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ACTION NEEDED ON PUBLIC INFRASTRUCTURE

A draft report by the Productivity Commission has found an abundance of flaws, mythologies and forgone opportunities in infrastructure financing, funding and procurement. The Commission draft outlines a proposed process for improving infrastructure investment across all levels of government; and, as a consequence, attracting increased private investment. Peter Harris, the Presiding Commissioner and Commission Chairman said "Governments have it in their power to attract higher levels of private infrastructure investment, and to improve their own capacity to fund infrastructure, even in the presence of apparent borrowing constraints. They can do this through the judicious use of pricing mechanisms and by collectively establishing stronger transparent processes for project identification, selection, design and implementation." "A visible project pipeline should naturally emerge from adoption of these reforms." The Commission also proposes to examine further a number of potential improvements to financing mechanisms for infrastructure, including options proposed to address specific concerns related to the *(Continued on Page 2)*

PORT FUNDS SHOULD BE RECYCLED TO FUND LOGISTICS INFRASTRUCTURE

The Australian Logistics Council (ALC) welcomes confirmation the Victorian Government is investigating the privatisation of Victorian ports but is encouraging the government to ensure the funds raised from the process are recycled into productive logistics infrastructure. "The decision taken by the Victorian Government to assess the future ownership of Victoria's ports is in the state's long term interests and is welcomed by the freight logistics industry," said Michael Kilgariff, ALC Managing Director. "ALC has been advocating to governments for some time to identify appropriate infrastructure assets that can be recycled and we are pleased there is now a bi-partisan approach to this issue in Victoria. Port of Melbourne is ideally suited to being leased long-term to release funds for road and rail infrastructure. As part of this examination, we encourage the government to carefully consider the economic benefits of ensuring the funds that are raised from any long term lease or privatisation are directed at future logistics infrastructure projects. In particular, the funds raised could go towards the landside logistics requirements generated by the new Port of Hastings. Containerised imports and exports from Victoria are set to almost quadruple over the coming decades and the city needs the right road and rail infrastructure to meet this growing demand. We encourage the government to follow the lead of the NSW Government, which is directing a bulk of the funds raised from the long term lease of Port Botany and Port Kembla to Restart NSW for future infrastructure projects, such as West Connex," he said. Mr Kilgariff said a potential option open to the Victorian Government was to offer the Port of Melbourne and Port of Hastings to the market together.

INSIDE

(Continued from Page 1) role of superannuation funds in greenfields projects. "Australia is not a cheap place in which to build infrastructure, but the sources of the cost pressures that have created this situation are numerous and no single reform is likely to alter them. Action on a number of fronts is necessary," Peter Harris said. The report finds poor industrial relations arrangements in some major projects, with adverse effects on costs and productivity, but less persuasive evidence that the effects were relevant across the whole construction sector. The report finds that pursuit of these reforms could readily save $1 billion dollars a year, as a conservative target. The Commission is seeking written feedback on the draft report by 4 April, and will hold public hearings in early April. A final report will be provided to the Australian Government in late May 2014.

PORT BOTANY'S RAIL LINE UPGRADE TO CONTINUE

Part of a $125m freight productivity boost from government will go towards the next stage of the Port Botany rail line upgrade. Deputy Prime Minister, Warren Truss, has advised the Australian Rail Track Corporation that $50m of the $125m sum will be going towards the Advanced Train Management System while the rest will be heading Port Botany's way. "Our $75m investment in getting stage three of the Port Botany upgrade underway will complement the completed stage one works and current stage two works due for completion this year," he said. "Stage three will continue the upgrade of the Port Botany rail line on segments that have sub-standard track condition, such as poor ballast, replacing the last remaining timber sleepers with concrete, and replacing sections of worn or low-weight rail with higher grade steel to increase load capacity." The Federal Government hopes the project's completion will take 300,000 trucks off Sydney's roads each year. The project is also expected to increase the number of containers able to be transported along the line from 700,000 to 1m a year.

NSW CLAIMED THE LION'S SHARE OF 2012/13 IMPORTS WITH 34.3%

New South Wales claimed 34.3% of Australia's total imports in 2012/13 (down from 36.6% in 2011/12) and was responsible for 20.8% of total Australian exports (up from 19.3%), according to up-to-date data from the Department of Foreign Affairs and Trade (DFAT). The state exported $62.7bn worth of goods and services in 2012/13 (up 3.2% from 2011/12), and imported $109.4bn (down 0.2%). DFAT's current 'Australia's Trade by State and Territory 2012/13' report states that China was NSW's largest two-way merchandise trading partner in 2012/13, accounting for 22.7% ($27.6bn) of Australia's total trade. Japan was the second largest two-way trading partner with $16.0bn, followed by the US ($11.3bn). China led the charge for the state's major import sources with $21.2bn (up 1.2%), followed by the US at $9.4bn (down 5.3%), Japan with $5.9bn (down 2.2%), Germany with $4.5bn (down 1.0%), and Singapore at $4.3bn (up 11.8%). The state's value of exported freight transport services, i.e. transport of all objects other than people, has decreased 11.3% to $55m from $62m in 2011/12. Similarly, the value of imported freight transport services into NSW decreased 0.4% to $28.04bn from $28.16bn. In 2012/13, the value of the state's exports decreased 4.0% to $62.7bn. Export volumes increased 3.4% while export prices decreased 7.2%. The value of imports decreased 0.5% to $109.4bn; import volumes were steady while import prices fell 0.5%.

