

Transcript

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LAURIE WILSON: Good afternoon, ladies and gentlemen, welcome to the National Press Club for today's Infrastructure Forum. It's a great pleasure to have you all here. It's a great pleasure to have our rather large assembly of panelists who will be joining us today as well. So let's get on with things.

The topic today, getting the balance right in terms of Australia's transport infrastructure. Have we got it right, are we getting it right? Do we need to do things differently.

These are the issues that we'll be talking about over the next 60 to 90 minutes.

Let me introduce our panelists now. David Marchant is the chief executive of the Australian Rail Track Corporation. Geoff Thomas is head of logistics for Woolworths. Lindsay Fox is, of course, the founder of Linfox, and if you actually look at his card, it says he's a truck driver. And probably



the most successful truck driver in the history of the world, I would suggest.

They're going to each be making a brief statement at the outset to, if you like, put their views about the state of infrastructure, where we are today, where we should be heading and where we are heading. Perhaps they're not the same.

And then, of course, we'll be joined by our other three panelists, three members of the media. Let me introduce them as well. Carson Scott from Sky Business, Sam Collyer from the Lloyd's List and Sid Maher from *The Australian*.

So without any further ado, let me invite our first speaker to make his opening statement, David Marchant.

[Applause]

DAVID MARCHANT: Thanks Laurie, ladies and gentlemen.

The state of infrastructure and our future. We're a nation of 20 million people spread over a continent of 7.69 square kilometres. It's a big country and not many people.

Eighty per cent of our population is on the eastern seaboard. We are, therefore, dependent on efficient and effective transport for our national wealth and our international competitiveness.



Given our distance from our markets and our size, we need to be amongst the most efficient and effective in transport and logistics delivery in the world.

The Bureau of Transport Economics estimates our domestic transport task will double by 2030. This is based on a population of 26 million people. And as we all know, some are estimating, over the last few weeks, our population may be closer to 35 million by 2049.

The present task, the transport task for this country, is about 575 billion tonne kilometres per annum. On this basis, in 2030, it will be greater than 1070 billion tonne kilometres per annum. That's accumulative growth of around fi... three per cent per annum.

To move such a task in the next 20 years will, and would, require significant infrastructure investment. An investment in the context of rising fuel prices, carbon reduction programs to address greenhouse emissions, and a dwindling pool of people prepared to take on medium and long-distance truck driving. An investment within the context of the world emerging from a global financial crisis, in which governments will be striving to reduce debt and replenish their balance sheets.

At this club on 25 November, the Honourable Lindsay Tanner, Federal Minister for Finance,



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outlined the Government's - the Australian Government's challenge in returning the federal Budget to surplus.

Each of the states have similar, if not in some cases, greater challenges to their budgets. The ability of government alone to fund our transport infrastructure needs is not positive, yet we as a nation have become totally reliant on government funding of our major transport infrastructure.

Infrastructure Australia, as reported last year, that it received projects worth more than \$325 billion. And in the last year, the Australian automobile associations collectively have sought more than \$50 billion on urgent road projects.

These type of dollars are not going to be readily available from governments seeking to reduce national and state debts. We need to look for more innovative ways to address and blend government investment and private sector investment.

In the transport and logistics sector, we need to address mechanisms that will enable commercial finance and commercial pricing, which enables those sectors that can adequately pay or contribute to their transport infrastructure to do so.

As part of the economic stimulus programs we are all enjoying government investment on road and rail



networks. Record government investment on road and rail networks.

In our national rail network, we're including the most significant upgrade of the interstate standard gauge main line track between Melbourne and Brisbane in our history, since it's been built.

We've already seen the reduction in transit times of over two hours between Sydney and Brisbane, and significant improvements in reliability taking place between Melbourne and Sydney and Brisbane as a whole, with more improvements to be delivered in 2010.

While all those improvements on road and rail are welcome, we should not allow the present hive of great activity to mask the underlying structural issues in transport infrastructure funding and pricing, which will need to be addressed over the next five to 10 years.

Mindful of Mr Tanner's comments here, and I quote: it's unlikely we, as a nation, will return to those heady days of 2005, 2006 and 2007 when, literally, Australia was awash with money. In the end, we need to address road-rail infrastructure pricing, so that those areas that are the beneficial users and can commercially pay for their infrastructure, can pay for them.



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Unless we do - address the issue of pricing, we will not be able to adequately address the blend of commercial infrastructure investment and government subsidies, which will be needed to provide our infrastructure of the future.

The present road pricing system creates a general pool of funds in the form of registration charges and fuel tax levies. The present method of funding provides no basis for future pricing systems or infrastructure funding platforms. It does not address distinction between routes and major transport; distinctions between peak and non-peak demand; the tracking of actual demand; incentives for additional investment in high-demand areas or methods for moderating demand. The formulation does not take into account the different costs of providing infrastructure between different beneficial users.

It is a blunt form of taxation without any of the benefits of being able to moderate government areas of subsidy for public purposes from those areas which can be commercially paid for.

Some lobby groups say, just keep it as it is; it's happy with the way it's going. That response does not provide a basis for addressing the inadequacies of the present system, nor the ability to fund the future needs of a higher demand system, without being fully reliant on government or a taxation in one or another form.



We also need to sever our road funding from being reliant on a fuel-based tax levy, because as alternative energies are being used by cars and will continue to be substituted for cars over the next decade, the fuel price levy will be getting diminishing returns, yet the demand for infrastructure will go higher.

As our cars become greener, their fuel usage will become leaner.

We need to begin to address a new paradigm for transport infrastructure development and pricing. And today, I wish to outline some of the elements that I see should form part of that national transport development and pricing program.

There should be a recognition that investment in infrastructure should have a return on capital invested. A pricing system that recognises capital investment returns. A differential capital investment required for different capital requirements should be recognised. We need to differentiate between peak and non-peak demand. We need to differentiate between users on a commercial basis and the social good usage which should be subsidised. We need to incorporate the externalities in costs of our transport infrastructure. And we need to incorporate a recognition of spatial usage in its pricing of capacity.



We need to track actual usage against the infrastructure capacity and the location of that usage. So, therefore, we can identify the bottlenecks and opportunities for further infrastructure demand or investment. And it needs to be paid for according to the actual usage.

We need to effectively address the safety and compliance issues, such as fatigue management, speed compliance, weight or axel restrictions.

Such a pricing system can, therefore, assist in determining the priorities for investments, and those investments which are commercially sustainable between those which require community service obligations from government.

The system should promote opportunities for infrastructure investment from the private sector, and distinguish from those that require a blend of government and private investment, and those which are just social obligations.

Unless we address the overall transport infrastructure pricing mechanisms, we run the risk of a nation full of bottlenecks and blockages to our economic development and the subsequent effects upon our quality of life. Or we may actually invest in some optimal infrastructure and waste the money. Without an adequate pricing system for transport infrastructure, we will not get the balance right.



[Applause]

LAURIE WILSON: Thank you very much David. If I could ask Geoff Thomas now to - from Woolworths to move to the podium. Thank you very much Geoff.

GEOFF THOMAS: Thank you Laurie. Afternoon ladies and gentlemen. I'm here on the panel as I think to represent what I describe was the end user's view of this.

David's preparing the tracks. Lindsay, no doubt, will talk about who's got the equipment, including many trucks. We've got the business that actually puts those to use in a pretty significant way.

So I like to think that what we talk - what I talk about here this afternoon, in these next few minutes, is representative of a lot of other corporates out there who are on the sidelines, or are actively involved depending on where they sit within the logistics business.

