

# Tasmanian Government

## Furneaux Islands Shipping Policy Statement

JULY 2010

Department of Infrastructure,  
Energy *and* Resources



Tasmania  
Explore the possibilities

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## 1. Context

### *Historical Overview of Subsidies For Shipping Services*

Between December 1995 and January 2010, the Tasmanian Government (the Government) was party to a binding Deed of Agreement with Southern Shipping Company Pty Ltd (SSC) to ensure specified scheduled shipping services to Flinders Island and Cape Barren Island and to make certain that an operator was available to undertake additional commercial services (unscheduled services), including services to the smaller islands of the Furneaux Group. This agreement also set prices on all services provided by SSC to the Furneaux Group. Prior to this arrangement, the *Straits Islands Shipping Services Subsidies Act 1948* provided a price rebate arrangement direct to any shipping operator across a specified class of goods.

The basis for government support of shipping services and the mechanism to deliver this support were determined and established as being appropriate based on market demand and availability of shipping operators at that time. Notwithstanding this, it has been widely acknowledged that the Deed of Agreement with SSC was not sufficiently detailed to ensure appropriate outcomes either for the island communities or for the Government, particularly in relation to service standards of the shipping operator.

In late 2009, there were considerable changes within the shipping market – customer demand for Government funded shipping arrangements eased, the appointment of an administrator enabled the Government to terminate its Deed of Agreement with SSC and a new shipping operator, Furneaux Freight, entered the market in competition with an existing operator, LD Shipping.

### *Purpose of this Policy Statement*

As island communities, Flinders Island and Cape Barren Island are dependent on reliable shipping services at fair prices. Transport outcomes are achieved in a number of ways – primarily it is the role of the market to determine optimal freight transport outcomes. However, it is the role of governments to have in place sufficient safety net arrangements to ensure minimum level services are met in the circumstances of market failure. The purpose of this policy is to clearly and transparently articulate the Government's role, responsibilities and actions in determining and providing a safety net that will deliver its objectives. It also sets out the Government's expectation of the community in supporting optimal shipping outcomes.

In doing so, it is recognised that the Flinders Council and island communities may have higher or broader expectations than those of the Government with regard to shipping services. This policy acknowledges those differences and sets out the manner in which they are most appropriately addressed.

### *Freight Transport Services*

The Furneaux Group of Islands is located off the north eastern tip of the Tasmanian mainland. Of the more than 60 islands that comprise the Group, only three are permanently occupied. This policy statement applies to the Flinders Island and Cape Barren Island communities.

Flinders Island and Cape Barren Island are relatively isolated in geographical terms and are dependent on air and sea transport services to connect to broad range of essential services (such as health and education), passenger services and for the import and export goods that support liveable communities and underpin their economic basis.

Scheduled air services are provided by Airlines of Tasmania to both Flinders Island and Cape Barren Island. Scheduled flights range from one flight a day to Flinders Island on the weekend and up to four on weekdays, including one daily flight from Essendon Airport. A once weekly air service to Cape Barren Island is subsidised by the Australian Government under the Remote Air Services Subsidy (RASS). Capacity is able to be specifically made available on this flight for the delivery of fresh/perishable food. Private planes and charter flights are also regularly utilised. Air services predominantly support the passenger (residents and tourism) transport market and to some extent perishable freight (for example the export of fish products).

Commercial shipping services are provided by LD Shipping with its vessel the *Statesman* and Furneaux Freight with the *Furneaux Navigator*. Furneaux Freight has also recently acquired the vessels *Mathew Flinders III* and *Condor II* previously operated by SSC and is in the process of constructing a new vessel. The Government has a short-term contractual arrangement with LD Shipping to provide a weekly shipping service to Flinders Island and a monthly service to Cape Barren Island at prices set in accordance with a defined schedule. This arrangement expires on 24 July 2010. Shipping services predominantly support the transport of bulk goods (livestock, fertiliser, fuel) and goods to support the community (food, vehicles, household goods). SSC previously offered a very limited passenger capacity but it is not well understood how well this was utilised, particularly by tourists.

