

Tasmanian Government's 2013 Submission to Infrastructure Australia

Department of Infrastructure, Energy
and Resources



Hon David O'Byrne MP
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Mr Michael Daegan
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13 SEP 2013

Dear Mr Daegan

I am pleased to present the Tasmanian Government's September 2013 submission to Infrastructure Australia for your consideration, and to inform IA's next update of the Infrastructure Priority List.

The attached submission package provides an update on three key Tasmanian projects currently in the IA pipeline, as follows:

- **Burnie to Hobart Freight Corridor Strategy** – encompassing the Rail Revitalisation Program and major road improvement projects
- **Bell Bay Intermodal Expansion**
- **Tasmanian Irrigation Scheme -Tranche 2**

A short update on the Northern Suburbs Light Rail investigation is also provided.

This submission also reflects the continuing strategic analysis and policy development regarding Tasmania's freight system, which is being informed by the advice of the Freight Logistics Coordination Team. This consultative, expert-driven work is expected to provide a rigorous evidence base for freight planning and investment prioritisation in Tasmania, to address our long term infrastructure challenges.

Accordingly, Tasmania anticipates further refining our Priority List proposals at the appropriate times over the remainder of this financial year, as relevant supporting information is finalised.

I look forward to continuing to work with IA to develop efficient and sustainable infrastructure solutions of national value in Tasmania.

Yours sincerely

David O'Byrne MP
Minister for Infrastructure

c.c. Mr.Phil Clark, Chair, Tasmanian Infrastructure Advisory Council



Tasmanian Government

Project Updates to Infrastructure Australia*

September 2013

- 1. Bell Bay Intermodal Expansion**
- 2. Burnie to Hobart Freight Corridor**
- 3. Hobart Light Rail Project**
- 4. Tasmanian Irrigation Scheme – Tranche 2**

**The Tasmanian Irrigation Scheme Tranche 2 Project Update is provided in a separate document*

TasPorts - Bell Bay Intermodal Expansion Project Update

1. Project Background

In 2008, a submission was made to Infrastructure Australia to develop the Port of Bell Bay through a \$150M intermodal expansion. The Project was submitted under the Competitive International Gateways theme focused on developing more effective ports and connecting land transport systems to efficiently cope with imports and exports. Project updates were provided in 2009, 2010, 2011 and 2012.

In the 2012 update, reference was made to significant factors that had arisen since the project was first proposed. These include:

- Lower than projected container growth in Tasmania
- The loss of container shipping service from Bell Bay (AAA, ANL, Agility)
- Consolidation of container freight through Burnie primarily (Toll) and Devonport (SeaRoad)
- The ability of Burnie and Devonport to handle the projected growth of container freight in the short to medium term.

2. Update on progress

The overall effect of the changes outlined above is that the short term capacity requirement for the movement of containers is at the Port of Burnie. To this end, a tripartite project between TasPorts, TasRail and Toll is underway to redevelop the Burnie rail yard and improve access to the Toll terminal. This project will meet the immediate capacity needs for container freight and construction on this project is expected to commence in January 2014.

With the current ability to manage the freight task through the Ports of Burnie and Devonport, and with significant idle capacity at Bell Bay, the view expressed in the 2012 update on the Bell Bay intermodal Expansion project has not changed. This view is that at this time, the preferred option for the development of the Tasmanian Port system is:

1. Proceed with Stage 1 of the Burnie optimisation project (The project is underway and construction is expected to commence in January 2014)
2. Develop a Tasmanian Port strategy with a 30 year horizon in line with the National Ports Strategy

TasPorts is currently working on the development of the 30 Year Port Development Plan in line with the requirements of the National Ports Strategy. It is anticipated that this plan will guide the development of Tasmania's ports into the future and this plan is expected to be completed for TasPorts internal review by the end of 2013.

Based on the above, the Bell Bay proposal was changed from an immediate \$150M expansion to cater for all container traffic into and from Tasmania to a short term expansion at Burnie, with the potential for a future expansion at Bell Bay in a staged manner over a period of years. Stage one of the Bell Bay expansion project, costing \$56M, is not expected to be required before 2018.