So if I think about the context of how transport infrastructure first of all fits to our agenda, we're a very prominent player in this business. We have 3000 outlets around Australia, in many different formats and they all have very unique logistics challenges and that some of them are very far afield and we move product every week from Melbourne up to Gove or to Weipa and around the country and back again. So an extensive user, we probably do about 400 million - I think it is, at latest count -



kilometres every year, to move product from supplies through to our network of stores. Twenty-five thousand, or thereabouts, vehicle movements. We estimate out there that there's about 3000 pieces of equipment that we deploy in our business. So we're very prominent in that end user space and we're very active and logistics is a core competency that we regard in our business.

How does it link to what our business agenda is? Well clearly we are measured by Woolworth shoppers - who I'm sure many of you are - on our ability to provide competitive grocery prices. Competitive, but also fresh and highest quality. And infrastructure plays, and the future of infrastructure, plays a huge part in that.

Obviously the ability to introduce efficiency into infrastructure allows us to pass on that savings, those immense savings of moving product around Australia, back to consumers and that's our number one goal. And if we had more efficient infrastructure, right, that provides us with reliability - because that is a key part of our business when we're talking about moving fresh food around - well that allows us to engage again in an important way with our customers, and we see that as the most positive aspect of this.

In our execution of that vast logistics network that I talked about, safety is also key to us. We believe that it's absolutely paramount and have been on a drive for many years now in terms of improving

that. We've partnered with the Australian Logistics Council and Lindsay's team, TOLL and our competitors which is quite unique to bring together a group that fosters the retail code of conduct.

And that's in response to fairly disparate legislation, state-based legislation, that is difficult to navigate through. We saw the need to actually do that and I'll come onto that theme a little bit later.

The other key deliverable that we think about in executing our logistic business is around emissions now and emissions reduction. And absolutely transport infrastructure at its effectiveness and dare say - I believe in move over time from road to rail plays to more effective and reduced emissions reduction, if you compare the efficiencies between road and rail and equipment that we operate today.

So all of transport infrastructure is core to our business as a major corporate, as it will be for many others.

What do we think are the paramount things that need to change for us to be more effective and us to have confidence in investing, all right, in new areas in our business for the future and many of them are long term investments?

The first one is what I describe as a concept but it needs to become reality and that's a harmonised long-term view of transport infrastructure. So we



need a national view on development priorities that captures three main areas and that is that we look at it from a long-term perspective. We look at it from across state border geography perspective. And we look at it most importantly from a mix mode perspective.

So how do we bring those - all those modes that we have at our disposal together to be more effective?

I think it's fair to say that in this space, for a long period of time now, we've had decisions that have dominated from a state-based view and a short-term view, and we need to move out of that realm of playing catch up. And it's very important that we, as a business, are able to have confidence in investing in distribution centres just to take an example, all right, that need to integrate with transport infrastructure and we build those for about a 20 year life span.

So we need confidence when we're making those decisions around what's the piece of transport infrastructure that we're actually going to tap into, when making those decisions.

Integration modes I talked about, but it's about the linkages of modes that I think has been missing. It's that view of how do we consider them not as disparate pieces but how do we actually bring those together?



The biggest opportunity that I think we see and the space that we are not as developed when we compare ourselves to other western economies is the intermodal road-rail transfer points. That is a huge opportunity for us. It's green-fell, it's been visionary, it's identifying where they need to be so that again, everyone has the confidence from a business perspective to take into those.

The linkages to ports is a key one. Let's not just consider them as isolated entities but they've got to tap into the rest of the network. The other interesting one is coastal shipping. We need a view on where coastal shipping plays in the future.

Regulation, the priorities is one piece in terms of planning, but regulation is a similar thing because regulation is about best use of the assets that we currently have, because we've got to combine this with what's the long-term view with what we've actually got at our disposal now. And I think David - that was part of David's' point is we've got to address this in a different way.

Regulation and governance that's nationally consistent is an important part of this discussion. The different state legislation that we navigate through is - obviously produces red tape as we colloquially describe it as, but it adds cost and complexity and it doesn't provide confidence in investment. And some of the examples that I would give in there is a classical one for our business everyday, and I talked about the deliveries that we



make to stores and you would have all seen those trucks that are plying around our capital cities and on our regional highways and the like, as well. We'd actually like to see them moving on some of those routes in different times to what they do today.

But in about 50 per cent of the capitals around the country we have curfews imposed that say that we can't operate after a certain hour at night. Now those curfews were - had very good intentions but if you look at the equipment that's available now to us with noise abatement there's a great opportunity to actually overcome that.

So you really move those trucks, those heavy vehicles, out of the peak areas, the peak times of the day when all of us are actually moving to and from - principally from our place of work, back home again. And it's a simple thing like that. But for us to actually achieve that, we'd have to engage with probably about 200 or so councils, local councils and local government to actually - to achieve it.

So it's a big investment to make when you've got that sort of challenge so the regulation, all right, and having this consistent view of how we best use the assets we have is an important part of us getting this right.

Encouraged to see the recent decisions from the Australian Transport Council last month about



regulation coming together, single, you know, heavy vehicle regulator as well as rail, as well as maritime. I think we - our view would be we'd like to see it all come together so that we can get this complementary view. That's ultimately where we think it needs to go.

A bit about our view of future modes. Rail, we believe, is absolutely undercooked in Australia and particularly on the eastern seaboard. Road congestion, as I talked about, huge and growing issue; we've got to start to address it in a short-term and longer-term perspective. A shift, we believe, makes absolute sense for our business from a safety, from an environmental, and from a cost perspective, as I talked about, so that really plays to our agenda.

Most businesses of our size don't think of using rail unless the distances are over 2000 kilometres and we actually think that could be a lot shorter, but that's the mindset of business right now, we do it only where it's bleedinly obvious. And so the opportunities are not being taken up.

David talked about the corridor, the north-south corridor on the eastern seaboard, and that's Melbourne, Sydney to Brisbane, and I think the rail market share is probably around 20 per cent. It should actually be about - at least double, about right now, so what an opportunity that is for us to take up.



Reliability in rail is the key for our business, and we need this consistency when we're moving fresh product potentially. On rail, we need to understand that it is absolutely going to be there on time, and that's been the bane of our engagement with rail over a period of time. So there's plenty of work to do, apart from infrastructure, but infrastructure plays an important role.

And on that corridor I think it just highlights the things that need to happen, for this to come together in a complementary way, because we need the infrastructure development that gives us the ability to move product that's on its way from Melbourne to Brisbane, through Sydney effectively. At the moment it's dogged by curfews, because there's not a dedicated rail link, so that is a shorter-term opportunity, and a massive one, to actually ensure modal shift.

And then there's a longer-term need to actually look at, do you need to bypass Sydney over a period of time? And then there's also a need to actually look at the road infrastructure, the treacherous Pacific Highway, that many of us could relate to, and we need to actually do that as well.

So that goes back to the point of the type of views that we need short-term, long-term, mixed mode, to actually get the message.



The final opportunities I talked about is that coastal shipping is another one that's largely ignored in this business. And while it's not something that we can readily tap into, I think there's a lot of opportunity for manufacturers to move product from manufacturing sites to other warehousing locations as well, that is less time-sensitive, heavy product, all right. But we need intervention there, to get business take-up.

Overall, we'd say that there is a great opportunity to change that mix of modes, however, road will always be king, and prominent in our business, when we move product from a distribution centre to a store, there isn't another opportunity and I think rail would have a great deal of difficulty in tapping into that.

But ultimately it's about we need this view, that's the consistent view that brings the modes together, that addresses short-term, long-term. All right. Makes some hard decisions for the future. Reserves, land corridors where necessary. But that's what we see is about the core, and the crux of getting it right.

Thank you.

[Applause]

LAURIE WILSON:

Thank you very much, Geoff. Let's hear now from Lindsay Fox.



LINDSAY FOX:

Earlier this year, I picked up a brand new B-double. B-doubles are roughly 25 metres long, have 600 horsepower engines, and 18 speed gearboxes, and have a gross combination weight of about 72 tonne.