## *The Freight Market*

The size of the Furneaux Group freight transport market and its characteristics make it potentially vulnerable to market failure. Although there is currently effective competition in the sea freight market for bulk goods, livestock and to some extent fuel (particularly given the current arrangements to supply Flinders and King Islands jointly) and good potential for this competition to continue, the low volume and asymmetrical nature of demand for general cargo means that the ability of this market segment to generate effective competition is more limited.

While market-driven outcomes are generally preferred by governments for the provision of services such as shipping transport due to the responsiveness, flexibility and efficiency of a healthy commercial marketplace, the commercial vulnerability of general cargo services has historically resulted in direct Government subsidisation of services and, more recently, a contract to ensure a minimum frequency of services. The Cape Barren Island community is considered particularly vulnerable to market failure simply due to the relatively low volumes of goods transported. The Government recognises this vulnerability in the safety net arrangements.

## *Process of Policy Development*

The Government, Flinders Council and the island communities share a joint interest in the continuity, adequate frequency and quality of shipping services. In February 2010, the Government and the Flinders Council agreed to work together to develop long-term objectives for the shipping services to Flinders Island and Cape Barren Island. As part of this process, the Government sought feedback from Flinders Council on behalf of the island communities on a range of issues related to shipping services. The following section provides an overview of the feedback provided. More detailed feedback is included at Attachment 2 to this document.

In addition, in 2009 the Government commissioned GHD to provide analysis on the Furneaux Islands shipping market and to identify those aspects of shipping services that could be undertaken by the private sector on a commercial basis. The GHD report is available on the Department of Infrastructure, Energy and Resources (DIER) website at [www.dier.tas.gov.au/publications](http://www.dier.tas.gov.au/publications).

## **2. Flinders Council and community feedback**

In February 2010, the Government sought advice from Flinders Council, on behalf of the island communities, on a range of issues related to shipping services. A summary of key issues and considerations identified by the Council are listed below:

- Affordable access to shipping services and associated transport (road connections) are critical to supporting social and economic outcomes that make the island communities viable.
- Shipping services are fundamental to pursue economic development activities (noting that this includes the transport of commercial goods such as livestock, value added island products, bulk building materials, agricultural inputs and fuel).
- Shipping services should also support tourism related economic objectives.
- A private operator providing essential shipping services has the potential of offering a cost effective and reliable service. This is on the basis that the operator is of good character, has sufficient capital, has access to the types of vessels most suited to service the Furneaux Group of Islands.
- The once a week Government subsidised service is not adequate to service peak demands, especially in relation to livestock, with the community expecting the Government's obligation extends beyond a weekly essential service.
- Consistent with its shipping objectives, the Council sees a State Government role in the provision of transport to and from the islands to not only include livestock, perishable goods and bulk freight but also the role of tourism and economic development in improving the overall sustainability of the Islands as a whole.
- Any new shipping arrangements that the Government may implement should ensure that incentives and penalties based on performance are included and there is a clear method to review, measure and report on adherence to these goals.
- Specifically, the Council believes that the transport of livestock to and from Flinders Island in a timely, safe and reliable manner is an important component of any service standards.
- Flinders Council has expressed a preference for Lady Barron on Flinders Island (as the commercial port maintained by TasPorts) and either Bridport or Bell Bay on the Tasmanian mainland to be utilised for shipping services.
- The Flinders Island community expects modern levels of port infrastructure and reasonable transport services, noting that the infrastructure associated with shipping to the islands is critical.

