

RTI 16-17-66

*The following has been released in relation to a request for information relating to the King Island Shipping Service evaluation process.*

Released under RTI

## King Island Shipping Service Request for Proposals Process Summary

SeaRoad advised the market that it would not be continuing provision of a King Island shipping service when it replaced the SeaRoad Mersey with a new, larger vessel.

### Request for Proposals

**28 November 2015** the Request for Proposals (RFP) to establish a long-term commercially sustainable King Island Shipping Service was advertised, closing 29 January 2016. Adverts were placed in the three Tasmanian newspapers, King Island Courier and Lloyds List. The RFP included a list of evaluation criteria.

### Evaluation of Proposals

**29 January 2016** the RFP closed. Four proponents responded to the RFP. Each provided additional information regarding their proposals upon request.

Proposals were assessed by an Evaluation Panel against pre-established criteria contained in the RFP document. These were centred upon quality, price and reliability. The Evaluation Panel consisted of senior representatives of Infrastructure Tasmania, the Department of State Growth and King Island Council.

The Panel's assessment was supported by staff from the Department of State Growth and technical advice from Thompson Clarke Shipping. The King Island Council was also assisted with technical advice from Australian Strategic Solutions.

The Evaluation Panel members independently assessed the proposals received against the evaluation criteria and then met to discuss the proposals. Subsequently, further information was sought from the four proponents. After receiving the additional information, the panel again assessed the proposals against the evaluation criteria.

A professional opinion on the proposals (including the additional information provided) was provided to the Department by Thompson Clarke Shipping and to the Council representative by Australian Strategic Solutions. Both consultants provided similar advice and comment. The Department also sought advice from Thompson Clarke Shipping as to the professional reputation and history of the Panel's preferred proponent and its parent company prior to recommendations to the Minister being finalised.

Based on the information provided through the RFP process, the Evaluation Panel recommended commencing negotiations with Port and Coastal Marine Services (PCMS) as the preferred proponent to establish a long-term commercially sustainable King Island Shipping Service. This was based on its proposal meeting the selection criteria to a high degree, particularly with regard to appropriateness of vessel, service route, ability to meet King Island freight needs and efficient links to other logistics chains.

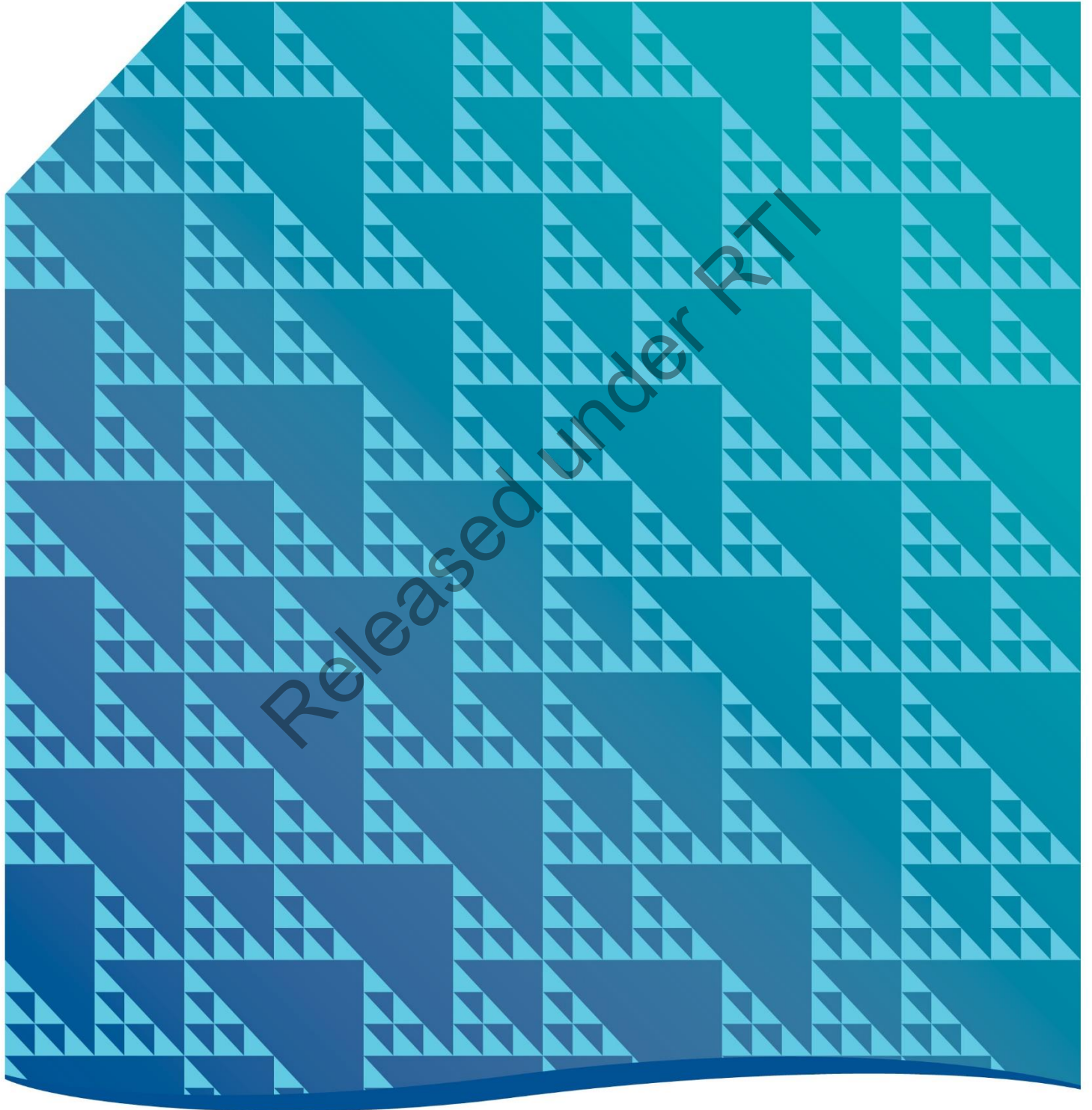
The Evaluation Panel signed off on its report on **7 April 2016**.

### Negotiations and Refinement of Proposal with PCMS

On **29 June 2016**, the Minister for Infrastructure announced that the preferred proponent for the King Island Shipping Service was Port and Coastal Marine Services (PCMS).

Following the conclusion of the RFP process, PCMS continued to refine its service offering, including discussions with SeaRoad resulting in a joint venture company Bass Strait Shipping.

# King Island Shipping



# Request for Proposals

## King Island Shipping Service

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## 1. Introduction

King Island is highly dependent on reliable shipping services at commercial and competitive prices. Reliable and cost effective transport connections with both domestic and overseas markets are crucial if primary producers and other businesses on the Island are to remain competitive.