On this occasion I took it from Melbourne to Adelaide. And as I got near Ballarat, there's a terrific roadhouse on the right, and my co-driver suggested that we pull in there and have breakfast.

So I pulled this truck up, parked it beautifully, I was quite proud of myself.

[Laughter]

Gone into the roadhouse, and in the corner was this little old guy that must have been driving between Melbourne and Adelaide for the last 50 years. He's got his bacon and eggs in front of him, and he started to eat them. He looked up at me, went back to his bacon and eggs. I sat down at my table, not far from him, with the old laminex top. He picked up his cup of coffee, looked across at me, and said, 'Shit, things must be tough at Linfox, if you've got to be driving'.

[Laughter]

Part of Australian folklore in trucks.

But Linfox today has something like 20,000 people operating in 11 countries. Four operating divisions.



Logistics, property, Armaguard, which accounts for 82 per cent of all the cash collections in Australia, and we have two airports, Avalon and Essendon.

Linfox Logistics has 16,000 employees, half of those are currently employed in Asia; a fleet of 6000 vehicles, and in excess of two million square feet of warehousing - two million square metres of warehousing.

Each year we deliver five billion litres of gas or fuel. We transport in excess of a million tonne of wood products. We move 250,000 tonne of copper from Olympic Dam. We travel 300 million kilometres across Australia and New Zealand per annum. We pay \$3.2 million a day wages, seven days a week. And we contribute to the Government's economy by paying \$2 million a week excise on our fuel.

Our business has grown in the most recent years, during a period where we adopted less is more. We cut 300 customers back to 100, and in that same period of time, we have more than doubled our business.

Our organisation and our customers support two key functions today within our organisation. One is a focus on safety, which today is demanded by most of the major companies around the world. Safety is their first, I guess spoke in the wheel. And then secondly, what's very current today is the



commitment to the environment, and we have a whole team of people, just on those two - how many, David, have we got just on both of those areas, people?

MALE SPEAKER: [Indistinct]

LINDSAY FOX: Seventy. Over 70 people in our company committed just to those two specific areas.

We also have taken a journey on lost time injury, we call it LTI, and we set this program two years ago when we started our own self-insurance, where we have reduced from 30 to three hours per million hours lost, so 30 per cent to three per cent, or 2.8, I think it was, wasn't it? Two point eight was the most recent figure, of lost time through injury.

We brought on Vision Zero, a strategy that related to no drinking, no drugs and no accidents. We've achieved the accident one. People get random tests. We're probably up to, how many tests today, David?

MALE SPEAKER: [Indistinct]

LINDSAY FOX: Six thousand-odd tests a year, and they're all done randomly for alcohol and drugs.

When we first started it, the union took us head-on, and said, you can't test your people. We went back to the unions, and said, well, you give us an



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indemnity that if we don't test and check, that you will be responsible for the accidents and deaths? We never had a problem and today we have a fantastic record, probably the best in all of the industry.

And Vision Zero is embraced right throughout the 11 countries that we work in today, when you consider that most of these countries are prepared to adopt the standards that we have in Australia, we have to set an example to them and we're in the process of trying to do that now. But Vision Zero has been an absolute total success, not only for Australia, but all of those countries that we currently work in. When you think of New Zealand, Australia, Indonesia, Singapore, Malaysia, Thailand, Hong Kong, China, India, Vietnam, Philippines, and all of that's come about over the last decade.

In the environment, in 2006, we suggested we'd reduce our emissions to 15 per cent from where they were. Last month, we surpassed that target, and we had Ernst & Young audit our numbers and we were 28 per cent below our figures of 2006. Once again, those strategies sort of are things that people can really pick very quickly, bottom fruit.

I looked at some statistics today and we're using less fuel and covering more miles, just through driver education and the acceleration of unnecessary requirements, by just letting the vehicles run to their rev levels, not their speed.



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With our format of what we do in Australia, flowing onto the Asian Pacific region, I'm one of the three directors representing Australia on the APEC business board and we are introducing some activities there that give us a standard procedure with driving times, weights, speeds, and the impact of that, I think, will be enormous.

We have an APEC conference in Melbourne in February, and Minister Albanese has invited the Transport Ministers from New Zealand, Singapore, Malaysia and Thailand, which will give us a group of five. And then after we get all of them onboard with a standard set of regulations, we'll probably get all of the next lot of neighbours within those specific regions trying to herd up 20 sheep is a tif... a very difficult battle. But if you get five at a time, it's not as bad and that's the approach that we're taking.

The regulation of this on the region is enormous, but firstly we need to get our own house in order. A hundred years ago our forefathers decided it was in the interest of each state to have separate rail gauges. I'm that old I can still remember them jacking up the trains at Albury-Wodonga, changing the bogey and then running onto the other state. Well, I'm afraid lots of those regulations and rules, identical to the old process of Albury-Wodonga, are still in vogue today.

In Australia we need a standard set of rules. We need to flow that on to all of the neighbours,



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through south-east Asia, so that we all work on common denominators. In the early days a man would jump in a truck and he might do three return trips Melbourne to Sydney. Well nobody can safely do three return trips from Melbourne to Sydney.

The aspect of a maximum driving hours is essential. The European Union currently work on the basis of there's an onboard black box, no different to that in an aeroplane. And in that black box, you use a credit card like a drivers licence. When you get in the truck, you put that in the top of the black box. That then registers your name, the time, where you are and you have to keep those records for two years. So somebody can come in, check all of the detail and find that you've been speeding, you've been driving in excess of the hours that you should have been doing and have a complete format that company's have got to be totally responsible for what they do. It covers the payload and everything.

We're trying to implement that through APEC and the first thing to do is to get this same situation in Australia. There is nothing worse than our managers having to knock on a door and a woman come to the front door, and as soon as she sees the boss of the company, breaks down and cries because she knows her husband's probably just died. And we've had to do that six times in the last 12 months.

So we're doing everything within our power to make sure that when people come to work at



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Linfox, they get home at night safe and ready to work again. Under no circumstances do we want to have any breaks in the law of driving times and minimise the aspect of accidents is the format that is part and parcel of our charter every day and we want this implemented right through the region.

When the - we were talking - or you - the earlier speaker was talking about the intermodal activity. We can take the leaf out of the books of places like Genoa who bring in ships from all over the world to the port. They double-stack containers on rail, take them up to Milan and then do the distribution into Southern Europe and Northern Italy. You can then look across at Long Beach, California, that load up the ships today day with 24,000 containers on the latest ships, for container movement. And adopted the same attitude of bringing into deep water port, moving across to regional redistribution centres, to take a tremendous amount of road transport off the road.

Once again, it's got to be part of the safety plan. In Melbourne there's 9000 to 10,000 movements of containers in the wharf area daily. The congestion that that creates over the Westgate Bridge and in the Port of Melbourne, is absolutely ludicrous.

Forty years ago in England, everything was done at Docklands. But in those days they used to load the ships bag by bag, in the open hull. Then they went to a thing called a 20 foot container and they loaded those containers, but if they kept on loading at



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Docklands they would have choked up the city of London worse than it is today. They moved down to a place called Tilbury in Southampton [sic]. And down there they have container movements today that will take all the big ships all over the world in deep water ports.

We have an opportunity, in the next few years, to probably elaborate on the potential of Queensland, particularly the Port of Queensland, as long as the inland rail goes from Brisbane to Warwick, Warwick down to Parkes. Double-stack the containers, in that particular movement. Take all the trucks off the highway, on the east coast, and let them double-stack which reduces the cost by half.

If you have a ship coming into Victoria, where I live today, and they've got to come up the Bay and the maximum capacity might be 8000, the cost structure of moving 8000 compared to 24,000 is enormous. From China to Long Beach, California, on a 24,000 container ship, \$400 a container. In Australia, to move that same container from Melbourne to Sydney would probably cost you \$2000.