## *Lady Barron Port*

In 2009 Flinders Council commissioned Aurecon Australia Pty Ltd to develop a Flinders Island Ports Vision. The following relates to key aspects of the shipping service and associated infrastructure raised in the Ports Vision (further details of the Ports Vision are provided in Attachment 2 of this document):

- There is a demonstrated lack of storage and handling facilities with a particular emphasis added to undercover storage. As such it appears that many goods are stored in unsheltered conditions for extended periods which raise the risk of weather damage and a lack of security once cargo is off loaded.
- The Ports Vision proposes a dedicated stock holding and loading area noting that key advantages of dedicated stock facilities is that regular shipping services will not be delayed while stock are loaded and unloaded and animal waste will not contaminate pedestrian precincts and general cargo facilities.

### **3. Scope of this Policy**

This policy sets out the Government's objectives in relation to the provision of shipping services to Flinders Island and Cape Barren Island. The Government's objectives are provided in Section 5.

This policy does not seek to address the Flinders Council's economic development objectives on the basis that broad based transport subsidies are not an effective mechanism to support sustainable industry development and do not send correct market signals to shipping operators. Further, targeted transport subsidies are generally not equitable to the community.

In this regard, Government support to Flinders Council economic development objectives would be more appropriately considered as part of the forthcoming renegotiation of the Partnership Agreement between the Government and Flinders Council and in conjunction with the Department of Economic Development and Tourism.

Further, this policy does not provide specific support, nor will any additional assistance be provided to, new business initiatives seeking dedicated shipping outcomes. These will invariably be the subject of commercial arrangements.

The Government recognises that shipping services are one part of the transport system essential to support the Flinders and Cape Barren Island communities and should not be viewed in isolation of broader infrastructure or service issues.

While this policy does not seek to determine which ports shipping services should be provided to or from (origin and destinations decisions are ultimately the responsibility of shipping operators and customers), the Government acknowledges that Flinders Council has expressed a preference for Lady Barron on Flinders Island and either Bridport or Bell Bay on the Tasmanian mainland. It is also acknowledged that market demand may result in services to Australian mainland destinations such as Port Welshpool in Victoria.

In addition, while the Government, in conjunction with the Aboriginal Land Council of Tasmania, has recently provided additional investment for port infrastructure upgrades on Cape Barren Island, there is further opportunity to improve this facility. The broader support arrangements outlined in Section 7 of this paper seeks to address some of the issues raised and will be discussed with port infrastructure owners.

#### 4. Government objectives for shipping services

The following policy objectives represent the Tasmanian Government’s goals and principles in relation to the provision of shipping services to Flinders Island and Cape Barren Island.

<b><i>Policy Objective 1</i></b>	<b>Flinders Island and Cape Barren Island communities have access to reliable sea transport services at fair prices.</b>
<b><i>Policy Objective 2</i></b>	<b>A market-based outcome to deliver shipping services is preferred to direct intervention by government.</b>
<b><i>Policy Objective 3</i></b>	<b>Where the market is unable to deliver these objectives the Government, in partnership with Flinders Council, will facilitate safety net arrangements to ensure the objectives are maintained.</b>
<b><i>Policy Objective 4</i></b>	<b>Flinders Council and the Cape Barren Island Aboriginal Association have a vital partnership role in supporting the implementation of Government measures to support provision of shipping services.</b>



Each of these objectives is discussed in more detail below.

<b><i>Policy Objective 1</i></b>	<b>Flinders Island and Cape Barren Island communities have access to reliable sea transport services at fair prices.</b>
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This objective reflects the Government’s primary aim that the Flinders Island and Cape Barren Island communities have access to both scheduled and additional demand-driven sea transport services at fair prices.

#### *Service Standards*

All services should be provided consistent with service standards including, but not limited to, frequency and timeliness of services provided and the proper carriage of goods to ensure appropriate delivery and condition. It is expected that the service standards be developed and agreed between the Flinders Council’s Furneaux Group Special Shipping Committee (Shipping Committee) and the Government. Service standards are set out in Attachment 1.

To maintain and monitor service standards, it is essential that there is consistent communication between shipping operators and customers. For instance, communication to customers will include any timetable changes, unavoidable delays, pricing, service standards and response to feedback.