Currently, SeaRoad operates a weekly general freight shipping service to King Island on a commercial basis with its vessel the SeaRoad Mersey, as part of its regular Bass Strait service between Melbourne and Devonport. This service carries general cargo and livestock. Additional services, mainly for livestock, are provided as required by LD Shipping from Stanley.

SeaRoad has indicated that it plans to replace the SeaRoad Mersey with a new, much larger vessel to be delivered in late 2016. The port at King Island cannot accommodate a vessel of this size.

The Tasmanian Government is working with the King Island Council and community and other stakeholders to ensure the continuation of essential shipping services to the Island following the anticipated withdrawal of the current weekly SeaRoad Mersey service to the Port of Grassy in late 2016.

## 2. Role of Government

The King Island community should have access to reliable sea transport services at commercial and competitive prices. As a remote island community, the Government has some level of responsibility to ensure essential shipping services are provided to King Island. However, an essential shipping service will have limitations and may not service all of the needs of the King Island community. A commercially provided shipping service is therefore preferred. The Government strongly believes that it should only intervene if there is a clear demonstration of market failure, and only to the extent that market failure exists.

**The Government's clear preference is for:**

- **an open, unregulated market;**
- **a commercially sustainable, long-term service; and**
- **a reliable, cost-effective service that supports growth of the King Island economy.**

If a suitable proposal is received, the Government will select the respondent as the preferred proponent to negotiate with for the establishment and operation of a long-term commercially sustainable King Island Shipping Service. The Government may select a proponent to work with directly for the establishment of a sustainable King Island shipping service, which may entail some form of Government assistance through initial start-up or transitional facilitation or support. However, the Government does not envisage providing an ongoing operating subsidy.

The RFP process is intended to provide flexibility, subject to legislative and probity requirements, for the Tasmanian Government to negotiate with a view to achieving a suitable outcome. This could include requesting respondents to collaborate, or identify opportunities for respondents to work together where mutually compatible services are proposed.

### 3. What the Government is seeking

The Government has issued a **Request for Proposals (RFP)** from suitably qualified and experienced shipping operators or consortia to establish and operate a long-term commercially sustainable King Island shipping service.

The Government's desired outcome is the delivery of a shipping service that meets the needs of the King Island community, providing reliability and continuity of service and allowing for the Island's businesses to grow. Companies and consortia are invited to submit proposals to meet this outcome.

This is a non-binding and non-exclusive process. That is, this process will not bind the Government to supporting any of the proposals received or restrict it from using an alternate process to facilitate a shipping solution. However, participation in this process does provide the possibility of being selected as the Government's preferred proponent which will provide access to Government facilitation and support to establish and transition into a new shipping service.

Similarly, if at any stage a fully developed and viable market-based solution presents itself, the Government will have the option of pausing or terminating the process.

This RFP process will be managed by the Department of State Growth (the Department).

**Proposals will be assessed against pre-established evaluation criteria (see section 6) with a view to identifying one or more respondents for more detailed evaluation and discussions in order to select a preferred proponent.**

### 4. Proposals (Responses)

**Proposals should be provided in writing by electronic mail and must include sufficient detail to be assessed against the evaluation criteria.**

As an indication, Proposals should include the following information to enable assessment against the evaluation criteria detailed in section 6:

- A description of the service offering including the proposed vessel(s), links to other logistics chains and markets, cargo types and capacity, flexibility to carry different combinations of cargo, proposed schedule, customer interface and pricing.
- A statement in relation to the ability to meet animal welfare and MSA requirements and details of how these will be met.
- An indication of the level of market / customer support.
- A transition strategy for market entry relative to the current service provider(s).
- Specifically in relation to pricing:
  - Innovative pricing structures are encouraged.
  - **Attachment A should be completed and included with all Proposals.**
  - For comparative purposes, respondents should also include predicted start-up and long-term average pricing in a format that matches the structure of existing competitive tariffs.

- Downside risks should also be identified for both start-up and long-term pricing and, where possible, quantified.
- Any additional land-side charges that are intended to be charged should also be included.
- Details of the experience of the shipping operators, management structure, staffing levels and technical expertise in operating similar shipping services.
- Financial details to enable assessment of the ability to establish the service, ability to raise capital if needed, sustainability and stability of services, including a business case for the proposed service.
- Any identified limitations to establishing a commercially sustainable service and, if required, include a proposed pathway to transition the service to commercial sustainability over the short term. This may include identification of areas where Government, including state owned corporations, could support establishment or transition.

Given the similar nature and lack of a safety net shipping service for other Bass Strait Islands, the potential for future expansion into the Furneaux Islands shipping market, should this be required, would be an advantage.

## 5. Timing

**Proposals are to be received by the Department of State Growth (email to [Deborah.Davis@stategrowth.tas.gov.au](mailto:Deborah.Davis@stategrowth.tas.gov.au)) by 5pm Friday 29 January 2016.**

Each Proposal submitted will be regarded as full and complete. If respondents need to modify any part of a group of documents that constitute a Request for Proposal response, then the whole proposal must be re-submitted before the closing date.

Late Proposals will be returned to the respondent by electronic mail noting that lodgement occurred after the closing time and the Proposal is therefore not accepted.

Evaluation will occur during February and March. The outcomes will be considered by Government with advice of any outcome to participants expected in April 2016.

## 6. Evaluation

All Proposals will be assessed by an evaluation panel, comprising representatives from the Department of State Growth and the King Island Council, against a standard set of criteria. The evaluation panel will meet as required. If deemed necessary, respondents may also be invited to provide a presentation and/or be interviewed with regard to their Proposal. Respondents may also be requested to provide further information or clarification to support their Proposal.

The criteria are based on three broad categories – Quality, Price and Reliability. Only those proposals that receive sufficiently high scores for quality, price and reliability will be further considered. **An overriding adjustment will be made based on any level of Government support required.** The criteria are listed below. Respondents are encouraged to use supporting documentation to validate their responses to these criteria.