So we've got to pick up with what's going on in the world. Maximum units, minimum cost. We do need redistribution centres. We do need to move away from running transport operations in the centre of a city, particularly the east coast of Australia.



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Melbourne need it. Sydney can't keep on running with Mascot; they need to move out to one of the deeper sections, whether it's Newcastle, or Wollongong. We've probably got to move to Hastings. Henry Bolte, when he was a Premier 20 - 45 years ago, designated that as a deep water port and the impact of that would have been enormous. Now the land all around Docklands is probably the most expensive land in Melbourne and we park containers on it.

So the cost of disposing of one lot and building the other for the twenty-first century is certainly there and Brisbane's in the fortunate position that they've got the capacity to do all of these. All that comes back to you now is a thing called vision; people believing in what we need 50 years from today. And we can pick up all of those aspects by looking to what is the world's best practice and bringing it back to our own backyard.

Thank you.

[Applause]

LAURIE WILSON:

Thank you very much Lindsay Fox. Well we've heard from our speakers. Next we'll have questions from our panel, but first we'll take a very short break.



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Don't run away though, because it's not a very short break. It will be - it's a very, very short break [laughs] as we just remove the podium.

Are you ready [indistinct] the first question.

MALE SPEAKER: Yeah, absolutely. That's fine.

LAURIE WILSON: Thank you very much. Let's resume now with questions from our journalists. I'd like each journalist to - on the panel - to firstly identify themselves. I know I introduced you earlier, but perhaps identify yourself.

We're going to start with Carson Scott from Sky Business. But in terms of the way we'll run this, if you could say who you're addressing the question to - it maybe all of our panel members, it maybe just one - if it is just one, then I invite the other panel members, if they'd like to make a short follow-on statement.

Carson Scott.

QUESTION: Gentlemen, can I ask this question of each of you?

David, what - indeed, all of you, without exception referred the need for a new approach - in David's case it was a new paradigm. Geoff harmonised long-term view and finally Lindsay, a standard set of rules.



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Now gentlemen, in fairness, we've been banging on about this since Federation. I mean the [indistinct] bit of the discussion formed the very basis of a Federation debate. We still have not got it right. What is government - who I don't even believe is here today - likely to do to fix it now, if they couldn't do it then?

LAURIE WILSON: I think we do have a government Senator here, but who'd like to start?

MALE SPEAKER: He just left.

[Laughter]

QUESTION: All right, I rest my case.

LAURIE WILSON: Would you like to follow up that?

LINDSAY FOX: No, no, no fine.

[Laughter]

I believe that when each of you go home tonight, get in your spouse's side of the bed and see if you last the night, and if any of you want to punt it, I'll put \$100 on that you don't survive the night. For custom and practice you've taken one side, your spouse has taken the other. You bring a different person to bed, you can have any side and they'll take whatever's left.



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[Laughter]

In the case of this scenario today that exists, you look at our rail system, you look at all of the states wanting to do their own thing because they think that is better than anyone else's, but today you have a Federal Government that is probably working to a standard procedure throughout all of Australia.

The European Union has a standard procedure and even America has a standard procedure today. We have to get set to be the leaders in this Asian Pacific region, because most of the others will follow what we do. And this comes back to a strong minister and a strong Prime Minister being prepared to change.

When you're in bed going from there to there it shouldn't make much difference, but because it's custom and practice and territorial stakes nobody does it. We've got to look at what is the best for our country; what is the best for the region and be prepared to do it. It shouldn't be a political issue. It should be what has to be done. And whoever's holding the purse strings in at the moment, the Federal Government are the ones holding the purse strings and if they don't jump, don't give them any bloody money. Very simple. Don't give them any money, unless they conform with the standards of the rest of Australia.

Now that's not difficult and today I think it's time that people adopted something that's going to have



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an impact on the cost of moving goods, because our costs are very high, but we can make a hell of a difference.

The infrastructure alone, once you put in a system to move road transport off the eastern seaboard roadway, which affects Queensland, New South Wales and Victoria - which represents probably in excess of 70 per cent of the population of Australia - they'd all be delighted to see the traffic move inland and the cost of the goods being reduced by 50 per cent, because one container on the top on a train costs you no more than just one container. So two for the price of one. Who wouldn't buy two suits, two shirts, two dresses, two pair of shoes for the price of one?

LAURIE WILSON: Geoff, David.

GEOFF THOMAS: Yeah, I'll just add to Lindsay's comment in that space. I think the question's about what's different, what's changed in the circumstances that give us some sense of optimism about why this may happen. I think there's a fundamental shift in a number of areas in the community which actually flow back into the political cycle and I touched on some of those.

Lindsay's just reiterated those again and that is safety and road congestion. We don't - we talk about that very frequently now whether we're engaged directly in industry or not.



We didn't used to talk about it to the same degree going back a decade ago, and if it - and it's only continuing. And our discussions around numerous ones and very political ones of recent times, around carbon trading, ETS schemes, but the bottom line is I think we're all onboard to reducing emissions. And the community has a strong sense of that as well.

Safety is paramount and paramount to everyone and we see there is a lot of communities who are impacted now to the point where it makes life extremely difficult. That flows back into the political arena, much more so than I think it did in the previous decade and you can see that the decisions that are being made, I refer to the one in the Australia Transport Council around regulation, infrastructure Australia, there's a real sense that we need one consistent view on these and that's a community view and that's a view that - that political agenda will have to play to and I think that's a fundamental difference.

QUESTION:

There might be a sense over that, but we don't have it. We don't have one umbrella body identifying one agenda. You've got as you've just defined, different vested interest groups putting forward there own views.

GEOFF THOMAS:

Yeah, absolutely and the challenge is for the Federal Government in particular to respond to that. Are we seeing the signs that it's happening? I think that we are, we've got more to do.



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DAVID MARCHANT: Yeah I think some of the elements are actually coming to together. You can't turn constitutional Federation upside down overnight and the reality is those who have tried it have never succeeded.

This government seems to be seeking the process by a process of love, attraction, and reward and is getting from that process things such as last Monday they - every state agreed to a major cities 30-year program for every city, a plan in place and if failure to get a plan in place, the Commonwealth are going to tighten up the purse strings. Very critical, long-term planning needs to fit into a strategic cycle.

Secondly we're having the issues of carbon trading and fuel prices. Now my issue is that the infrastructure costs that we'll require for our task won't be met by our present taxing base and that the - and that some of the visions of an inland railway, it may be built, but unless pricing systems are changed between road-rail and framework it won't be used . So it will be empty.

The issues are that we need to address the carbon, the fuel and those issues because they drive changes. They drive changes in our cities, in our transport infrastructure. My fear, unless we get those institutional strategies starting to work together, we're going to find that we're in the crisis of fuel prices hitting \$100-plus a barrel, carbon trading coming through, shortage of long distance truck drivers because of other choices and find that



we, in fact, can't get our goods moved because we didn't get the infrastructure in place, because we didn't put the institutional tools in place to make sure it happened.

Now effectively I think COAG and the rest are starting to get that but you need, obviously, a number of institutional changes to provide those incentives.

I think the elements are coming together but, you know, that means we have to change, not just government. That means we, as a society, have to change the values we put on things and we have to recognise the distribution networks are actually quite critical to our economic welfare.

QUESTION: So what about a per kilometre charge for using roads a la the Henry Review Proposals which are yet to come out, but that's arguably what's going to be on the agenda?

DAVID MARCHANT: Well I think you got from my opening comment that I was probably a backer of that.

QUESTION: Blunt form of taxation you said.