#### *Fair prices*

The Government recognises that higher living costs are often incurred by isolated island communities supporting small populations. However, it is essential that prices remain fair for customers and sustainable for shipping operators. In this context, fair prices will be reflective of costs associated with sea freight shipping to and from the Furneaux Islands.

Freight prices set under the previous contractual arrangements in part reflected the financial arrangements at the commencement of the original subsidised shipping service in 1995, calculated to ensure an appropriate rate of return when balanced with the shipping subsidy. While increases to account for inflation have been made since this time, the pricing schedules have not substantially changed in this period. As a result, the rates prescribed under the contractual arrangements are not necessarily reflective of the market prices. Supporting this, it is understood that customers have been able to negotiate more competitive rates than those set through the contractual arrangements.

A competitive market will typically ensure efficient operations and fair pricing outcomes. Pricing outcomes that are the result of monopolistic price gouging or collusion should be referred to the Australian Competition and Consumer Commission (ACCC) as the appropriate authority to investigate pricing issues. In this regard, shipping operators are required to comply with provisions of the Australian Government's *Trade Practices Act 1974*.

To facilitate certainty and transparency in pricing, the Government will seek commitment from shipping operators to publish scheduled freight rates across a range of goods.

Upon commencement of this policy, it is recognised that a period of time will be required to enable the market to 'settle'. Following this period, it is expected that general increases in prices will be reflective of increases to shipping operator business input costs such as increases in the price of fuel.

Where price increases exceed these components there should be a corresponding improvement in the quality of services being provided.

Ongoing price monitoring will be a function of the Shipping Liaison officer (see Section 6) and the Shipping Committee.

The Government may determine to subsidise prices for non-economic (social) reasons; however, any such subsidies must be transparent, clearly indicating the purpose for which they are intended.

As an economic subsidy, the Australian Government provides and administers the Tasmanian Freight Equalisation Scheme (TFES), which helps to reduce shipping freight costs between Tasmania and the Australian mainland and helps to reduce shipping freight costs. The TFES operates under a set of Directions issued by the Australian Government Minister for Infrastructure, Transport, Regional Development and Local Government.

The TFES includes eligible interstate sea freight shipped between the Furneaux Islands and Victoria (either directly or via Tasmania) and eligible intrastate freight between the Furneaux Islands and Tasmania. This policy is not contingent on TFES objectives pursued by the Australian Government.

***Policy Objective 2***

**A market-based outcome to deliver shipping services is preferred to direct intervention by government.**

This objective relates to the Government's role in the Furneaux Islands shipping market.

Consistent with National Competition Policy and national transport policies, it is the role of State governments to promote competition within the economy where it is considered to be in the public benefit.

The underlying premise is that increased competition in a market leads to more efficient, flexible and responsive outcomes for market participants. On this basis the Government will usually only intervene where market failure has occurred or is reasonably likely to occur.

A competitive shipping market has the potential to provide:

- lower prices for customers;
- a greater discipline on shipping operators to keep their costs down;
- responsive service provision;
- improvements to the quality of service for customers; and
- better information for customers allowing people to make more informed choices.

Specifically, in relation to Flinders Island shipping, the freight task is primarily driven by the need to service the livestock industry, in particular, demand generated by the export of live animals. In recent times, demand for livestock and bulk goods including fuel has been met by the market.

Demand for general cargo is asymmetrical and characterised by lower volumes, sometimes limiting the ability of this market segment to generate effective competition. These characteristics are also true of the demand for services on Cape Barren Island. As a result, the need for Government intervention is likely to be greater for these market segments.

<b><i>Policy Objective 3</i></b>	<b>Where the market is unable to deliver these objectives the Government, in partnership with Flinders Council, will facilitate safety net arrangements to ensure the objectives are maintained.</b>
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The Government recognises that the Flinders Island and Cape Barren Island communities are relatively isolated in geographical terms. As outlined above, the size of the freight transport market and its characteristics make these communities potentially vulnerable to market failure in relation to specific shipping services.