## 6.1. Quality

- a. Appropriate Vessel (for Ports and for Bass Strait)
  - Size, type, speed, age, classification society, consistency with AMSA requirements
  - Capacity, flexibility to meet seasonal peaks and troughs in the trade and to carry a changing cargo mix
  - Previous deployment
- b. Market / Consumer Acceptance
  - Level of support from potential customers
- c. Meets Freight Needs
  - Animal welfare and MSA
  - Cargo capacity (including cargo mix) and ability to cater for oversize cargo such as building materials
  - Level of protection available for cargo (eg availability of undercover cargo space)
  - Availability of connections for reefers
  - Service routing, frequency and regularity
  - Nature and quality of links to other markets/logistics chains, particularly to mainland Australia if not provided in-house
- d. Supports Island Business Growth (see section 7.2.6)
  - Flexibility for changing cargo mix
  - Ability to support reasonable import and export growth (especially relevant for the future of the sheelite mine and for building activities on the Island)
- e. Transition Strategy
  - Structured transition strategy
  - Negotiated with current provider

## 6.2. Price

- f. Price to Users
  - Proposed tariffs for standard cargo items as per Attachment A
  - Comparison of the proposed tariff for general cargo and livestock with current competitive tariffs
  - Differential prices if necessary, ie transition pricing, fully commercial pricing
  - Identification of major downside risks and attempt to quantify (eg % impact)

## 6.3. Reliability

- g. Technical Expertise
  - Experience, Management structure, Staff qualifications
  - Customer service, complaints and dispute resolution processes, 'front office' structure and experience



#### h. Financial Stability

- Long term financial stability (eg. profitability, cash flow, asset/liability ratio, Return on Capital Employed) and ability to raise capital if required
- Ability to withstand highs and lows of the market
- Ability to leverage opportunities that may arise within the Bass Strait trade to diversify and enhance scale efficiencies

### 6.4. Adjustment Factor

Those proposals which have been assessed as sufficiently meeting the quality, price and reliability criteria will be subject to further evaluation.

It is recognised that some proposals may seek some form of Government facilitation, support or funding to establish and/or operate. As outlined in section 4, any barriers to establishing a commercially sustainable service and transition assistance sought must be included in the RFP response.

While the Government is seeking a commercially sustainable market based solution, this must also be balanced with the quality of service and the price to customers.

Therefore, following evaluation against the above criteria, **remaining proposals will be assessed and score adjusted for any level of Government support required, transitional or start-up.**

## 7. Background

### 7.1. Current Service

Since 2001, the King Island shipping service has been operated as a commercially sustainable service without Government subsidisation.

- SeaRoad operates a once-weekly Sunday call to the Port of Grassy as part of its Melbourne to Devonport service using the SeaRoad Mersey.
- LD Shipping provides shipping services, mainly livestock transport, to/from the Port of Stanley and on occasion to Victoria.

### 7.2. Freight Data

Data on freight movements is provided at an aggregated level.

#### 7.2.1. Total Freight Trends – Port of Grassy

According to TasPorts' data, total general and unitised cargo shipped to/from the Port of Grassy in 2014-15 totalled 75,766 tonnes or the equivalent of 8,255 TEUs. Outbound cargo was 54% of this total. The majority of cargo is shipped as unitised freight, with the exception of cattle shipped 'on the hoof', wheeled equipment and horse floats. Empty containers form a significant part of both imports and exports (see section 7.2.2).

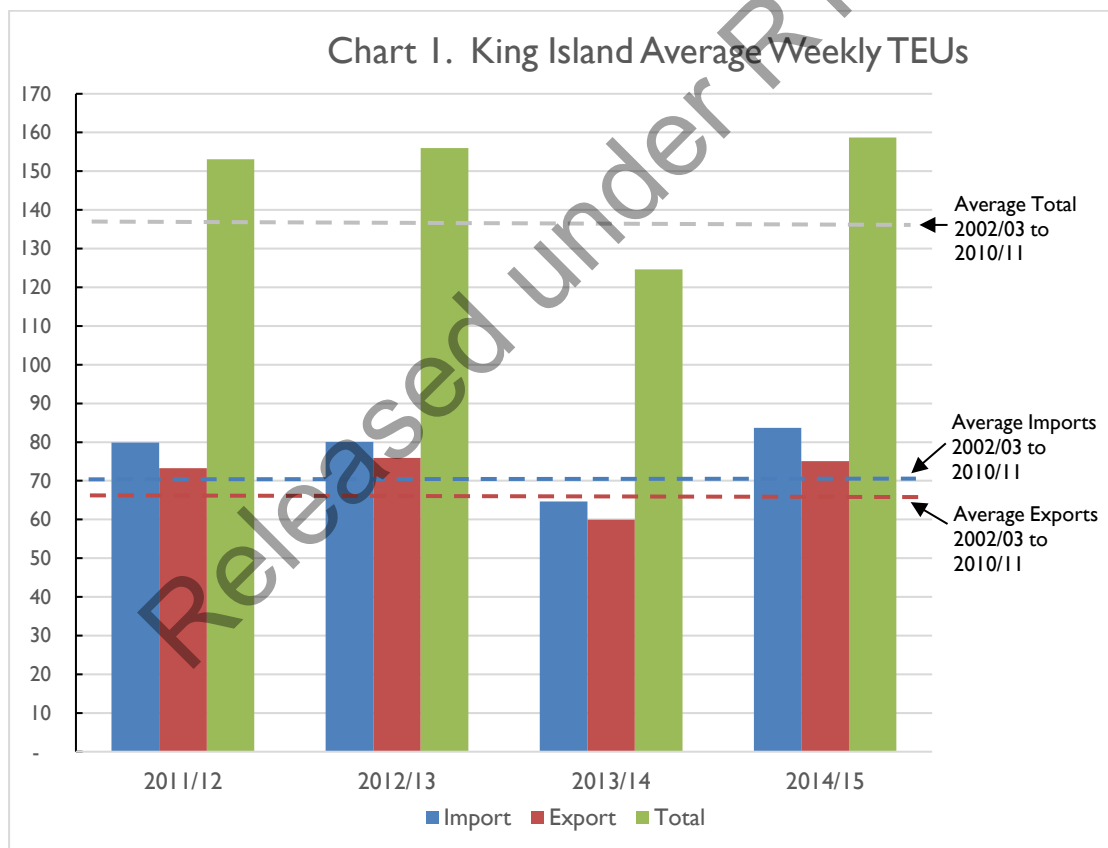
Overall King Island cargo, including livestock, accounts for around 2.5% of Bass Strait cargo.

**Table 1. King Island Freight Statistics** (source: TasPorts annual report 2014-15)

Year	Import (tonnes)	Export (tonnes)	Total (tonnes)	Import (TEUs)	Export (TEUs)	Total (TEUs)	No. Ships	Avg Cargo per Ship
2011/12*	34,525	37,108	71,633	4,152	3,809	7,961	46	1,557
2012/13	30,845	48,425	79,090	4,161	3,949	8,110	92	860
2013/14	29,432	35,283	64,715	3,364	3,116	6,480	118	548
2014/15	35,093	40,673	75,766	4,352	3,903	8,255	146	519

\* The business conducted by King Island Ports Corporation Pty Ltd was transferred to Tasmanian Ports Corporation Pty Ltd 1/7/2011.