In summary, the Bell Bay Intermodal expansion remains a project with real potential but is not an immediate requirement to handle the Tasmanian freight task.

Tasmanian Government - Burnie to Hobart Freight Corridor Strategy

1. Project description

By tonnage, traffic volumes, and strategic land use connections, the Burnie to Hobart Freight Corridor is Tasmania's most significant freight corridor. It forms the central 'spine' of Tasmania's transport network, connecting the three key northern ports, the strategic road transport corridor from Hobart to Burnie, key feeder links, and the Hobart to Launceston (Bell Bay) corridor and the full operational rail network.

Specifically, this includes the Bass Highway, Midland Highway, Illawarra Main Road, Brooker Highway, East Tamar Highway and the north-south rail line, connecting major ports, the Brighton Transport Hub and key industrial and manufacturing centres in all three of Tasmania's regions.

In planning and managing this corridor, the Tasmanian Government's priorities are to:

- provide a connected, integrated and efficient freight network, focusing on connections between Tasmania's major export points, freight generating areas and distribution centres; and
- deliver ongoing improvements to support productivity gains over the long term.

The Tasmanian Government supports the development of an integrated strategy to identify the most effective long term solutions for the infrastructure needs of this corridor.

The strategy will take a long term approach, with a focus on identifying the infrastructure requirements to meet the next generation of productivity improvements, and better understanding logistics issues and industry needs as these relate to an efficient and sustainable freight system.

This initiative is categorised as an early stage proposal within Infrastructure Australia's Infrastructure Priority List, under the National Freight Network theme.

2. Project background

It is increasingly clear that the development of a holistic approach to the Burnie to Hobart Freight Corridor is central to addressing a number of challenges facing the state's broader transport system.

Forecast freight growth will see larger volumes moving through Tasmanian's ports, intermodal facilities and over the land transport network. Tasmania's transport infrastructure requires significant investment in order to meet the requirements of this growth, and to facilitate productivity improvements and industry investment in key sectors. However, Tasmania's overall low-volume, diverse and dispersed freight task presents challenges for best practice planning and investing in critical transport infrastructure. In addition, many Tasmanian freight users, particularly international exporters and small to medium producers, face competitive disadvantages and cost challenges relating to the transport system. Increasingly, in the context of the broader role and trajectory of Tasmania's productive capacity and economic development, these cumulative risks represent a nationally significant issue.

Systemwide opportunities exist for improvements in both infrastructure and services to address these challenges, and greater efficiencies in the Burnie to Hobart Freight Corridor will be central to this goal. An integrated approach is necessary to effectively prioritise these specific improvements, and ensure their delivery of economic, social and environmental benefits.

In its 2013 report to the Council of Australian Governments (COAG) on national infrastructure priorities, Infrastructure Australia identified a Hobart to Launceston Transport Strategy as a key initiative for Tasmania. The Tasmanian Government supports this strategy and is seeking to expand its scope to focus on the broader

Hobart to Burnie corridor, as Tasmania's principal freight network. Such an approach provides the opportunity to develop a long term, fully integrated network strategy for Tasmania that incorporates rail, roads and ports planning, and all significant transport networks, export/import points and key industrial areas.

The Tasmanian Government sees this strategy as complementary to existing transport infrastructure framework. These include the Infrastructure Strategy, regional transport plans and a number of local network plans, which will link in with the proposed integrated approach to the Burnie to Hobart Freight Corridor as follows:

The Tasmanian Infrastructure Strategy addresses the key economic sectors of transport, energy, water and digital communications, setting out the strategic vision and action plan for infrastructure development and coordinating the Tasmanian Government's efforts across each of these sectors. The Burnie to Hobart Freight Corridor work will be progressed in the context of this broader strategy.

Regional and Local Plans will also provide key information to guide the strategy, and in turn the freight planning and investment improvements delivered by the strategy will support transport-related productivity and economic development goals at the local and regional level. Such linkages include the data and objectives contained in the Southern Integrated Transport Plan, the Northern Integrated Transport Plan, and the Cradle Coast Integrated Transport Plan.