In the circumstances where market failure occurs, or can reasonably be expected to occur, the Government will provide a safety net reflective of the vulnerabilities and the non-commercial nature of some services.

Where the need for Government support is no longer demonstrated, assistance will be reasonably withdrawn on the basis that market failure is not occurring.

Proposed safety net arrangements for the Furneaux Islands are outlined in Section 6.

<b><i>Policy Objective 4</i></b>	<b>Flinders Council and the Cape Barren Island Aboriginal Association have a vital partnership role in supporting the implementation of Government measures to support provision of shipping services.</b>
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In accordance with this objective, the Government will require support from Flinders Council in formalising a partnership role for the Council in assisting the implementation and operation of the safety net arrangements (as described below). This includes continuing to be representative of its constituents, including its current role of administering of the Shipping Committee.

Further, for the arrangements to work effectively, Flinders Council will continue to have an ongoing role in information sharing with the community and the Government.

Specifically in relation to Cape Barren Island shipping requirements, strong communication between the Cape Barren Island Aboriginal Association (CBIAA) and the Flinders Council, through the Shipping Committee, and the Government is essential to ensure the needs of the Cape Barren Island community are met.

## **5. Delivering the objectives**

Presently an annual Tasmanian Government budget allocation is set aside to assist in the provision of shipping services to the Furneaux Islands. Under this policy the Government, in accordance with its stated policy objectives, commits to maintaining an allocation to continue safety net arrangements for a period of at least three years.

As stated under Policy Objective 2, a market-based outcome to deliver shipping services is preferred to direct intervention by government. However, where this is not possible, the Government will facilitate safety net arrangements (Policy Objective 3).

Where the market is able to provide required services in accordance with the service standards specified in Attachment 1, the current annual funding allocation will be made available to assist with prioritised shipping-related initiatives and activities. The Government believes that this approach will deliver the best outcomes for the Flinders Island and Cape Barren communities from the funding available.

## **6.1 Responsibilities**

The Government recognises that it has a responsibility to provide both long-term and short-term safety net arrangements in relation to shipping services to Flinders Island and Cape Barren Island. Under this policy, the Flinders Council assumes a formalised partnership role for facilitating short-term shipping outcomes for the Islands. This role takes advantage of Council's proximity to the shipping market, including customers and access to information and will provide for more timely outcomes.

In relation to effecting safety net arrangements, there is presently effective competition in the sea freight market for bulk goods, livestock and to some extent fuel and, given potential for this competition to continue, is unlikely to require short-term assistance. It is accepted that demand for general cargo generates less effective competition and, at times, may require short-term assistance.

In the event that a significant structural change to the market occurs, such as a major service provider exiting the market resulting in loss of essential services, the Government will be responsible for taking steps to ensure long-term service provision. This may occur, for instance, in the form of a tender process.

## **6.2 Review**

It is proposed that the arrangements, in the absence of large structural changes to the market, be reviewed in three years (1 July 2013).

It is envisaged that regular communication between the Tasmanian Government and Flinders Council and the important ongoing role of the Flinders Council Shipping Group will assist with the implementation of the new shipping arrangements.

## 6. Contact

This policy statement is available at [www.dier.tas.gov.au/publications](http://www.dier.tas.gov.au/publications). For more information regarding the Furneaux Islands Policy Statement please contact:

Ms Sophie Reid  
Assistant Director  
Infrastructure Strategy Division  
GPO Box 936 Hobart 7001  
Tel: (03) 6233 8724  
Fax: (03) 6233 3937

Should you wish to discuss the role of Flinders Council in relation to this policy please contact:

Mr Raoul Harper  
General Manager  
Flinders Council  
PO Box 40 Whitemark 7255  
Telephone (03) 6359 5001  
Facsimile (03) 6359 2211

## ATTACHMENT 1 –Service Standards

### Service Standard 1

#### *Access to reliable shipping services*

The Flinders Island and Cape Barren Island communities require access to shipping services that are reflective of demand that is within the capability of the market to provide.