Data for freight movements prior to this are available (see Report on King Island Shipping [http://stategrowth.tas.gov.au/infrastructure/freight/king\\_island](http://stategrowth.tas.gov.au/infrastructure/freight/king_island)), however a significant change occurred in September 2012 with the closure of the King Island abattoir, meaning that livestock must now be shipped from the Island for processing.



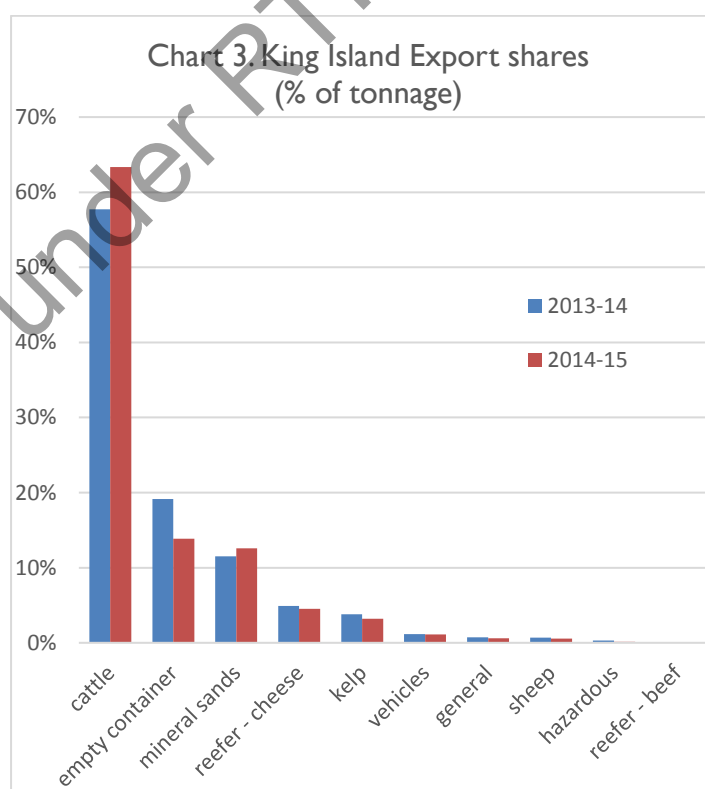
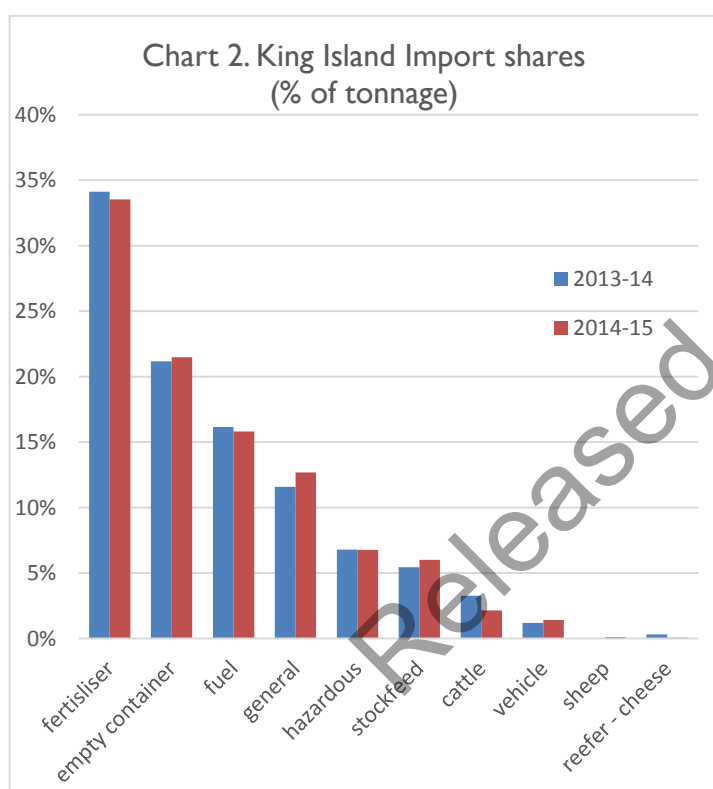
### 7.2.2. Commodity Type

The majority of freight is imported and exported by private companies and individuals. The main exception to this is the import of fuel to the Island which is shipped by TasPorts, a State Owned Company.

The commodities transported to and from King Island by volume are shown in Table 2.

Table 2: King Island Import and Exports share by type

	Imports (% of tonnage)		Exports (% of tonnage)	
	2013-14	2014-15	2013-14	2014-15
Livestock/Cattle	3.3	2.1	57.7	63.3
Fertiliser	34.1	33.5	-	-
Empty Containers	21.2	21.5	19.1	13.9
Mineral Sands	-	-	11.5	12.6
Fuel	16.1	15.8	-	-
General Cargo	11.6	12.7	0.7	0.6
Dairy (cheese)	0.3	0.1	4.9	4.5
Kelp	-	-	3.8	3.2
Hazardous	6.8	6.8	0.3	0.1
Stockfeed	5.4	6.0	-	-
Vehicles	1.2	1.4	1.1	1.1
Sheep	-	0.1	0.7	0.6
Beef	-	-	0.1	-