3. Update on progress

Throughout 2013 a number of key projects which support the development of the Burnie to Hobart Freight corridor have progressed; namely, the advancement of major road and rail projects under National Building 2, which are central to the freight corridor. The Tasmanian Government is also undertaking major research, analysis and strategic policy development regarding statewide freight logistics. The consultative, multi-stakeholder nature of this work is proving critical to ensuring future transport planning and investment aligns with major business and community objectives. Further details are provided below.

Road projects

The Tasmanian Government sought funding for a range of projects relating to the Burnie to Hobart Freight Corridor, under the Nation Building 2 program. A number of these major road improvements works along Tasmania's freight corridor are progressing through the planning and design phases. The former Australian Government previously indicated funding support for the following projects, subject to the ratification of an Intergovernmental Agreement:

- Midland Highway: Bridgewater Bridge
- Midland Highway: Launceston Bypass Planning
- Midland Highway: Safety Package
- Domain Highway Planning
- Brooker Highway – Elwick- Goodwood to Howard Road

A Memorandum of Understanding was signed between Tasmanian and Australian Government ministers to indicate intent to progress a National Partnership Agreement .

The following preparatory activities for key projects have commenced:

- The Midlands Safety Package is undergoing scope review and finalisation, with particular reference to the recent AusRAP report, and preliminary design work is underway for the Minor Junctions component.

- Similarly, the Tasmanian Government is reviewing and finalising the scope of works for the Midland Highway (Bagdad interim safety improvements) projects.
- Property acquisition is underway for the Bridgewater Bridge.
- Preparations are being made for the planning approval process and stakeholder engagement for the Brooker Highway Upgrades: Elwick-Goodwood to Howard Road.
- Detailed designs are being prepared for the Tasman Highway –Tasman Bridge Eastern Approaches Upgrade (Stage 1).

Rail Revitalisation Projects

The major Nation Building 2 project components of the Tasmanian Rail Revitalisation plan involve inserting concrete sleepers and replacing life expired rail on the primary freight corridor between the Brighton Transport Hub and the Devonport and Burnie Ports, contributing to this rail link in the National Freight Network.

Targeted upgrades are also planned on the other strategic lines such as the Melba Line, to improve the safety, reliability and productivity of the train services linking Tasmania’s West Coast with TasRail’s bulk export facility at the Burnie Port. The scope of these works is well understood, and a logical extension of activity currently being delivered under Nation Building 1.

In May 2013, the Australian Government committed \$119.6 million in funding to the Tasmanian Freight Rail Revitalisation project. This program of works is now reflected in a Memorandum of Understanding between the Tasmanian and Australian Governments, with further funding details expected to be finalised as part of the governments’ consideration of a National Partnership Agreement. This will allow for the refinement of associated investment priorities and confirmation of the scope of works, with agreed projects then anticipated to move to the detailed planning phase ready for project delivery in July 2014.

In May 2013, the Australian Government committed \$119.6 million in funding to the Tasmanian Freight Rail Revitalisation project. This is now reflected in a Memorandum of Understanding between the Tasmanian and Australian Governments, with further funding details expected to be finalised when both governments enter into a National Partnership Agreement. This will allow for the refinement of associated investment priorities and confirmation of the scope of works, with agreed projects then anticipated to move to the detailed planning phase ready for project delivery in July 2014.

Freight Logistics Coordination Team (FLCT)

The FLCT was established in November 2012 and is an independent expert advisory body which is made up of senior representatives from across the industry, including freight users and providers. The key role of the FLCT is to provide advice and strategic direction for the Tasmanian freight system.

The FLCT was funded (\$1.5 million) through the Australian Government’s one-off \$20 million funding package to assist Tasmanian exporters reach international markets following the decision in 2011 by Tasmania’s sole international shipping container operator AAA to cease operations.

The FLCT has maintained a regular schedule of meetings, and formed sub-groups to focus on three areas – freight system analysis (identification of current freight volumes and future demand analysis); supply chain quality, cost and benchmarking; and on-island freight issues.