That is, shipping services providing capacity in excess of demand are not sustainable either in a market sense; nor an efficient utilisation of Government funds.

For general freight (commodity items that support community livability such as food, vehicles, household goods), demand indicates a once weekly service to Flinders Island and a once every four weeks service to Cape Barren Island.

More flexibility is required for bulk freight (such as livestock, agricultural goods, fuel, building materials) which is demand driven. For bulk freight it is necessary that the shipping service is able to meet demand driven services, particularly through periods of high demand (such as the livestock export peaks). However, this demand must be balanced with the market's ability to provide. If shipping capacity is not available in the market, demand management measures will need to be implemented.

#### *Livestock peaking*

Demand for livestock is a significant aspect of the Furneaux Islands' overall shipping demand profile. In relation to peak livestock demand, the Shipping Committee may wish to consider the following issues when developing agreed service standards with shipping operators:

- the need for penning requirements that require vessels to be configured for livestock transport and are therefore not necessarily able to be backfilled with other goods (creating one way demand);
- the previous agreement with SSC ensured that a shipping operator was available in the market to meet commercial demand - under the new Tasmanian Government policy, market participants should expect that in a competitive market, commercial demand will be met without government assistance;

- issues arise where shipping operators' service capacity (i.e. capacity of the boats operating in the market) is not sufficient to meet demand. In this regard, capacity cannot reasonably be created at short notice - if it can be bought in then this is a function of the market;
- it is commercially unfeasible that a shipping operator will be able to carry spare capacity throughout the rest of the year to meet the short peaking periods. Capacity within the market is limited to the availability of shipping operators;
- mitigation strategies available, for example, identifying peak periods and informing shipping operators so that they can schedule surveys or annual maintenance outside these periods;
- co-ordinating demand to maximise loads out and to schedule customers to manage expectations. Both of these would be the role of the proposed Shipping Liaison Officer;
- communication so that the community is aware of the issues around peaking and accepts that shipping services may not be available on demand – a reasonable booking timeframe could be established;
- a role of the Shipping Liaison Officer could be to link smaller customers together to achieve better outcomes (but not to the extent which duplicates the role of existing stock agents); and
- the need for all market participants communicate regularly to ensure optimal solutions can be reached during peak livestock demand periods.

## **Service Standard 2**

### *Fair Prices*

It is essential that prices remain fair for customers and sustainable for shipping operators.

In consideration of pricing, fair prices do not mean prices equivalent to road freight costs. Fair prices will be reflective of costs associated with sea freight shipping to and from the Furneaux Island.

Any service standard related to pricing should consider the expectations regarding pricing provided within the Tasmanian Government's Furneaux Island Shipping Policy.

For instance:

- it is expected that general increases in prices will be reflective of increases to shipping operator business input costs such as increases in the price of fuel;



- where price increases exceed these components there should be a corresponding improvement in the quality of services being provided;
- ongoing price monitoring will be a function of the proposed Shipping Liaison officer and the Shipping Committee;
- the Government may determine to subsidise prices for non-economic (social) reasons; however, any such subsidies must be transparent, clearly indicating the purpose for which they are intended; and
- as an economic subsidy, the Australian Government provides and administers the Tasmanian Freight Equalisation Scheme (TFES), which helps to reduce shipping freight costs between Tasmania and the Australian mainland and helps to reduce shipping freight costs.

### **Service Standard 3**

#### *Safe and reliable vessels*

A reliable sea transport service is underpinned by safe and well maintained vessels. Vessel standards and maritime safety is regulated by either the Marine and Safety Tasmania (MAST) or the Australian Maritime Safety Authority (AMSA) depending on vessel size and destination.

Issues relating to the safe operation of vessels should in the first instance be directed to MAST.