### 7.2.3. Port of Origin and Destination

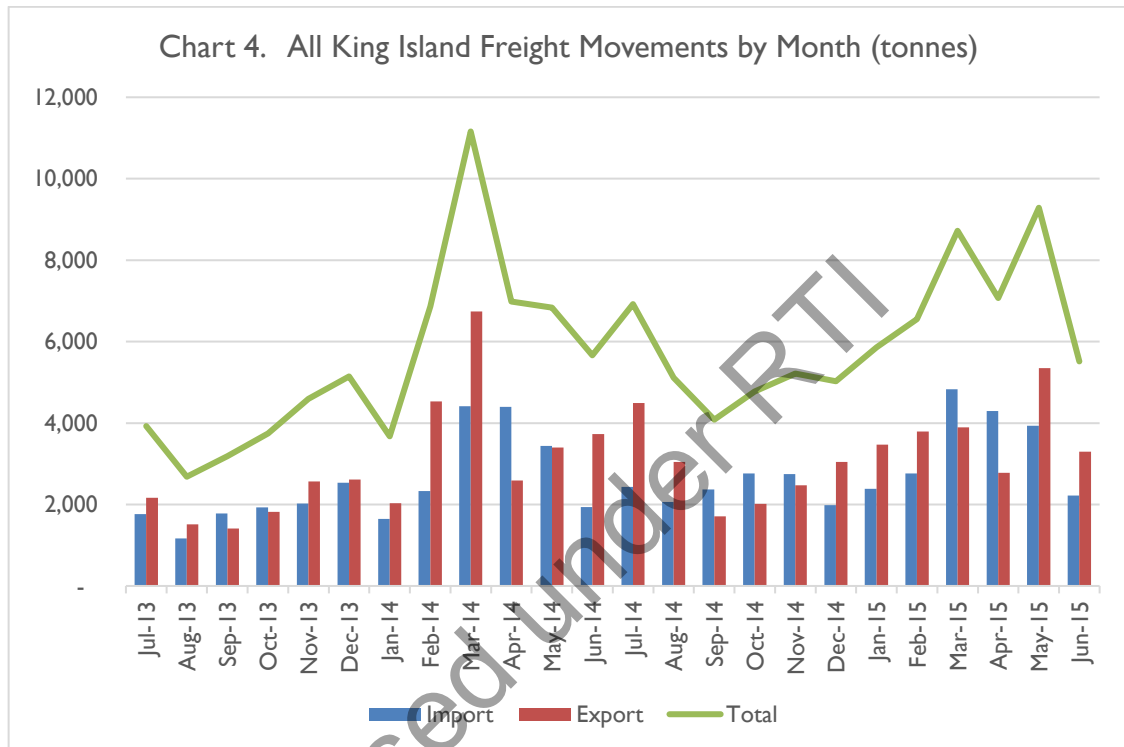
Almost half of outbound tonnage is destined for Port of Melbourne, with the balance to Tasmania, primarily Devonport (around 1/3 of tonnage) and Stanley, with cattle the main commodity destined for both Tasmanian ports.

Inbound cargo is largely from Melbourne (around 80%), with the remainder from Devonport. However, this also reflects the current shipping arrangement with King Island serviced on the Melbourne – Devonport leg of SeaRoad’s Bass Strait service.

#### 7.2.4. Seasonality

The greatest total freight demand is usually experienced between February and June, peaking around March. A similar peak is experienced for livestock exports, peaking in March 2014 and in May 2015.

In its 2013 report on King Island Shipping Services, GHD noted that historically during peak periods, freight volumes are up to 50 per cent higher than weekly averages.



#### 7.2.5. Livestock Shipment

Following the closure of the abattoir on King Island in September 2012, shipping of cattle to mainland Tasmania, and on occasion to Victoria, for processing has become a major King Island freight task.

Livestock is currently transported from the Island by both SeaRoad and LD Shipping. Generally, livestock transported by SeaRoad links to the Longford abattoir for processing via Devonport, while LD Shipping links to the abattoir in Smithton via Stanley. A small proportion of cattle is transported from King Island to Victoria, however this is not a consistent trade.

Under the current services, cattle from King Island is transported to Longford on trailers via Devonport, while cattle transported to Smithton for processing is transported 'on the hoof' via Stanley.

The transport of live cattle brings its own challenges and requirements. These are discussed further in section 7.4 Animal Welfare.

### 7.2.6. Future Growth

It is difficult to assess future growth, however in an earlier analysis of the King Island shipping market completed in late 2013, consultants GHD provided medium (2018) and long term (2033) forecasts of the islands inbound and outbound cargo under low, medium and high scenarios. A key driver behind these scenarios was the level of mineral sands exports.

- Low economy scenario - indicated the King Island trade declining from around 70,000 tonnes of loaded freight (predicted 2013) to around 52,000 tonnes for subsequent years. This assumed cessation of mineral sands production.
- Medium economy scenario - indicated the King Island trade increasing from around 70,000 tonnes of loaded freight (predicted 2013) to around 73,000 tonnes (2018) and 84,000 tonnes (2033). This assumes mineral sands shipments growing at 1% pa (a 4% increase by 2018 and 21% by 2033).
- High economy scenario - indicated the King Island trade increasing from around 70,000 tonnes of loaded freight (predicted 2013) to around 87,000 tonnes (2018) and 107,000 tonnes (2033). This assumes mineral sands shipments growing at 2% pa (an 8% increase by 2018 and 46% by 2033).

The full report, which includes freight demand analysis from 2003 to 2013 can be found at: [http://stategrowth.tas.gov.au/infrastructure/freight/king\\_island](http://stategrowth.tas.gov.au/infrastructure/freight/king_island)

### 7.3. King Island Freight Customers

There is a diverse mix of cargo travelling to and from King Island, with differing needs. This creates challenges in defining the Island's needs and in developing a service that can meet all customer needs. It is likely that the needs of some cargo types can be more easily met than others and there will be a need to balance service flexibility with reliability and price.

The clearest differentiation is between regular freight and livestock. More specific discussion relating to livestock transport is in the following section, 7.4 Animal Welfare.

While all freight customers would support more regular and flexible services, they would also support reduced prices, which may be conflicting aims. There appears to be agreement on a desire to move away from a Sunday port call and also for a greater than once weekly service.

In relation to the specific needs of King Island customers, the King Island Council established a King Island Shipping Group which includes all major stakeholders from the major freight types. For further information on the Shipping Group, the King Island Council can be contacted on 03 6462 9000.

### 7.4. Animal Welfare

When transporting livestock, it is essential that they are managed in a way that reduces stress and minimises any risks to animal welfare. The Bass Strait crossing comprises one leg of what is regarded as a long road journey from property of origin to final destination.

Cattle from King Island is processed and sold under two premium brands – King Island Beef and Cape Grim Beef. To ensure a premium product, animal welfare is key to achieving the highest Meat Standards Australia (MSA) grading and in the paddock to plate ethical treatment of animals

approach utilised by these companies to brand and therefore support premium pricing of their products. Shipping of cattle to and from King Island is an important factor in achieving this premium branding.

There are also animal welfare standards, guidelines and regulations which relate to the transport of livestock and must be complied with.