The Team has provided input into several supporting consultancies. Final reports are now with the FLCT for review:

- International Container Shipping Service Viability for Tasmania – GPS Logistics
- Freight system analysis, industry consultation and macro-modelling – Juturna

- Supply chain analysis, benchmarking and ports and shipping review – Aurecon

Current work is focused on supporting two more consultancies:

- Empty container movements – through supply chain analysis, this was identified as a prominent feature of the Tasmanian freight task that adds costs to users and therefore a potential area where efficiencies could be made
- Market testing for international shipping services

In the Chair's interim report to Government, the FLCT identified several key matters warranting further detailed investigation:

- Planning and policy measures to support productivity and growth (i.e. involvement between Tasmanian and Victorian Governments in future port planning, development of a Port Specialisation Strategy and prioritisation of road and rail investment)
- Market involvement in future planning and investment frameworks (i.e. market testing interest of international shipping providers to operate a service, examine potential for private sector investment and investigation of opportunities to recycle funding from existing government assets to support new/upgraded infrastructure)
- Immediate assistance to international exporters
- Transparency and participation measures to promote innovation and competition (i.e. on-line transport model, test viability of trading portal to facilitate voluntary freight innovation forums)

A copy of this interim report is provided for your information at Appendix A.

The FLCT's final advisory report with recommendations will be provided to Government by 30 November 2013. This will guide future planning for the Tasmanian freight system, including for the Burnie to Hobart Freight Corridor as its principal component.

Freight Survey

The Tasmanian Government Department of Infrastructure, Energy and Resources (DIER) conducts a Freight Survey every 3 years, holding face-to-face interviews with the largest Tasmanian freight moving companies. The survey provides reliable and objective information regarding Tasmania's heavy land freight task, allowing detailed freight movement analysis and modelling in a map-based interface.

Most recently, interviews and data entry for the survey for 2011/12 have been completed. Dataset processing, quality assurance, and initial interrogation of the data, including preparation of a publicly available report will be completed by the end of November 2013.

The data is used extensively for a number of different purposes, including understanding the existing freight task, as well as the development of freight models to test future freight scenarios which will inform the Hobart to Burnie Freight Corridor Strategy. The 2011-12 survey also asked qualitative questions, aimed at gaining a better understanding of some of the issues impacting on transport needs, including freight costs, shipping costs, seasonality, packing configuration and changing logistics patterns. This information will refine understandings of stakeholder priorities, and considerably improve the evidence base informing the Hobart to Burnie Freight Corridor Strategy.

4. Next steps

In addition to the continuing progress of initiatives outlined above (and particularly noting that the FLCT is likely to recommend further actions as part of its November 2013 final report), two more tranches of work are expected to contribute to the development of the Hobart to Burnie Freight Corridor strategy over coming months:

Through the National Land Freight Strategy Intergovernmental Working Group, DIER will prepare draft maps of key freight routes, including justification, in line with the guiding principles developed by the Australian Government. These routes will represent existing and potential road and rail freight routes and will build on work already done to identify routes carrying high volumes of freight, high value commodities, high frequencies of heavy and or high productivity vehicles, significant commodities and connections to freight terminals and industrial areas. Draft maps will be prepared by October 2013, with final maps to be ready in mid 2014.

In addition, Tasmanian state-owned port business TasPorts is well advanced in developing a 30 Year Port Development Plan, with an internal draft on track for completion by the end of 2013. This planning process will be consistent with the master planning principles outlined in the National Ports Strategy. The primary focus of the Plan will be Tasmania's commercial ports (Burnie, Devonport, Bell Bay and Hobart). This will further inform the Burnie to Hobart Freight Corridor Strategy.

In conclusion, a range of important freight data, expert analysis and strategic policy initiatives are expected to be completed over the remainder of the year. The Tasmanian Government expects this will significantly strengthen the evidence base necessary for the Burnie to Hobart Freight Corridor Strategy, and support the best practice planning and analysis required to progress this strategy consistent with the Reform and Investment Framework.