DAVID MARCHANT: Well I'm a backer in two senses. Picking up Lindsay Fox's comment about the black box framework in Europe - and I recognise that Europe has the lowest freight on rail in the world of any continent by the way, it's the lowest freight on rail - the black box



with regard to the trucking system, you extend that black box to a situation that carries the actual load and the route, you'll be able to identify the routes that are being used and, therefore, make sure your road funding goes into those routes.

There are many local government areas in this country that don't get funded for mass distance for roads that are abused heavily by trucks, but nobody recognises it because it doesn't get counted so you need to actually track to put the right investment in place.

But secondly, you then deal with the safety issues that Lindsay portrayed. You extend that subtly to some car areas that are commercial, those commercial car activities. You reduce the fuel tax in those areas and take the tax out and, therefore, get a user charge and you just leave a basic tax charge for ordinary day car users until they get to too high a usage.

There are methods of actually achieving that outcome which are both environmentally efficient, fuel efficient, and also have the right rewards and incentives for utilisation between peak and non-peak periods.

It's an extension of the very - the Fox black box exerciser. We do need to challenge that, we do need to move along that path but that means we, as a society, need to think about change, not just

government. But effectively to do that, we need to actually get those debates going or we're going to end up finding that all the things we see should be in place may not be in place when they're needed.

LAURIE WILSON: Sam Collyer from Lloyd's List.

QUESTION: Yeah, my question's specifically to David, but the others can tackle this too.

The state governments around Australia have a stated policy of not trying to move more freight to rail. Some of them have put in percentages and we're looking specifically at ports, because that's generally what the state governments are controlling. Sydney, for instance, has had a 40 per cent target for more than a decade now. Now over time, while their volumes have actually gone up, the percentage of the total port through port that rail is actually handling, as a modal share, has actually gone down. What has actually gone wrong and what will trigger more freight to rail?

DAVID MARCHANT: Firstly, Sydney as you know, there was a lot of upgrading. We've just taken over Botany Yard and are reconfiguring to let longer trains in. We're about to take over the passenger rail there between the port and Chullora and making it a freight rail and separating it from the urban system so you can get trains in and out.



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All those institutional things like building an inland... all those institutional things are kind of happening.

The problem isn't the institutional things alone. Eighty per cent of the product from Sydney Port gets delivered within 80 to 90 kilometres of Sydney Port. And effectively setting a target that you're going to have it go by rail actually doesn't deal with the distribution network. The issue of actually getting a corridor, a hubbing framework which Lindsay referred to - and that is getting it out of the port area quickly on a train to a new hub further out from the density area of the city and then hubbing it to those places within 80 kilometres - is an issue of changing the paradigm of how you transport and get things out.

We need to move our customs' centre out, we need to move our aqua centres out, we need to move the stuff quickly out of the port area and the congested area, and then redistribute. That requires a whole paradigm shift, not just building infrastructure, because quite frankly, building an infrastructure and then putting it on to a train to travel 30 kilometres, to then be taken off a train to go on a truck, effectively, is not cost effective.

Now you can set whatever targets you like, but if the pricing and the rest do not actually reflect those targets, nobody's going to understand the targets because they're going to do what's most efficient for their goods. We need to think differently about how



we create incentives and disincentives for that behaviour.

Now in Melbourne, we actually operate Melbourne Port rail yards all the way out, and they're also got similar targets. And their thing is growing. But the reality is they'll never meet their target whilever [sic] 80 per cent of the goods are actually distributed within that 80 ks, and you don't then move to either moving the goods out to a new hub centre so you get rid of the congestion around the centre of the cities, and then hub them out from that by truck, but you can't do that unless you send the right pricing singles, and you put the right resources in place.

Governments setting targets are wonderful things, but unless the pricing systems go with it and the institutional frameworks, no target will be met.

LAURIE WILSON: Geoff, Lindsay, a comment.

GEOFF THOMAS: I - certainly if I will comment to that specific target, which is clearing Port Botany and the 40 per cent.

I referred to, earlier, about playing catch-up. I think this is very illustrative of the vehicle for that 40 per cent is an intermodal terminal which is located at Enfield, and later on, one which is located at Moorebank. However, the industry reality is that ours, and other major distribution centres, are on the other side in western Sydney, right. And they're the



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very very simple things that David's commented about - how will you ever achieve that target when you're moving product to a place that is arguably just as inefficient as where it originated.

So just to focus on understanding where industry is at and aligning to what industries needs are, and that's fundamentally flawed in my view - in the vehicle that we have, it's going to achieve the 40 per cent.

DAVID MARCHANT: Sorry, just, can I just pull you up on that. The - just from the users perspective, would something like a peak charging framework that would target specifically road, would that trigger perhaps more freight to move to rail, or better planning of intermodal terminals?

GEOFF THOMAS: Oh, it always comes down to the mechanism, and David talked at length of the appropriate mechanism, and what that might be. But whenever there is a fundamental inefficiency with where the infrastructure's positioned, I don't think the taxing regime is going to end this with where we want to be, and that's the lowest end-to-end cost.

LINDSAY FOX: The Port of Melbourne happens to be one mile from the centre of the city of Melbourne. If you look at the framework of the arteries in your body and the heart, the heart is here, and this is where they have triple, quadruple, and five bypasses, because the flow of blood gets congested all around the heart.



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Not at the end of the big dough.

And if you look at the centre of Melbourne having the congestion of the port within one mile, it stops all the flows of traffic in that city. Therefore, they have to move on a train, as soon as the ship comes in, straight out for satellites, one at Broadmeadows, one at maybe Dandenong, and long-term work out how they can ultimately come from a deep water port that can take 24,000 containers, double-stack the containers into the regional centres that are 10 to 20 mile out of the centre of the city, because they'll then deliver the goods directly into the area that they're got to ultimately go.

At the moment they go through all the residential areas to go from the Port of Melbourne to any redistribution centre. And that's certainly the simplest way rather than putting tunnels and bridges to take you from one side of the city to the other. It's not as bad anywhere else.

LAURIE WILSON:

Before I come to Sid Maher, let me just pick up on that point because it was certainly a critical point I thought you made, Lindsay, in your opening comments.

There's an immense amount of money being spent by this government on infrastructure. And, of course, there's talk of much more needed. And it may be simply that I'm not aware of it, but I'm certainly not aware of any great discussion around



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this notion of moving these operations out of non-urban a... sorry, into non-urban areas to deep water ports. But I'm assuming you, at least, will have raised that with government? I mean, is there any discussion about these things?

LINDSAY FOX:

There's been nothing put on the table. The last time there was any revolution in it was probably the Keating administration where he opened up some access roads around Footscray to get in. The bonus probably in New South Wales would be the development of something between Port Kembla and Sydney, coming straight in there, and feeding directly out. Huge upside to it.

And once again, the value of the land at either Botany or the Port of Melbourne, is virtually prime. And the money they got for that would be more than adequate to spend on new developments elsewhere. That then becomes probably one of the first infrastructure projects that should have been done 20, 30, 40 years ago, but there's been no vision for it.

LAURIE WILSON:

David. I see you're nodding. I'm not sure if you want to make a, add a contribution.

DAVID MARCHANT:

No, I think people are starting to make those very questions Lindsay's raising, quite appropriately.

I mean, if we put the price of the land on the ports to the cost of the goods sitting there, you would



actually have very big price signals that's too expensive to leave them sitting there. The second thing is that the 30 year city programs are really aimed to flush these things out.

I think we're of the - we're at the edge where some of this home truths will start to come out rather than this short-term thinking - I'm going to do something for tomorrow, for the next three-year election and find that six years later, it's even a bigger disaster.

So I mean, I think these things are starting to flush their way out.

LINDSAY FOX:

Incidentally, I'm talking against myself when I'm talking about putting things on rail. But you know, we're only here for a short time. I've got probably less than 10 years to go.