Important components of livestock transport include:

- Length of time from paddock to abattoir
- Avoiding extremes of weather and exposure to sea spray
- Ventilation and exposure
- Density of livestock
- Separation of livestock by size, age and species
- Suitability of loading ramps, loading facilities and yards
- Livestock transport, loading and unloading techniques

The Department of Primary Industries, Water and Environment has prepared *Animal Welfare Guidelines - Transport of Livestock Across Bass Strait* that apply to King and the Furneaux Islands. These include the duty of care and responsibilities of the shipping company and Master. They can be found at: <http://dpiwve.tas.gov.au/biosecurity/animal-biosecurity/animal-welfare/legislation-standards-guidelines/animal-welfare-standards-guidelines/animal-welfare-guidelines/transport-of-livestock-across-bass-strait>

## 7.5. Port of Grassy Limitations

The Port of Grassy has limitations in terms of size, exposure to weather, and freight handling facilities. TasPorts has issued Harbourmaster's Directions which limit port access:

### **Marine Access**

Maximum Vessel LOA	90m
Maximum Vessel Draft	5m
Maximum Wind Speed if vessel >35m LOA	25 kts
Port Access if Vessel >35m LOA	Daylight only
Required Spec if Vessel > 35m LOA	Twin Screw
Required Spec if Vessel >60m LOA	Bow Thruster

### **Wharf and Terminal Specifications**

RoRo Wharf Length LOA	80m (84m to stern fendering)
Draft alongside	5.6m
Ramp width and strength	14.5m; <100t
Cargo Storage Area	<3,200m <sup>2</sup>

The SeaRoad Mersey which has a length of 119m, beam of 19 metres, fully laden draft of 5.3 metres and a deadweight of 4,824 tonnes operates under special permission from TasPorts and any new vessel exceeding the above limits would also require special permission with associated conditions as determined by TasPorts upon assessment of any application.

## 7.6. Port of Grassy Charges

TasPorts published tariffs as at 1 July 2015 for the Port of Grassy are reproduced in Table 3.

Table 3. King Island Wharfage Charges (source: TasPorts Schedule of Port Charges 2015)

### Wharfage - King Island

Wharfage charges are payable as specified or by tonne, cubic metre, or kilolitre of cargo, whichever is the greater.

		\$ Import / Export
<b>Containerised Cargo</b>		
Full Containers	per TEU*	165.00
Empty Containers	per TEU*	35.00
Empty Other	per linear metre	5.50
<b>Trailers Under Load</b>		
20 foot (6.1 metres)	each	165.00
40 foot (12.2 metres)	each	330.00
Non Standard e.g. LPG	per linear metre	35.00
<b>Vehicles</b>		
Motor Vehicles up to 5 tonne	each	38.00
Motor Vehicles over 5 tonne up to 5.9m in length	each	52.00
Motor Bikes (incl. Bikes and ATV's)	each	12.00
Caravans, Buses, Boats & Trailers (and all vehicles over 5 tonne and 5.9m in length)	per linear metre	10.30
Horse Float - Empty or Full	each	40.00
<b>Livestock In Trailer Units</b>		
20 foot (6.1 metres)	single & multi deck, per unit	82.00
40 foot (12.2 metres)	trailer, per unit	164.00
<b>Empty Trailer Return</b>	per linear metre	5.50
<b>Livestock</b>		
Small animals (up to 300kg)	per head	2.00
Large animals	per head	4.00
*All cattle will be charged at large animals rate		
<b>Stock Facility Levy</b>		
Small Animals (up to 300kg)	per head	0.50
Large animals	per head	1.00
<b>General Cargo (non-containerised)</b>		
Other not listed elsewhere	per tonne, linear metre, unit or each whichever is the greater (minimum charge 1 tonne or 1 cubic metre applies)	10.00
Casual Storage (area hire)	per day	240.00

Other fees and charges, including for the Port of Devonport, can be found at:

[http://www.tasports.com.au/pdf/Tasports\\_ScheduleOfPortCharges\\_20-091015.pdf](http://www.tasports.com.au/pdf/Tasports_ScheduleOfPortCharges_20-091015.pdf)

## 8. Tasmanian Freight Equalisation Scheme

The Tasmanian Freight Equalisation Scheme (TFES) is paid on a wide range of eligible non-bulk goods, shipped both to and from Tasmania, funded and administered by the Australian Government with no involvement from the Tasmanian Government. King Island shipping services for eligible goods and destinations qualify for the TFES payments, with some additional loading available to King Island recipients in nominated situations.

Payments are made to those who incur the costs of shipping eligible goods, through the Australian Department of Human Services. Details are available at:

<http://www.humanservices.gov.au/business/services/centrelink/tasmanian-freight-equalisation-scheme/>

TFES is administered according to Ministerial Directions (MDs), issued by the Federal Minister for Infrastructure and Regional Development. The MDs set out eligible goods, how assistance is calculated, claims processes and other associated administrative matters. Details are available at:

<https://infrastructure.gov.au/transport/programs/maritime/tasmanian/scheme.aspx>

The Australian Government will commence TFES payments for goods going to markets not currently covered by the Scheme and that are transhipped through a mainland port from 1 January 2016. New Ministerial Directions to implement this initiative were recently released. They can be found at: <https://infrastructure.gov.au/transport/programs/maritime/index.aspx>

## 9. Contact

All queries related to the RFP should be directed to Deborah Davis, Department of State Growth on +61 3 6166 3460 or via email to [Deborah.Davis@stategrowth.tas.gov.au](mailto:Deborah.Davis@stategrowth.tas.gov.au).

**Proposals should be submitted via email to [Deborah.Davis@stategrowth.tas.gov.au](mailto:Deborah.Davis@stategrowth.tas.gov.au) by 5pm Friday 29 January 2016.**

## 10. Terms and Conditions

- This invitation for Request for Proposal (RFP) is not a request for tender. It does not constitute an offer intended to be accepted by the Government.
- Upon submission, all Proposals will become the property of the Crown in the Right of Tasmania and will not be returned to the respondents.
- Any intellectual property rights that may exist in a Proposal will remain the property of the respondent but a response may be copied by the Crown for the purposes of evaluation or for purposes related to the administration of government.
- The Crown will hold all proposals in confidence so far as the law permits or except to the extent disclosure is appropriate as part of the administration of government.
- The Crown reserves the right to publish the names of respondents.
- Late Proposals will be returned to the respondent by electronic mail noting that lodgement occurred after the closing time and the Proposal is therefore not accepted.
- Any costs incurred in preparing and submitting a response to this Request for Proposals are the liability of the interested party and will not be met by the Crown.



- The Government reserves the option to accept part, or the whole, of a Proposal from the same or from different respondents in order to best meet the RFP requirements and specifications.
- The respondent must ensure that all commercial in confidence, confidentiality and privacy issues and responsibilities are properly addressed in the Proposal, and that no conflict of interest arises in relation to the Proposal or any matter relating to the Proposal.
- The Government and the evaluation panel are not responsible for, nor will pay for, any cost or expense or loss incurred by any respondent including but not limited to:
  - preparing and lodging a Proposal;
  - carrying out any investigation in relation to the proposal set out in a Proposal; or
  - any resources used by the respondent in the preparation of its Proposal.
- The evaluation panel is not bound to or required to endorse any Proposal.
- The Government may vary the RFP at any time by:
  - informing all respondents; and
  - notifying all persons to whom the Department has issued the RFP; or
  - advertising the variation in the newspapers in which the original RFP was advertised.
- The Government may discontinue or suspend the RFP process.
- The RFP is not to be construed as making any express or implied representation, undertaking or commitment by the Government that it will enter into a binding contract with any respondent to undertake the Government's requirements.