Freight Logistics Coordination Team Chair's Interim Findings

Recommendations

That you:

1. Note the matters identified by the FLCT that warrant further detailed investigation and should be addressed in the FLTC Report;
2. Note the proposed Tasmanian Freight Objective that will guide the FLCT's work;
3. Note the process and progress to date; and
4. Note the process and timing for completion of the FLCT Report.

Freight Logistics Coordination Team:

Recommended matters for further detailed investigation

Chairman's assessment of matters, confirmed by the FLCT, that warrant detailed investigation and should be addressed in the FLCT's Report.

The following areas for further work address issues and contributions made by FLCT members, consistent with the FLCT agreed Tasmanian Freight Objective.

1. Planning and policy measures to support productivity and growth

- i. Formalise an involvement by the Tasmanian Government with the Victorian Government in Port Planning that recognises that Tasmania represents 28% of the Port of Melbourne's demand.
- ii. In the context of manageable forecast growth and the need to fully utilise existing assets, formalise a Port Specialisation Strategy, consistent with Infrastructure Australia's National Port Strategy, that supports incremental growth and builds capacity over time, guides public sector investment, and applies private sector capital where possible.

TasPorts have confirmed that its Port Strategy will be completed before the end of 2013.
- iii. Consistent with the above, prioritise rail investment to:
 - a. Implementing Nation Building 2 outcomes which focus on the Burnie-Devonport to Hobart primary freight corridor, a link in the National Freight Network; and
 - b. Maintain and enhance other lines based on their relative potential to operate on a full cost recovery basis within a 10-year timeframe.
- iv. Prioritise road expenditure to enhance freight critical roads by:
 - a. Implementing Nation Building 2 outcomes which focus on the Burnie-Devonport to Hobart primary freight corridor, a link in the National Freight Network;
 - b. Reviewing the long-run adequacy of road and rail access to key ports;
 - c. Prioritising investment in regional freight routes consistent with the Port Specialisation Strategy; and
 - d. Formalising a high-productivity vehicle access policy for Tasmania to provide increased certainty to freight system users.
- v. Develop a long-term land transport planning and investment framework, consistent with the Port Specialisation Strategy that is based on market-demand and appropriate cost recovery. Further work will be undertaken by the FLCT regarding on-island freight issues.

2. Market involvement in future planning and investment frameworks

- i. Understand market demand, existing and potential, for direct international shipping services.

- ii. Market-test the commercial interest of international shipping providers to supplying direct bulk and container services to Asia, including a low-frequency, low-cost service choice.
- iii. Examine the pre-conditions and potential for private-sector involvement in the Port Specialisation Strategy focusing on:
 - a. Targeted divestment of non-core assets to enable capital redeployment to support freight priorities; and
 - b. Debt and equity participation as part of long-term port development.
- iv. Investigate opportunities to recycle funding from existing government assets to support new and upgraded infrastructure.

3. Immediate assistance to exporters

- i. Consistent with broader strategic directions identified by the FLCT, seek Australian Government funding of \$25 million per year for a four-year transition period commencing in 2013/14 that is applied to:
 - a. Annual rounds of competitive grant programs for export assistance tied to structural cost reduction investment or equivalent measures (for example, access to new markets), by recipient businesses (where funding will be provided subject to auditable performance on a one-off, non-repeatable basis to successful applicants).

Draft Implementation arrangements include:

- A focus on measures that directly improve or support ongoing market competitiveness, and/or significantly reduce freight costs (e.g. via logistics improvements, capital investment, inventory management or industry collaboration).
- In the context of structural transition and with a view to maximising the longer-term benefits gained from any funding, businesses will need to demonstrate the proportional contribution freight makes to their overall costs and the ability of a nominated proposal to reduce or influence these costs in the long term.
- Pre-determined evaluation criteria will be developed which will ensure proposals are assessed in terms of their durability, the on-going impact of the improvements, and their broader system benefits.
- Freight cost proposals will be assessed with input from an independent logistics expert.
- A funding allocation of \$20 million per year.

- b. Direct advisory support, particularly for small to medium size exporters, to assist with logistics optimisation and freight cost reductions.