[Laughter]

And I'd certainly like to see some of these things that are in the interests of the nation. We're only here for a little time. It's our kids and our grandkids that are in a - really going to get the benefit of our experience.

Don't wait til they come through and sort of sort it out in 30 or 40 years. You know, I've had 55 years in this caper - you know, a 16 year old high school drop-out. And most of it's common sense. But we've

got to get politicians to think in terms of common sense, and that's difficult.

[Laughter]

LAURIE WILSON: Geoff, you're happy to pass on it, or want to take it somewhere?

GEOFF THOMAS: Look, just a few comments on that.

I don't think we're seeing the plans are afoot, the revolution that we're advocating. I think it's about what's complimentary or adjunct to how we currently operate and to remove those blockages.

So it's still in summary too short-term in nature.

LAURIE WILSON: Well we have Anthony Albanese launching the aviation white paper at the club shortly, so perhaps it's an issue that we might raise with him.

Sid Maher from *The Australian*.

QUESTION: Yeah, I just wanted to follow on from this. I mean, Lindsay spoke about vision and, you know, I'd like you guys to - I'd just like to put you on the spot.

Do you think our current crop of politicians exhibit the vision to actually solve these problems that we see? And do you think that we received value for money from the \$43 billion that are being spent on



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the stimulus spending? And do you think there should be a transport revolution and Kevin Rudd should talk about calling in regulations to the states in the same way that he wants to call in regulations with health?

Each of the three of you.

LINDSAY FOX: Do you want me to start?

LAURIE WILSON: Well there you go. There's nine questions between the three of you. So Lindsay.

LINDSAY FOX: I believe the aspect of getting anything done comes back to a politician being ballsy enough to say this is something that needs to be done for our nation. I'm going to have this thing on whatever fast track is necessary to get us to that particular point. And I think it's probably one of the vital things that we need to do.

That, in turn, in following the format that we've put forward, cleans up the highways on the east coast of Australia for the ordinary motorist because, all of a sudden, there's no trucks on it. And any of you that have driven any distance on probably Saturday or Sunday morning on the highways of Australia, it's easy going. Start at three o'clock on Sunday afternoon and you're going to get stuck behind a B-Double. And people get very nervous when they've got to try and - either try and pass, or get into that specific area.



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So implementing a call-in process by the Federal Government would be good.

All of the others ones I'm not going to answer because I'll finish up fighting with half a dozen politicians tomorrow.

MALE SPEAKER: [Laughs]

LAURIE WILSON: Geoff?

GEOFF THOMAS: My sentiments exactly.

But do we have a need? Absolutely. Are we seeing the right signs from the Federal Government in particular, in reigning in the areas? Yes, it's a softly, softly approach right now. It needs to be. I think we're all advocating, more aggressive than what it is.

And I'll go back to what I said earlier. There is a strong view in the community, for all voters out there, about the need for this change. And if I look at New South Wales, I regularly see that is the number one issue, all right, on voters and the community's mind, is about transport revolution.

So the motivation's there. It remains to be seen whether, I think, the political will supports that and we get that into the space in a very tangible way. And in a short timeframe, that's the other key thing, is in a year or two, that...



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- QUESTION:** I guess when you hear words like process and plan, does, that fill you with confidence that something's actually going to happen or, you know, refer... I'm just referring to the recent COAG meeting, there was a - another 30 year plan, does that mean that there's actually going to be some action, or?
- LINDSAY FOX:** A 30 year plan means somebody else has got to do it.
- [Laughter]
- How would you like to go home to wi... to your wife tonight and say; in 30 years time we're going to make love. She - you won't be able to make it.
- [Laughter]
- And that's the same with pollies. That's a promise that can't be met.
- LAURIE WILSON:** David?
- DAVID MARCHANT:** I think, with respect, 30 years is about hav... actually having a vision of where you want to be in 30 years, rather than having a vision of where you want to be in three; as distinct to the plan being one to be implemented in 30 years time.



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I actually do think that one of the problems is that everybody would like action tomorrow, but they aren't agreed on what the action should be.

And everybody would like a decision about moving from the hubs of the ports, which I agree with totally, but we can't get a consensus of where to.

And effectively, you know, I - on the political thing, I think all the politicians are terrific.

The issue is that...

[Laughter]

The issue is; they will move when they think the electorate's ready to move.

We're all sitting here attacking the politicians for not giving vision, and one of the problems is; if we actually motivated people to see what the issues are and how it's going to cost them in their cost of living and cost us as a nation, if we could get them convinced around those issues, they will actually be happy to move with the vision of the politicians.

The politicians will not be, necessarily, the strident leaders out in front of opinion. They'll [indistinct] ride the wave just in front of opinion.



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We have failed to actually get across the grave need to actually move on these issues or we and our children will suffer in years to come, both in the quality of life and their economic wellbeing.

And effectively, unless we get those issues across and people start to recognise that gridlock in our cities and the inability to move goods and services around because we didn't make decisions today have an impact on the quality of our lives and they have an impact on our environment, they have an impact on what we can afford to do as a nation, we haven't got that across.

If we get that across better, through forums such as this, politicians will start to enunciate how they can move on that.

And effectively, you know, we expect too much of them. They aren't saints and they aren't going to be the Virgin Mary. But what they will do is they're to happy to break the Virgin Mary if they see there's a vote in it. We need to make sure that all those people out there can see that there's real issues there.

Now, the real issues aren't the individual proclivities of whether it's my plan or Lindsay Fox's plan or otherwise. The real issue is that we need to motivate those decisions and we need to get home to people; there's a cost of not making them. And the cost will be born by us.



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LAURIE WILSON: I take it none of you really want to buy into the question of value for money for the infrastructure spend, is that right?

Although I would have thought you'd be very happy, David...

DAVID MARCHANT: I am, I...

LAURIE WILSON: ...given that you got a lot of that, mate.

DAVID MARCHANT: I actually thought the 1.2 million to rail was very well spent and very well delivered so far too.

But I'm not against, actually, an increase in that investment over time. So I wouldn't want people to think that that should be the end of the journey. I think there should be more to be done.

LAURIE WILSON: Okay.

Look, I should just mention this is a little different to our normal event, today, as you're obviously, if you're a regular or at least an occasional, even an occasion attendant at press club events, we're planning to run for up for[sic] 90 minutes today, so if any of you are wondering when we're going to finish, it's a little while to go yet if the questions keep coming, and I think they probably will.



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Indeed, I think we got a couple of working journalists in the audience as well. If you would like a question, if you can just indicate to either me or our chief executive. We'll come to that in a minute.

If I might just ask - and then I'll come back to the panel - just one question, though.

David, I want to go back to the speech that you made when you addressed the club some 12 months ago, almost to the day, I think, it was in December last year if I recall correctly.

And I also want to pick up on something that Lindsay said and, indeed, Geoff referred to. And that is this whole issue around emissions.

I mean, there's a very huge shadow that's being cast by Copenhagen at the moment. We're all watching it. We're all listening to see what actually evolves from there. Although in some cases we've already been told.

But nonetheless, putting that to one side. Lindsay, you made reference to the fact that you've achieved a significant reduction, I think 28 per cent was the figure, in your emissions targets - reduction targets.

But if I go back and just quote something, David, that you said last year to the club, and this was as at December last year; transport share of CO₂ emissions, [indistinct] the transport sector's is



currently 14 per cent, if nothing is done - and obviously things are being done - transport emissions will exceed 66 per cent of the national target by 2050.

Now, even the massive gains and improvements that you've made would probably only just chip the edge off the surface of that, I would think.

What - how can you cope with this? What have you got in mind? I know you've got a lot of employees working on it, but you know, where is this going to leave you?

LINDSAY FOX:

With our company, the first test was the easy fruit to pluck. The real problem, when you talk of emissions to that tune; the average age of a truck in Australia is 18 years.

