a capital city or regional town....a continuation of this imbalance surely is not in our national interest.

In fact, the terms of reference for this committee underlie the belief, in my members, that improved utilisation of our nation's port structure and maritime network will add to the sustainability of existing cities and also help to grow, in a sustainable way, existing regional towns and cities.

Embracing the use of our nation's coastal sea routes, *'the blue highway'* we believe can deliver

- A cost effective and efficient method of moving freight, particularly, non-time specific freight around our country.
- Help to reduce long distance truck movements which commence within our cities and thereby reduce congestion
- Reduce unnecessary long distance truck movements from country and regional roads by moving the heavy vehicle collection point closer to the delivery location
- Improved health and safety of trucks drivers by reducing long haul distances
- Improving road safety and travel times by reducing the number of truck on our city roads
- Reduce degradation of country and regional roads and associated repair costs by reduced long haul heavy vehicle travel along major freight routes
- Improved environmental outcomes, both noise and air quality, particularly in capital cities and regional towns on major road freight routes
- Increased job opportunities in regional port cities or nearby communities by increasing job demand through port expansion and diversification
- Limit the migratory flows from regional centres to our cities through job creation
- Help alleviate housing affordability pressures through a more sustainable population growth in our cities while attracting some to regional centres.

Governments around the nation are investing billions into road and rail to relieve congestion, improve road safety outcomes, connect inland regional communities directly with capital cities to improve quality of life, freight efficiencies and invest in the nation's economic growth. The

Commonwealth alone is investing \$75 billion in the next 10 years, with funding dedicated to road, rail and airports.

Analysis conducted for the Inquiry into the National Freight & Supply Chain Priorities suggests that while the freight task is projected to double in the next 20 years, even with extra investment, Australian transport infrastructure will be hard pressed to meet this demand.

Furthermore, the NSW Government estimates that a 1% increase in freight efficiency could save the national economy \$1.5 billion.

Ports are the gateway for over 98% of Australia's imports and exports, yet no strategic focus or funding is allocated towards improving the maritime network of this country to facilitate further economic growth and ensure the sustainability of our cities and regional centres.

Clearly, the impact of the Nation's increased freight task will hamper the long-term benefit of infrastructure investment if we, as a nation fail to think of alternate ways to move freight and increase the longevity of Government sector investment.

My Members are confident that increased coastal shipping could go some way to some challenges this Committee is exploring. For example, an improved coastal shipping regulatory environment would see DP World invest \$20 million in staged port development at Burnie, generating 40 new jobs and injecting a further \$10 million into Tasmanian's economy every year. Now imagine the potential if this was extrapolated nationally.

Today I am in a position to announce that Ports Australia has commissioned Deloitte Access Economics to conduct this long overdue and much needed review into Coastal shipping.

The project is envisaged to take some months and will be the largest review of the sector undertaken and its objective is to seek out the data, both in terms of the current state of Coastal shipping, the maritime workforce and the barriers that prevent greater utilisation of the sector. We are also interested to understand what needs to be done to create jobs in Ports around the nation and the skills needed for the future. To assist the Committee, I seek leave to table a copy of the terms of reference and in doing so indicate to the committee, if there is interest from the Committee in the final report and its findings, the report will be made available for the committee's deliberations.

As the Committee would be aware there is currently a bill in the Senate intended to address some of the challenges in the current legislation. Whilst Ports Australia welcomes these minor adjustments to the current regime, we believe there is opportunity to wider reform.

Equally important is the role the Federal Government can play in infrastructure planning. Whilst traditionally the domain of State and Local Government, planning and protection of land in and around areas of critical importance to the Nation, such as Ports and International Airports, requires the active leadership of the Federal Government.

We support Infrastructure Australia's recent framework of incentives to promote the Federal Government being active in national planning issues. We have also suggested that the Federal Government could be active in engagements with states, territories and local governments to seek agreement on the policy priorities and achievable targets prior to developing national strategies and plans. We understand that this process is being implemented as part of the development of the National Freight & Supply Chain Strategy. We have also suggested integrating the Commonwealth public service with the relevant areas of state and territory governments that are focused on planning and implementation. This will give the issue prominence and ensure that discussions at the bureaucratic level mirror those at the political level, that strategies are negotiated prior to Ministerial considerations, and there is alignment in implementation approaches.

At the end of the day we have a system of Federation that requires joint and lengthy engagement across several jurisdictions to ensure the prosperity of our nation. Coastal shipping however is the domain of the Federal Government and is an effective tool in assisting manage the sustainability and prosperity of our cities and regional centres.

The final area I wish to raise in the context of this inquiries deliberations is the global trend of increasing ship sizes. Put simply, like the aviation sector, we are witnessing more vessels with larger capacity. The reality for many resource based, exporting ports in regional Australia this is an issue of real concern.

Newer, larger vessels have greater economic efficiency, have better emission outcomes, and improved safety systems. But they also present a challenge in terms of dredging, particularly capital dredging or new dredging work needed to enable such a vessel to reach the dock.

We at Ports Australia fully understand the need for dredging to maintain high environmental standards, together with a need to remain cost effective. Many regional Ports are Government owned at the additional cost burden of meeting the current capital dredging requirements means

that Governments will have to redirect money from other important project to allow business at the port to continue.

I stress, we are talking hundreds of millions not tens to allow larger vessels access to some ports.

I also wish to add that in the discussions I have had with science based experts in the Maritime sector, there is no recognised scientific basis for the current dump on land, as oppose to sea, approach to capital dredged material.

This too is an area the Federal Government has responsibility for which has and will have an economic impact on Ports around the country.