## 11. Disclaimer

This RFP has been prepared to assist interested parties and does not purport to contain all the information that an interested party may require to prepare a response to this RFP.

An interested party should conduct its own independent review, investigation and analysis of matters relevant to the establishment and operation of a King Island shipping service.

An interested party must rely entirely on its own reviews, investigations and analysis, and not on this RFP, in relation to matters relevant to the establishment and operation of a King Island shipping service and/or any decision to submit, or not to submit, a proposal in response to this RFP.

The information contained in this RFP must not be used for any purpose other than in connection with this RFP and the submission of a response.

No representation or warranty (either express or implied) is given by or on behalf of the Crown in Right of Tasmania, or any of its servants and agents, as to the quality, accuracy, reliability or completeness of information contained in this RFP or that reasonable care has been taken in compiling or preparing this RFP.

Any liability of the Crown, its servants and agents, to any person (including an interested party) in relation to this RFP or the information contained in this RFP is, to the maximum extent permitted by law, expressly disclaimed and excluded.

In this disclaimer, a reference to an interested party includes a person who submits a proposal in response to this RFP.

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## Attachment A – Indicative Pricing Schedule

While innovative pricing approaches are encouraged, to enable comparison between existing competitive prices and between proposals, a standard set of indicative freight costs are required.

All Proposals must include information on indicative pricing in the immediate and long-term. They should also discuss the major downside risks and attempt to quantify these, for example in percentage terms. Any additional land-side charges should also be included.

### Export Price: King Island – Mainland Tasmania

Cargo item	Cost basis	Commencement/Transition		Longer-term (3 years+)	
		Indicative middle-market price	Landside charges	Indicative middle-market price	Landside charges
20 foot trailer	Per trailer				
40 foot trailer	Per trailer				
Full Container	Per TEU				
Empty Container	Per TEU				
Reefer	Per TEU				
Hazardous Goods	Additional charge				
Fuel (tanktainer)	Per container				
Livestock (on the hoof)	Head of cattle				
Vehicles ( $\leq 5.9\text{m}$ length, $\leq 5$ tonne)	Per vehicle				
Horse Floats (full)	Per float				
Machinery / Plant	Per item				
Oversize items: •2.41m - 5.90m length •>5.90 m length	Additional charge				

### Export Price: King Island – Victoria

Cargo item	Cost basis	Commencement/Transition		Longer-term (3 years+)	
		Indicative middle-market price	Landside charges	Indicative middle-market price	Landside charges
20 foot trailer	Per trailer				
40 foot trailer	Per trailer				
Full Container	Per TEU				
Empty Container	Per TEU				
Reefer	Per TEU				
Hazardous Goods	Additional charge				
Fuel (tanktainer)	Per container				
Livestock (on the hoof)	Head of cattle				
Vehicles ( $\leq 5.9\text{m}$ length, $\leq 5$ tonne)	Per vehicle				
Horse Floats (full)	Per float				
Machinery / Plant	Per item				
Oversize items: •2.41m - 5.90m length •>5.90 m length	Additional charge				

### Import Price: Mainland Tasmania - King Island

Cargo item	Cost basis	Commencement/Transition		Longer-term (3 years+)	
		Indicative middle-market price	Landside charges	Indicative middle-market price	Landside charges
20 foot trailer	Per trailer				
40 foot trailer	Per trailer				
Full Container	Per TEU				
Empty Container	Per TEU				
Reefer	Per TEU				
Hazardous Goods	Additional charge				
Fuel (tanktainer)	Per container				
Livestock (on the hoof)	Head of cattle				
Vehicles ( $\leq 5.9\text{m}$ length, $\leq 5$ tonne)	Per vehicle				
Horse Floats (full)	Per float				
Machinery / Plant	Per item				
Oversize items: •2.41m - 5.90m length •>5.90 m length	Additional charge				

### Import Price: Victoria - King Island

Cargo item	Cost basis	Commencement/Transition		Longer-term (3 years+)	
		Indicative middle-market price	Landside charges	Indicative middle-market price	Landside charges
20 foot trailer	Per trailer				
40 foot trailer	Per trailer				
Full Container	Per TEU				
Empty Container	Per TEU				
Reefer	Per TEU				
Hazardous Goods	Additional charge				
Fuel (tanktainer)	Per container				
Livestock (on the hoof)	Head of cattle				
Vehicles ( $\leq 5.9\text{m}$ length, $\leq 5$ tonne)	Per vehicle				
Horse Floats (full)	Per float				
Machinery / Plant	Per item				
Oversize items: •2.41m - 5.90m length •>5.90 m length	Additional charge				



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## King Island Shipping Evaluation Criteria – Scoring Guide

Criteria	Sub Components	High Score (7-10)	Medium Score (4-6)	Low Score (0-3)
<u>Quality (33.3%):</u>				
Appropriate Vessel	Cargo flexibility	Ability to re-configure quickly for livestock, containerised and over size cargo as required	Ability to carry variety of cargo shapes and sizes as well as livestock	Difficult to alter cargo type if future needs change or one-off demand occurs
	Meets Grassy port restrictions	Yes, with no modifications	Yes, with modifications	No
	Age	Less than 10 years old	10 - 20 years old	>20 years old
	Classification society	Clean classification records with no issues	Reasonable classification records with only minor issues	Poor records with important issues or not made available
	AMSA requirements	AMSA certified, no issues	AMSA certified, minor recent issues	Not AMSA certified
	Speed	8 hours or less crossing Grassy/mainland Tasmania in standard weather conditions	8 to 10 hours crossing Grassy/mainland Tasmania in standard weather conditions	More than 10 hours crossing Grassy/mainland Tasmania in standard weather conditions
	Previous Deployment	Seek advice from expert		
	Cargo Capacity	Can meet King Island current demand within a weekly schedule plus capacity for reasonable growth	Can meet King Island current demand within a weekly schedule	Has capacity significantly smaller or larger than King Island current demand
Ownership	Owned	Long term or bare boat charter	Short term charter (1 year or voyage)	
Market / Customer acceptance	Customer acceptance of service offerings	Customers signed for base cargo load	Letters of support/intent from customers	No or limited indication of support from customers
Meet Freight Needs	Animal Welfare and MSA	Clearly demonstrates meets MSA and animal welfare requirements, including indication of support from livestock shippers	Demonstrates meets MSA and animal welfare requirements	Does not demonstrate ability to meet MSA and animal welfare requirements
	Regularity of Service	Service at least twice weekly with flexibility for more at peak demand	Service twice weekly	Single service per week
	Service Routing	Matches freight flows and commodity requirements to a high level	Matches freight flows and commodity requirements to a limited extent	Does not match freight flows and commodity requirements
	Links to other markets and logistics chains	High quality (reliable) and regular connections to Tasmania and Mainland Australia	Regular connections to Tasmania and Mainland Australia	Ability to connect to services but not demonstrated to high degree and/or not able to connect to all markets
	Ability to cater for oversize cargo	Clearly demonstrates how oversize cargo can be catered for in regular sailings	Can cater for oversize cargo with some effort or with separate sailing. Cost high	Cannot easily cater for oversize cargo or can do so at excessive cost