The Linfox average is two years.

Take ours out of the equation and the average age of the trucks are over 20 years.

Now, today the vehicles with no emissions are Euro 5.

So the Federal Government needs to incentivate people, by some sort of tax benefit, to eliminate those 20 per cent plus of trucks on the road today that are pushing out so much rubbish, it's a joke.



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And put them in the latest European spec which is Euro 5, with no emissions whatsoever.

Now, until the Government does something in that area, nothing's going to happen. But that effects, in turn, the rates. These fellas who've got trucks that are written off, that have got no cost other than, probably, high maintenance and repairs, if they have to go to a new truck they've probably got to increase their rates by 20 per cent.

And they're not going to be in a competitive position. They come to Woolworths and say, you know; I need a new truck, but if I put in a new truck I need a 20 per cent rate increase. Woolworths will nod their head. And most other companies would do exactly the same thing.

And the only way you can combat it in the short-term, is for the Government to make an advantage, either in a reduction of the tariff on fuel, the fuel tax, so that you go to the latest technology, to eliminate the emissions.

And probably, a fuel tax reduction is probably the most economical way of handling it. And then declaring; within five years, if you are not to Euro 5, your truck goes off the road, as in Singapore, where any cars 10 years of age have got to be scrapped. If you go to Singapore today, there are no cars beyond 10 years on the road. They're scrapped.



And the same thing here is totally applicable with a truck. And if we get around to something like that, we can certainly have a huge effect on the emissions going into the environment.

We got hit over the head - we go and visit all the fast moving consumer goods companies in the United States, and they account for about 85 per cent of what the Australian shopper buys in the supermarket.

So, we go to Heinz, we go to Campbells, we go to Procter & Gamble, we go to Kraft, we go to Mars. And on the trip two years ago, the chairman chief executive, the first question they asked; what is your emission policy going forward? What are you going to do to green the environment?

Up until that time we never knew that we put 280,000 tonnes of carbon dioxide into the atmosphere. Now, this was followed up by companies like Tesco, the biggest grocery chain in the world.

After they awarded us a contract for seven years, they said if you're not green in seven years' time we will not ask you to bid for our work.

Now the actual chain of responsibility in the emissions come back to fuel and the customer. Now if the customer doesn't demand it he'll get the 20 year old truck, and that's the one that's the polluter.



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In places like Switzerland and central Europe you have to have an emission test every six months on a car and a truck. Now we have to go and look at world's best standards and come back and say okay they need to be implemented here. Then you've got a chance of getting up to 50 per cent. I think we're currently talking - what are we talking going forward, 50? Come on now seriously, what are we talking about?

MALE SPEAKER: That target's yet to be set.

[Laughter]

MALE SPEAKER: I tell you what we've got a politician on the pay roll.

[Laughter]

LAURIE WILSON: Quick follow up comment if I could from Geoff and David.

MALE SPEAKER: My eldest son who is the chairman of the company is in Copenhagen on just this issue.

GEOFF THOMAS(*): Good place for me to come in from the customer's perspective, and I think it's interesting Lindsay's comment on someone knocking on our door. We actually led this several years ago with emissions in what's called Euro 5 vehicles which are the standard which comes into the country in 2011.



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We made a very conscious decision in our business that we wanted to see those in Australia operating in our fleets to be the first to actually achieve that. And we were. And we partnered with - close your ears for a moment - with the Toll group, and then now Lindsay's group as well to actually achieve that.

So when organisations have come knocking on our door we have absolutely been willing to work with them because we have specific targets in our business. So I think there's a real fallacy about what corporates are doing...

MALE SPEAKER: [Indistinct]

GEOFF THOMAS(*): [Laughs] standing on their - sitting on their hands in terms of not taking actions. But there's similar - the things that we are doing in this space is reducing the kilometres that we actually deliver every week, alright, in deliveries to stores. We're looking at aerodynamic trailers in the business, the Euro 5s that I talked about, bio diesel that we've already trialled in our business, and indeed LNG powered vehicles next year.

So we've got the full spectrum of what a short-term and longer term things that we need to drive in our business, and we do that in some cases in partnership with Lindsay's team, but a lot of these we've got a responsibility to actually drive these ourselves. And most other corporates I believe are

on a similar agenda. Ours is aggressive and we've got a 25 per cent target of reduction for every carton that we deliver in the next two years. That's the target in our business.

LAURIE WILSON: Time's getting away from us, I would like to move on. David you've got a good story to tell, but you've got to make a contribution nonetheless.

DAVID MARCHANT: Absolutely, and essentially and both comments agree in a rail perspective we need to actually renew our fleets to actually become more environmentally friendly although we are five times more environmentally friendly than trucks already.

[Laughter]

But that still has to be improved upon.

Secondly the customers, all of us are doing our returns and our greenhouse framework to the Commonwealth regulatory framework, and that actually forms the basis of us setting targets for all of us to change, even our customers setting targets, and Woolworths and others setting targets. That's what carbon freighting's for. And Europe has actually set those targets.

Part of the reason they can afford to give incentives for changing over trucks is they have a carbon trading scheme which captures the revenue to give the incentives. It's very hard to see governments



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dropping present taxation to also give the incentives as well.

What I would point out in that speech in December, that same day we actually released strategies that we looked at with regard to what would happen in the transport sector given fuel price and carbon prices, they're on our website, over the next 30 years.

And that addressed with our view that in fact coastal shipping will in fact become more economically viable between Melbourne and Brisbane and Brisbane and Melbourne in 2025 moving forward, and to Perth will actually increase in market share. Road will go down and rail will go up on the eastern seaboard.

All of that is based around the strategy going through fuel prices, carbon prices and what the effects would be in the market. All of that is leading to changes that will actually produce different carbon outcomes.

So all of these things come back to pricing pressures and people making rational decisions.

LAURIE WILSON:

Question from the floor, Louise Dodson from the *Financial Review*.

QUESTION:

A question to all of you. How important - you've just been talking about emission reductions



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voluntarily or according to standards. How important is it to have a national emissions trading scheme, bearing in mind what you've been saying before about different state regimes, there would be prospects of state emissions trading schemes?

LAURIE WILSON: Who'd like to kick off?

LINDSAY FOX: Yeah I could kick off on that. I don't understand it, and as a result I can't really comment on it. I think one of the problems about the trading scheme, nobody actually understands it. There hasn't been a complete process where you can work out how you can trade off. Is it dollars? What do you have to do about achieving this? And it's one of those scenarios that people talk about, but I don't think there's too many people understand it.

If you accept the fact that all of the people in this room would have some knowledge, how many know anything about the trade off on this particular scheme? Would you raise your hand?

There is one person in the room.

MALE SPEAKER: That's Lindsay's go-to man over there.

[Laughter]. He's the only one who put his hand up.

LINDSAY FOX: He's working against me on that case.



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[Laughter]

But I think that's a perfect example. Here's a group of people that are reasonably well connected to these specific areas, but unless you're directly involved your comprehension doesn't exist.

Now I hope my mates here on the right are a bit better equipped at this than I am, but we have somebody on the payroll but at the end of the day the money comes in or out of my pocket. And I don't understand it.

MALE SPEAKER:

Louise probably only marginally more so than you or Lindsay on where this heads. I think the answer for us is we need clarity in whatever the part of the package is. And I talked earlier about the fact that we've embraced the need to reduce emissions, and we have a very aggressive agenda with a portfolio of things. We'll continue to drive that agenda.

What we would ask for above all else is that we get on with what is the agenda around ETS and make that clear, and aggressively head towards that or whatever other means there is as a key mechanism for reducing carbon emissions. That's absolutely the key thing for us because without that it discourages investment, and what we need is the longer term investment. So clarity is a key thing.