AUSTRALIA'S TRADE SURPLUS HITS 30-MONTH HIGH IN JANUARY

Australia recorded a large A$1.4 billion trade surplus in January 2014 in seasonally adjusted terms, the largest since August 2011, according to new data from the Australian Bureau of Statistics. Australia has now been in a trade surplus for three consecutive months since November 2013. January's impressive outcome was driven by a 3.7 per cent increase in exports, while imports rose by only one per cent. Exports increased to A$29.8 billion, with growth in all sectors except services, which fell 1.3 per cent to A$4.6 billion. Major export growth came from a 4.9 per cent increase to A$3.8 billion in rural goods sales. Meanwhile, non-rural exports are continuing to rise – 2.8 per cent to A$19.9 billion, with 3.4 per cent increase in mining exports to A$15.2 billion. Resources exports were driven by a 3.3 per cent rise in metal ores and minerals, a 1.6 per cent increase in coal sales and a 6.5 per cent increase in 'other' mineral fuels. Imports increased marginally to A$28.3 billion. Intermediate and other merchandise goods rose 7.8 per cent to A$10.4 billion and consumption goods rose 0.7 per cent to A$7 billion. These increases were partly offset by the fall in capital goods imports to A$5.1 billion, a 9.4 per cent reduction. On a seven-month cumulative basis (ending in January), Australia's goods exports to Asia-Pacific Economic Cooperation forum countries rose 17 per cent to A$135 billion over the same period a year ago, largely driven by a massive 45 per cent growth in good exports to China valued at A$60.3 billion. Other major merchandise export markets have also experienced strong growth – a four per cent increase in exports to Japan valued at A$28.7 billion, five per cent rise in exports to South Korea at A$11.9 billion and a seven per cent growth in exports to the US to A$5.6 billion.

TEN POINT PLAN FOR A STRONG AND DIVERSIFIED ECONOMY

The Australian Industry Group (Ai Group) has released a Ten Point Plan setting out the key policy steps that are required to lift our economic growth and resilience. In publicly releasing the Plan, which has been presented to government, Australian Industry Group Chief Executive, Innes Willox, said: "Successful management of the situation facing our economy requires action across a number of fronts including repositioning the manufacturing sector for growth. This Ten Point Plan focuses on the key steps needed at a state and federal level to create the strong and diversified economy we need for the future." Rebalancing is needed both to replace the waning mining investment boom with new drivers of growth and to ensure the economy is positioned to manage our heightened exposures to commodity prices, global capital markets and increased concentration of our export markets. In short, the Plan identifies the barriers to growth as high costs and low productivity across all industries. To overcome these barriers we need to get back to the basics. In summary, Ai Group believes the health of manufacturing - and that of the wider Australian economy - requires a number of key policy issues to be addressed. These range across 10 national economic policy priority areas:

1) Consolidation of Government Budgets
2) Investing in Infrastructure
3) Removing Key Workplace Relations Roadblocks
4) Boosting Workforce Skills
5) Building Innovation and Business Capabilities
6) Lifting Manufacturing Performance
7) Successful Transition for Automotive Manufacturing
8) Reducing Regulatory Burdens
9) Reforming Energy Markets
10) Reducing Emissions and Meeting the Renewable Energy Target at Least Cost

INFRASTRUCTURE SURCHARGE

DP World Melbourne has conducted a review of consistent increases in associated costs of rent, rates, land tax and required infrastructure improvements. DP World Melbourne advised customers that effective from 31st March, 2014 it would be introducing an Infrastructure Surcharge. The Infrastructure Surcharge will be A$3.45 (excluding GST) per full container handled via gate operations. The Infrastructure Surcharge is applicable at DP World leasehold facilities in the Port of Melbourne. It will be applied via the Vehicle Booking System to road transport operators and will be covered by the existing Carrier Access Arrangements including payment terms. DP World reserves the right to review the Infrastructure Surcharge.