Draft implementation arrangements include:

- Small to medium exporters represent a large part of the market but have individually limited bargaining power and are likely to lack the knowledge and resources to fully optimise their position within the freight system. In recognition of this, employ external logistics experts to work with businesses to optimise their supply chain operation and reduce costs.
- Specific measures identified as part of the expert advisory process would be eligible for funding under (a).
- Eligibility for assistance would be targeted at small to medium producers, shipping domestically and internationally.
- An allocation of \$5 million per year to fund this initiative and contribute, as necessary, to the implementation of other FLCT proposals excluding (a).

Both initiatives would be evaluated mid-program (i.e. after two years).

4. Transparency and participation measures to promote innovation and competition

- i. Develop an online, public access transport model for Tasmania which:
 - a. Provides summary supply and demand information;
 - b. Tracks empty container movements;
 - c. Allows users to alter key assumptions (e.g. sectional growth rates) to test possible service offerings and demand aggregation opportunities; and
 - d. Transparently reports proposed major capital expenditure across publically owned road, rail, port and shipping providers.
- ii. Test the viability of a trading portal that facilitates voluntary trade of under-utilised freight capacity to reduce the risks and costs facing freight customers.
- iii. Scope a demand aggregation case-study for agriculture that can be used as a template for other freight-intensive sectors with predominantly small and diverse freight users.
- iv. Promote industry collaboration and awareness, including with respect to information and service availability.
- v. Promote skills training and employment opportunities in the freight and transport sectors.

1. Establishment of the Freight Logistics Coordination Team

The Freight Logistics Coordination Team (FLCT) was established as part of a one-off \$20 million Australian Government funding package to assist Tasmanian exporters, following cessation of international container shipping services to Tasmania, in 2011. Under the package, \$1.5 million was provided to support the FLCT, together with direct and immediate assistance for Tasmanian exporters (\$14.5 million) and infrastructure upgrades at the Port of Burnie (\$4 million).

The FLCT is an independent expert advisory body, comprised of 19 senior representatives from across major shippers and producers, infrastructure providers, freight logistics companies and peak industry bodies (see Attachment 1). The work of the FLCT makes a considerable demand on peoples' time. The commitment demonstrated by all members in progressing the FLCT's agenda as a matter of urgency has been significant.

Reflecting its Terms of Reference, the broad purpose of the FLCT is to provide expert advice; guide the completion of a long-term freight strategy in Tasmania; and provide recommendations to the Minister for Infrastructure on supply chain issues in Tasmania. These focus areas have been developed by the FLCT into its own work program (discussed below).

Implicit in the purpose of the FLCT is the critical need to improve the quality of information on freight issues in Tasmania to support more informed debate. Short term solutions are dominating public discussion but the issues, and the freight system itself, are far more complex. Tasmania has a diverse range of domestic and international exporters, with very different service needs related to their product, cost structures and end destinations. A more balanced debate is needed and the FLCT has a key role in contributing to this.

The urgency of the FLCT's work is apparent to all. Businesses in Tasmania are facing significant challenges, and the work of the FLCT is a key part in addressing these challenges. Notwithstanding this, the task is large and complex and this is a once in a lifetime opportunity to get it right. That will take time so funding for export assistance during the transition period is critical.

2. Approach to the task

The FLCT brings with it major freight and logistics expertise, industry relationships and knowledge. This is our starting point. FLCT discussions and member input has been constructive, detailed and forward-looking, significantly informing the substantive issues the FLCT is tasked with responding to.

The FLCT has a clear focus on outcomes that deliver improved freight efficiency for Tasmanian businesses, and support business growth. To be effective, any recommendations must be based on a strong evidence base and hypothesis which have been rigorously tested.

The FLCT has developed its own guiding objective for Tasmania's freight system:

The Tasmanian freight system incorporates infrastructure, services and regulations covering road, rail, sea and air, intermodal hubs, logistics and warehousing, for goods transported within Tasmania, and to and from the State.