MALE SPEAKER:

Louise I'm surprised in the last two weeks how much the business community have become wimpy



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on the ETS scheme. It was only a couple of weeks ago the Business Council of Australia were positively and strongly advocating it, and a number of other chambers, and today I'm seeing everybody getting a little bit wimpy. So I'm not sure what's happened in the last two weeks. [Laughter]

But something's actually turned - actually somebody's turned everybody from Viagra into a little bit wimpy for a minute.

MALE SPEAKER: How does that work? [Laughter]

MALE SPEAKER: I'll trial it for you.

MALE SPEAKER: The exercise in the end, we do need to put a price on carbon, there are a number of mechanisms of doing it, the reason we need to put a price on carbon is the very reason Lindsay went through a while ago, and that is, what is the incentive to change my truck over to number five category? And the incentive is, if I don't, it's going to cost me more to operate, and my customers will have to pay for it, because they've actually put a price on what the payment for that efficiency is.

So the whole objective is to put a price around that, so those rational decisions are made. What form that takes, I'm going to go with these guys and be a bit wimpy, I'm happy to see whatever forms come through, but that's essentially the framework of it, if



we don't put a price on it, we won't change behaviour.

We just had a discussion a while ago about why don't people go from a Government target of 40 per cent at Sydney Port, especially because the Government said so? It's because the pricing signals don't reflect what Government says. Unless the pricing signals in carbon reflect that, we aren't going to change our behaviour.

Now effectively though, in our economy, we need to actually protect our export industries, if the rest of the world don't put the same price on it, and we have to come to terms with how do we make those transitions without defeating ourselves in the international marketplace, and obviously that means we'd like to move with the rest of the world.

But you know, unless we put a price on it, and t... still protect ourselves in the international community, we are not going to move forward, and the price, whether it's for more carbon tax, or whether it's an ETS scheme, or whatever other framework, is still a price, and we just need to rationally move forward on it.

The catch 22 for all of us, is unless we become certain about that, the events of making those investments, in Lindsay's case it's fine, he turns his trucks over every two years, but there are many of the rest of us, whether it be the power industry, the



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rail industry or otherwise, our investments are 30-year long investments, and unless you make the right decision for that 30-year long investment some time soon, you'll make no decision. If you make no decision, you won't make any change with regard to the environmental outcomes.

And if you're in the power industry, and you're looking at the next segue of generation capacity, because in this summer months, those of us living in New South Wales, South Australia, and elsewhere, may find we go pretty close to the bone about our power supply, given the heat and the rest.

Just as that power supply goes out, and we say there should be more power generation, which power generation should be constructed? How will it be priced? And the people who have to put capital into that power generation need to know that before they put the capital in. So when the power goes out, just remember, they didn't invest, because they didn't know what the cost was going to be.

LAURIE WILSON:

We're getting very close to time, so what I would like to do is to go back to the panel for one question each, and if you could perhaps on this occasion, just direct it to one person, and I'll restrict the answer to that one person, if that's okay, because we promised to finish on the top of the hour, we're getting pretty close. So Carson, if I can come back to you?

QUESTION: David, to you, if Infrastructure Partnerships Australia and I [indistinct] we do see that tripling of freight by 2050, and it's not just about pricing, what other investment does the Government really have to put as its sole objective, into this?

DAVID MARCHANT: The sole objective from Government? On the triple framework? Has to be; get the longer term plan, so all of us can actually start to work out where the locational frameworks are best to be, start to put the investment in place, and then obviously the pricing signals, but you need the plan framework.

And we can't keep on going with one Local Government area stopping a strategic asset that fits 10 others, and you can't have one state decide that it doesn't want to fit into a national system, and therefore hold the rest of the nation to ransom.

We're 20 million people, going to 35 million people, in a world of billions. We're trying to export our best commodities, so we actually live in the generation we live in, we cannot afford 100 or a few thousand people saying, the rest of us have got to wait back, we're a small minnow in a big game, we need to act as a nation.

LAURIE WILSON: Sam Collyer?

QUESTION: Just to Geoff, if I can. You'd all referred to the need to obviously be more environmentally responsible, you've also all referred to coastal shipping. Given



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these two factors, and the fact is David was saying 80 per cent of the population's on the coast, wouldn't it be more sensible to move to coastal shipping?

Now I know the Federal Government is actually still - we're still awaiting a response from the Federal Government on the report into that issue, from a user's perspective, what do you hope the Federal Government's response to coastal shipping issues will be?

GEOFF THOMAS:

It's an interesting one, for us to answer, because with the time-sensitive nature of our product, it's not ideally suited to coastal shipping. However, there are a lot of product types out there that absolutely do, and as I said earlier, a great opportunity for major manufacturers to move heavy product, away from roads or rail networks in the future.

The dilemma that we have in coastal shipping has always been the fact that there are minnows of domestic players, and it's dominated by the international carriers, who are coming from, you know, the northern trades into Australia. The network is not a reliable one, and our changeover points at port, destinations, are more in the context of an international journey, than what they are a domestic journey.



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So there's some fundamental issues, and really, what that is going to require is some affirmative action to say if we want coastal shipping to play a role in certain segments of industry, then again, we're going to have to pursue that aggressively. And that would be what our expectation is, even though it doesn't play directly to the needs of our business, in the short term.

LAURIE WILSON: Sid Maher?

QUESTION: Lindsay, I guess I'm just a bit interested in - if the economy obviously picks up next year, and China picks up, you would expect the price of diesel will go through the roof again. I'm just interested in at what point diesel becomes unviable for you, in terms of trucking, you know, when it was getting big a year ago, I mean obviously you must have been looking at Plan B's, and what is the Plan B for, you know, a big trucking company like yours?

LINDSAY FOX: Well, I don't think there is a Plan B, because of the uncertainty of what's happening with electric propulsion, with battery propulsion, you've got to stay and - I guess 15 years ago there was an option to go to gas, bottled gas, and a lot of people did. I looked at the latest technology at Mercedes-Benz 10 days ago in Stuttgart, but it was for the smaller range of vehicles.

But even in this infancy, the battery replacement on the electrical vehicles, are \$18,000, so that's going



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to be a long way off, unless there's huge pay-back for it.

But I think with the exploitation that exists by the oil industry over a long period of time, I don't think they'll be able to go to a high level of cost, because if you look on the road, the size of the cars today are considerably smaller than they were five years ago, and I think we'll see another cutting down, and five years ago we never thought of 30 miles to the gallon, 40 miles to the gallon, 50 miles to the gallon, 60 miles to the gallon, and even just in our organisation on trucks, through driver training, we've probably reduced the cost of our fuel, by not using as much, and covering greater distances.

With the pressure put on the oil industry, I can't see it going up, and to look at an alternative, I think the cost in our case, of re-equipping 6000 trucks, is just enormous, and if you were going to do something, you'd go into a test mode, to look at what could give you some economy. But to go on to a large scale, you're probably looking at a 10 to 20 year time zone, and I just don't see it being of any short term benefit.

I think you're better off letting somebody else make all of the original mistakes, and then you either say yes or no. But most people that are going to go into that arena, it's going to cost them a lot of money, and they probably won't get an advantage.



LAURIE WILSON: Well, let's conclude on that note. Thank you very much to all of you.

We never send our guests away empty-handed here, so I won't hand them out now, because there's six of you, but I'll just say we've got a nice little pen here. Lindsay, I read recently that you don't have a computer on your desk, you still like to use pen and pad, so that might help you.

Also a membership of the Press Club, not too sure how often you gentlemen get to Canberra, but this can be used around the world in many of our affiliated clubs, so you might find even more use for it there.

Thank you very much for your time today, very much appreciated, both our speakers and our guest journalists here today, thank you very much for your time, it's been very informative.

Thank you.

[Applause]

* * END * *

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