SYDNEY AIRPORT MASTER PLAN APPROVED

Deputy Prime Minister and Minister for Infrastructure and Regional Development, Warren Truss, has announced that he has approved Sydney Airport's 2014 Master Plan. Sydney Airport submitted the plan to the Deputy Prime Minister in December 2013. Mr Truss said the Master Plan meets the requirements of the Airport Act 1996 and sets out Sydney Airport's strategic direction for the next 20 years. "I welcome Sydney Airport's proposal to undertake significant infrastructure upgrades to help accommodate expected growth in passenger and aircraft movements, and to more evenly distribute aviation activity across the airfield and between terminal precincts," Mr Truss said. "While the plan sets out plans to use the airport's limited growth potential to full effect, it does not change the underlying constraints on the site and it is clear the Sydney region will need another major airport to cope with soaring demand. We believe in Sydney Airport. It is one of the most important pieces of transport and economic infrastructure in Australia, and the government will support measures to increase the efficiency of the airport. The government's commitment to WestConnex and the Moorebank Intermodal Terminal will help to improve efficiency at Sydney Airport by reducing congestion in the airport/Port Botany precinct and allowing better access to the airport. Even with all of that investment, approval of the Airport's Master Plan does not negate the need for a second airport. The government is proceeding with its commitment to make a decision on the location of a new airport within its first term." Today, the airport supports 28,000 direct jobs and 283,700 jobs indirectly, while making an economic contribution of $27.6 billion, equivalent to 6 per cent of the NSW economy and 2 per cent of the Australian economy.

HOW KAFTA WILL AFFECT IMPORTS TO AUSTRALIA FROM KOREA

The new Korea-Australia Fair Trade Agreement (KAFTA) will create benefits for both Australia and Korea, including creating changes to imports patterns into Australia. The agreement, when in place, will allow 86% of Korea's manufacturing, resources and energy exports to enter Australia duty free. When the agreement comes into force, Australia will phase out the remaining tariffs for the most import-sensitive manufacturing products progressively over eight years. Products covered by transitional arrangements include certain motor vehicles and parts, steel, chemicals, plastics and textiles, clothing and footwear products. KAFTA will eliminate 75% of tariffs on cars from Korea immediately upon the entry into force of the agreement. Tariffs for bigger cars will be reduced over a three year period, while tariffs on components will be phased out over three to five years, according to the Federal Minister for Trade and Investment, Andrew Robb. A bilateral safeguard mechanism will also be in place to address any sudden surge in imports over the transitional period. “This agreement, fundamentally, backs those things that Australia does well and it backs those things that Korea does well,” Mr Robb said, adding, “the sustainable jobs and growth will come because we are enhancing, we’re improving, we’re innovating in all of those areas that we have typically been very strong.”

ACBPS FIGHTS CORRUPTION WITHIN THE SERVICE

Australian Customs and Border Protection Service (ACBPS) CEO, Michael Pezzullo, spoke at a recent Senate Legal and Constitutional Affairs Legislation Committee meeting to give an update on progress in fighting corruption within the service. Several officers now face criminal charges for alleged crimes including importing border-controlled substances, accepting bribes and drug imports. Despite the measures taken to counter these activities, Mr Pezzullo said he expects similar arrests in the future. “Regrettably, in view of current and future operations which are known to me, these are not likely to be the last arrests and charges that we will see in relation to officers of the service,” he said. “We continue to roll out drug and alcohol testing of officers, integrity testing, and mandatory reporting of serious misconduct, corrupt or criminal behaviour by our officers, amongst other measures.” Since January 31 this year, 1266 drug and alcohol tests of officers have been conducted which resulted in five verified positive tests. Other methods of testing have provided positive results on two more officers during the same period. One has since resigned and the other has been suspended without pay. Last year’s pilot phase of the testing program returned a positive result of one officer for cannabis whose employment was then terminated. Two other officers gave verified positive drug tests for cocaine, ending with both handing in their resignations. Mr Pezzullo added: “The taking of illicit drugs by officers of the service is completely unacceptable. With random drug and alcohol testing and targeted testing now in place, and testing being conducted in relation to officers at all levels of the service (me included), the message is very clear: you will be tested; and if you are found to be using illicit drugs you will lose your job.”

ECONOMIC GROWTH DRIVES ASIA PACIFIC PLANE DEMAND

Airbus and Boeing report that Asia-Pacific airlines will need a combined 23,760 airplanes delivered in the next 20 years. Boeing says strong economic and passenger growth will be the main drivers of new airplane demand in the Asia Pacific region. It estimates the region's airlines will need an additional 12,820 airplanes valued at US$1.9 trillion, representing 36 percent of the world's new airplane deliveries over the next 20 years. Increasing urbanization from already high levels in the region means that 25 of the 89 mega cities in 2032 will be in Asia Pacific. In the cargo sector, the region will continue to dominate the global market, Airbus says. It forecasts the freighter fleet operated by Asia-Pacific airlines will triple from just over 300 today to some 970, representing a third of the global freighter fleet by 2032.

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