The freight system should:

- 1. provide services that are commercially sustainable, and which deliver competitive and sustainable prices to users over the long-term;*
- 2. reflect the current and future needs of customers, and the broader community;*
- 3. maximise supply chain efficiency and quality, with a continued focus on productivity improvement;*
- 4. be safe, reliable and secure; and*
- 5. operate within an efficient and certain regulatory environment.*

Establishing the evidence base and engaging directly with industry are key elements underpinning the approach of the FLCT. This approach is critical to understanding:

- how Tasmania's freight and logistics system operates;
- what the major issues are, who is impacted and how;
- major impediments to change; and
- areas for improvement and reform, including clear identification of the benefits flowing to business and the community as a result of any changes.

Reflecting this approach, the FLCT's work program is focused on:

- analysis and benchmarking of Tasmania's supply chains, across commodities and economic regions, and including cost, quality and efficiency;
- examination of the issues associated with shipping across Bass Strait, for both domestic and international exports;
- future economic modelling to understand likely changes in the freight task as a result of different policy interventions and economic scenarios;
- analysis of the flow of empty containers into and out of Tasmania; and
- industry engagement on issues and opportunities.

Supporting consultancies

To assist in developing the evidence base, the FLCT engaged consultants Aurecon and Juturna to undertake major studies on supply chain quality, cost and benchmarking (Aurecon), and industry consultation on freight system issues, supported by future market analysis (Juturna). Over 150 interviews have been conducted across both studies, together with supply chain mapping of major commodities and development of a base macro-economic model for Tasmania. Much of this work is new for Tasmania.

The consultancies are nearing completion. Draft reports are with the FLCT for final review. Both consultants have contributed to better understanding Tasmanian freight system issues and opportunities for change within Tasmania and have stimulated considerable discussion and feedback from the FLCT.

In addition to these larger consultancies, a review of the issues affecting international shipping services into Tasmania was undertaken by an independent consultant, GPS Logistics (Tas). The final report *International Container Shipping Service Viability for Tasmania (February 2013)*, considers the factors influencing service viability, including market trends, minimum freight volumes, and the advantages and disadvantages to freight demanders of a direct service versus transshipment.

Arrangements are currently being put in place to market test the commercial interest of international shipping providers to supply direct container shipping services to Asia.

A second smaller consultancy will shortly commence, reviewing empty container movements into and out of Tasmania. Empty containers comprise a significant part of Tasmania's import and export task, affecting capacity and business costs. Further work is required to understand this issue further.

3. Progress to date and next steps

The FLCT has made significant progress to date. The FLCT has maintained a consistent schedule of meetings and key milestones, which has included four full Team meetings, sub-group meetings and informal, ongoing input to the supporting consultancy work.

When the FLCT was established it was scheduled to report by mid-2014. However recognising the critical and urgent nature of its work, the FLCT has resolved to bring forward its deadline to deliver its Report to government on 29 November 2013.

As noted, the FLCT has overseen two major consultancies, and a number of smaller consultancies. Each has required significant member input. Final reports from both Aurecon and Juturna are due in

August. A consultancy on empty container movements will be completed by the end of September. A report on the market for direct international shipping services to Asia will also be completed by the end of September.

Next steps

The FLCT is now entering the next phase of its activities, focused on the development of its own recommendations to improve Tasmania's freight system. In addition to its consultancies, the FLCT will draw on the Tasmanian Strategic and Policy Frameworks and the work done by Infrastructure Australia, including the National Ports Strategy and the National Freight Strategy.

This Chair's report is the first step in this next phase.

A public discussion paper is scheduled for release in early September. The final FLCT Report will be issued on 29 November.

The key activities of the FLCT are shown in Attachment 2.

4. Interim observations: what the information is telling us

The FLCT now has a substantial body of work from which to draw on. From this information, some key themes are emerging:

- Tasmania's freight system meets the needs of many users, but not all. Those who are disadvantaged face significant challenges. International exporters and small to medium producers are examples.
- Individual supply chains are efficient and individual modes are broadly efficient, but systemwide opportunities for improvement exist in both infrastructure and services.
- Tasmania's low-volume, diverse and dispersed freight task presents challenges for a different way of planning and investing in freight.
- As a key part of the supply chain for nearly all Tasmanian shippers, freight costs and services across Bass Strait, together with the quality of port infrastructure, are a key influence on business efficiency and profitability. For some classes of users, these services are very expensive by international standards and even more so in comparison to equivalent distance mainland Australia road journeys.