*For further information contact:*

MAST Hobart  
 Level 1 7-9 Franklin Wharf  
 Hobart Tas 7000  
 Ph: 1300 135 513  
 Fax: (03) 6233 5662

### **Service Standard 4**

#### *Carriage of Livestock*

The *Animal Welfare Standard Tasmania No 8 – Transport of Livestock Across Bass Strait* sets out the animal welfare requirements for livestock being transported across Bass Strait, including livestock being shipped to and from the Bass Strait Islands. The Bass Strait Livestock Shipping Committee monitors this Standard. The local veterinarian inspects livestock disembarking on Flinders Island.

Complaints regarding the transport of livestock not meeting the Standard should be made directly to the Department of Primary Industries, Water and the Environment (DPIPWE) in the first instance, as the Agency having responsibility for the Standard.

*For further information contact:*

Animal Health and Welfare Branch  
13 St Johns Avenue, New Town 7008  
Telephone 0362 33 6875  
Fax: 0362 78 1875  
email: Fiona DeJersey@dpiwwe.tas.gov.au

## **Service Standard 5**

### ***Carriage of Goods***

While the transportation is a commercial arrangement between the shipper and the owner of the goods, there must be a fit and proper carriage of goods.

Shipping inadequacies such as food wastage, insufficient staff scheduling, breakages and abnormally long delays in live-stock movements must be minimized.

The transportation, storage and delivery of perishable goods and the ability to maintain a scheduled service and high service standards is critical.

## ATTACHMENT 2 – Flinders Council and Community Feedback

In January 2010 the Transport Commission entered into contingency arrangements for the provision of shipping services to the Furneaux Islands. During the sixth month contingency period the Government agreed to work closely with the Flinders Council in developing and agreeing to new long-term arrangements for shipping services to the Furneaux Islands.

It is recognised that Flinders Council input is critical to developing the long-term objectives for shipping services and subsequently determining an appropriate delivery model for meeting objectives.

To this end, below is a summary of the input received from Flinders Council including response to the Government-commissioned GHD analysis, issues raised in the Council-commissioned *Flinders Island Port Vision Study* and a number of issues and questions put to Council.

From this input, DIER understands the main issues to be the following:

### ***Council's objectives for the shipping service***

- Affordable access to services and transport. Social outcomes are inherent in having viable island industries possible only with a supportive shipping service;
- Economic development – i.e. transport of commercial goods such as livestock, value added island product, bulk building materials, agricultural inputs and fuel; and
- Tourism.

### ***Market provision***

- The Flinders Council agrees that a private operator providing essential shipping services has the potential of offering a cost effective and reliable service. This is on the proviso that the operator is of good character, has sufficient capital and has access to the types of vessels most suited to service the Furneaux Islands.
- Council believes that there is a need to provide market based mechanisms or government support for peak transportation by multiple operators, depending on capacity of preferred operator's vessels to cover peak demand.

### ***The Tasmanian Government's role***

- The provision of transport to and from the islands must include an understanding and considered response from the State Government in relation to not only livestock, perishable goods and bulk freight but also the role of tourism and economic development in improving the overall sustainability of the Islands as a whole.
- Flinders Council wishes to pursue economic goals which maximise returns for the farming community while also seeing growth in the tourism sector and social outcomes for residents. It believes that a considered 'whole of island' approach to development and support will bring about increased servicing to the Islands.
- Council feedback indicates that the community expects the Government's obligation to extend beyond a weekly essential service. Furthermore, Council believes that the transportation of tourists requires considerable investment and multi agency coordination over the coming years to put in place a meaningful community service regime.

### ***Service standards***

- Council believes that any future contract arrangements should ensure that appropriate incentives and penalties based on performance are included and a clear method to review, measure and report on adherence to these goals is set in place.
- The transport of livestock from and to the island in a timely, safe and reliable manner is an important component of service standards.
- Council supports the GHD recommendation in relation to the mechanism and increased standards required for the shipping service.

### ***Frequency of service***

- Council advised that a once a week is not adequate to service peak demands, especially in relation to livestock.
- Council also believes that significant issues exist in relation to the ability to get livestock to markets in peak condition, the reliability of service, the ability to move large numbers in short timeframes during peak periods and flexibility in shipping to Tasmania or Victoria.