Criteria	Sub Components	High Score (7-10)	Medium Score (4-6)	Low Score (0-3)
	Cargo Protection	Significant proportion of cargo can be carried under cover	Protection for cargo available	Cargo is not protected
	Connections for Reefers	Clearly demonstrates connections for sufficient number of reefers	Indicates connection for reefers available	Connections for reefers not demonstrated or limited
Supports Island Business Growth	Flexibility for changing cargo mix	Ability to offer additional services or to reconfigure services to meet changing demands	Changing cargo mix can be accommodated within a reasonably short time	Cannot accommodate changing cargo mix without major reconfiguration
	Ability to support growth from livestock and other sectors	Clearly demonstrates can meet up to 'high growth' scenario freight levels	Clearly demonstrates can meet up to 'medium growth' scenario freight levels	Does not clearly demonstrate can meet growth from varying sectors
Transition Strategy (assumes exit of current service provider)	Structured transition and exit strategy with current provider	Demonstrated strategy agreed with existing provider and/or market entry plan well established	Negotiations underway with existing provider and/or market entry plan defined	No demonstration of commitments from existing provider and/or no market entry plan defined
<b>Price (33.3%):</b>				
Price to Users (using Attachment A from RFP)	Price of General Cargo	>10% less than current competitive tariffs*	Within 10% of current competitive tariffs*	> 10% higher than current competitive tariffs*
	Price of shipping Cattle	> 10% less than current competitive tariffs*	Within 10% of current competitive tariffs*	> 10% higher than current competitive tariffs*
* Current competitive rates to be sourced from McKenzies agencies or input from King Island on average rates				
<b>Reliability (33.3%):</b>				
Technical Expertise	Experience running similar customer focused freight shipping services	Area of experience - Tasmania	Area of experience – Other Regional Australia	Area of experience – Other shipping
	Management structure	Extensive experience and supporting structures for similar scale or larger services and allows for sharing of skills and knowledge across the service	Experience in managing a shipping service of similar size. Management structure which allows for some skill and knowledge sharing	Limited experience and/or no management support
	Suitably qualified staff	High level industry recognised qualifications. Sufficient staff to maintain reliable operations and allow for peak demand or expansion	Industry recognised qualifications. Staffing levels sufficient to maintain reliable service	No or limited qualifications or not industry recognised. Staffing levels raise concern over ability to maintain reliable service, especially during peak demand
	Customer service and freight 'front office'	Established customer service including problem solving process, with well-developed freight management systems	Established customer service with limited formal problem solving process and freight management systems	Limited customer service and freight management systems, no formal problem solving process

Criteria	Sub Components	High Score (7-10)	Medium Score (4-6)	Low Score (0-3)
Financial Stability	Financial Measures	Margin (after operating costs) >25% Overheads (as % of revenue) <10% Balance Sheet strong (debt/equity ratio) 1:4 or better	Margin (after operating costs) 10 - 25% Overheads (as % of revenue) 10 – 20% Balance Sheet average (debt/equity ratio) 1:4 to 1:2	Margin (after operating costs) <10% of revenue Overheads (as % of revenue) >20% Balance Sheet weak (debt/equity ratio) worse than 1:2
	Sufficient resources to be commercially sustainable in the long term	Financial modelling robust, limited assumptions	Financial modelling sound, relies on some assumptions	Financial modelling limited or based on a large number of assumptions
	Ability to withstand the highs and lows of the market	Company structure to support additional resourcing if required. Limited sensitivity to cargo volumes Quick Ratio (current assets/current liabilities) >2.5:1	Demonstrates some capacity to withstand market lows, eg access to reserves. Moderate sensitivity to cargo volumes Quick Ratio (current assets/current liabilities) 1.5 - 2.5:1	Highly sensitive to cargo volumes, does not demonstrate ability to sustain service in times of market lows Quick Ratio (current assets/current liabilities) <1.5:1

**Adjusting / Over-riding (a second stage evaluation applied to those that score sufficiently against price, quality and reliability):**

Criteria	Sub Components	High Score (7-10)	Medium Score (4-6)	Low Score (0-3)
Cost to Government	Amount (total)	None	less than \$500 000	greater than \$500 000
	Type of assistance	in kind, facilitation etc	infrastructure set-up grant	subsidy
	Length of time	once off	reducing short term	ongoing

**Other Qualitative Considerations**

- Capacity to expand to Furneaux Islands
- Capacity to expand into passenger/tourism market
- Capacity to expand into provision of bulk fuel.



# Request for Proposals – King Island Shipping Service

The Tasmanian Government has been working closely with the King Island Council and Island community to ensure the continuation of essential shipping services to the Island following the anticipated withdrawal of the current weekly SeaRoad Mersey service to the Port of Grassy in late 2016.

The Government is seeking:

## **PROPOSALS**

**from suitably qualified and experienced shipping operators or consortia to be selected as the**

## **PREFERRED PROPONENT**

**to negotiate the establishment and operation of a long-term commercially sustainable King Island Shipping Service.**

The Government's desired outcome is the delivery of a shipping service that meets the needs of the King Island community, providing reliability and continuity of service and allowing for the Island's economy to grow. Proponents are invited to submit proposals to meet this outcome.

The Government's clear preference is for:

- an open, unregulated market;
- a commercially sustainable, long-term service; and
- a reliable, cost-effective service that supports growth of the King Island economy.

Proposals will be assessed against pre-established evaluation criteria. If a suitable proposal is received, the Government will work with the preferred proponent towards the establishment of a sustainable King Island shipping service. This may entail some form of Government assistance through facilitation or support, however, the Government does not envisage providing an ongoing operating subsidy.

**All proposals must be submitted in writing by 5pm Friday 29 January 2016.**

The Request for Proposal package, including the evaluation criteria, is available from Deborah Davis, (03) 6166 3460 or [Deborah.Davis@stategrowth.tas.gov.au](mailto:Deborah.Davis@stategrowth.tas.gov.au)