### ***Shipping related infrastructure***

- The Council advises that the Flinders community expects modern levels of infrastructure and reasonable transport services, noting that the infrastructure associated with shipping to the islands is critical.
- Council has expressed a preference for Lady Barron on Flinders Island and either Bridport or Bell Bay on the Tasmanian mainland to be utilised for shipping services.

### **Flinders Island Ports Vision Study**

Aurecon Australia Pty Ltd was appointed by Flinders Council to undertake the development of the Flinders Island Ports Vision. The report was finalised in February 2010 and, while Flinders Council indicate that it is not fully supportive of all concepts in the report, the Council broadly agreed that the document outlines a preferred vision for the Lady Barron Port area.

Subsequent to above report, Council has expressed a preference that further planning activities are undertaken in relation to the working port precinct at Lady Barron.

A copy of the report was provided to DIER in March 2010 and the following comments relate to the shipping service and infrastructure:

### ***Commercial freight limitations***

- Conditions of port facilities at Lady Barron can be described as functional. Opportunities for expansion of the port facilities are somewhat limited by existing structures which have been constructed in a relatively ad hoc manner.
- Aurecon consultation with the community and identified stakeholders found that the frequency and dependency of the shipping service is a key limitation upon the operation of the ports. This has implications for the transfer of stock in a timely manner and in condition fit for receipt by purchasers.
- There is a demonstrated lack of storage and handling facilities with a particular emphasis added to undercover storage. As such it appears that many goods are stored in unsheltered conditions for extended periods which raise the risk of weather damage and a lack of security once cargo is off loaded. This was communicated as a significant issue in the community consultation meeting.

- There is also a lack of appropriate cold storage and excessive transfer costs were also identified as limitations.

### ***Tourism limitations***

- There is a lack of shore based facilities for passengers on visiting recreational craft and passengers on regular shipping vessels that service the island. The facilities that would be expected include public amenities such as showers, toilets, general storage and undercover passenger waiting areas.
- Opportunities to cater for increased passenger travel to Flinders Island are limited due to the configuration of the vessels which service the island and the nature of cargo which is largely livestock and bulk goods.

### ***Master plan***

The Flinders Island Ports Vision Report presents a suggested Master plan for Lady Barron Port which includes the following points for consideration in any future development plans:

- The current land use and traffic arrangements are inadequate and won't meet the long-term needs of the Island.
- The purpose of the masterplan would be to create a multi-purpose port to service Island residents and businesses and a safe harbor for general recreational and commercial boating for smaller craft on a permanent basis.
- Interviews with current users and changed shipping patterns over recent years indicate that there will be an increased throughput of live cattle over the next 10 years and a demand for improved cargo handling and storage facilities. Consequently, additional berthing facilities will be required to maintain growth and development opportunities on the Island. This is likely to be matched with additional general cargo needs and recreational traffic.
- The existing sheds, should be upgraded to handle cold storage and cargos that require weather protection. Pick-up and drop-off facilities should be developed.
- A dedicated stock holding and loading area is proposed. The key advantages of dedicated stock facilities is that regular shipping services will not be delayed while stock are loaded and unloaded and animal waste will not contaminate pedestrian precincts and general cargo facilities.

- It is recognised that in addition to the improvement of port related infrastructure, there is a clear need for a reliable shipping service that enables industry, agriculture and the community to plan in confidence and deliver the 'Flinders' brand of produce to the destination ports as anticipated. In addition, provision of a dependable shipping service is significant to the quality of life and socio-economic well being of the Flinders Island community.

## ATTACHMENT 3 – Prioritised ancillary shipping-related transport initiatives and activities

The following schedule is a living document and reflects the prioritisation of ancillary shipping-related transport initiatives and activities. These priorities are the basis for which budget funding not required for safety net service provision can be spent.

Priority no.	Priority	Cost	Priority commenced	Priority completed