Further work will be undertaken by the FLCT regarding on-island freight issues.

The specific observations, which inform the recommendations of this report, are outlined below.

Freight task	<ul style="list-style-type: none"> ▪ Economic modelling prepared as part of the FLCT’s work indicates Tasmania’s future freight and commodity growth is likely to be modest, based on an overall forecast economic growth rate of around 1.7% per annum. The clear exception is agriculture, which is forecast to undergo higher growth, on the assumption that key irrigation projects will continue to be funded. These projects have a very significant impact on sector productivity and significant flow-on benefits for regional economies ▪ Empty containers comprise a high proportion of the inbound (20%) and outbound (25%) freight task. ▪ Bulk freight is a significant part of Tasmania’s freight task. ▪ Each of Tasmania’s three major regions is a significant origin and destination for freight. In terms of freight origins, 41% of freight comes out of the North West, 33% from the North East and 26% from the South.
Freight system	<ul style="list-style-type: none"> ▪ Generally, Tasmania has an efficient freight system, and individual modes are efficient. ▪ Further work is required to understand optimal long-run port arrangements, and these arrangements need to consider land transport relationships and costs, and the economic and financial benefits of decisions. ▪ The Burnie-Devonport to Hobart freight corridor is the key freight ‘spine’ for Tasmania, connecting major ports, population centres and industrial areas. ▪ Greater differentiation in service standards on major freight corridors and assets should be promoted. ▪ Infrastructure networks are extensive, in part duplicated, and most are ageing, signalling the need for a different, more targeted planning and investment approach. ▪ The Tasmanian Government is in a unique position as owner of key transport assets across road, rail and ports. Constraints on the State Budget will be a significant drag on key infrastructure development, unless there is structural change or more access to private capital markets.
Supply chains	<ul style="list-style-type: none"> ▪ Individual supply chains are efficient but there are opportunities for systemwide improvements. ▪ A comparison of Tasmanian and mainland road freight costs indicates they are on par with each other. The problem is Bass Strait. ▪ The high proportion of empty containers moving within the system is likely contributing to major system inefficiencies and higher user costs. ▪ Information and opportunities for better industry coordination have been under-valued in improving business and freight system outcomes. Benefits for small producers could be significant. Even the limited information sharing which has taken place between FLCT members in the short time we have been operating, has produced some tangible benefits. Collaboration works in this sector. ▪ There needs to be a greater focus on smaller producers unable to influence freight costs and supply to the same extent as larger operators.
Shipping	<ul style="list-style-type: none"> ▪ Bass Strait shipping is a critical issue for Tasmanian producers. Around two thirds of Tasmania’s total freight task comprises goods moving in to or out

of the state.

- The majority of container movements out of Tasmania are destined for domestic markets.
- Shipping services across Bass Strait are high frequency and high quality, but this service model doesn't meet all needs.
- The factors affecting cost on Bass Strait are complex, and include shipper characteristics (volumes shipped, seasonal vs regular shipper); high fixed costs associated with shipping (fuel, wages); and particularly cabotage legislation (*Coastal Shipping Act*).
- The Port of Melbourne is critical to Tasmania. Involvement in future planning for containerised services development is critical for Tasmania. We must have a seat at the table and deserve one as a major customer.
- The recent Victorian Government port levy is a significant impost on Tasmania.
- International shipping continues to dominate public debate on Tasmania's freight system. Potential container volumes remain low – there is a need to definitively prove or disprove viability, including the threshold at which a service might work. This must include direct testing of the market which is complex and difficult to read.
- The TFES is a part of Tasmania's freight system. In the current economic climate, it is particularly critical to most participating businesses. Any changes to the TFES need careful consideration, and should demonstrate commensurate, sustainable benefits for business over time.
- There is a case for an immediate structural transition package for exporters, which can be implemented in parallel with long term strategic freight solutions.

**Long-term
planning**

- Ports are key to effective, long-term freight planning for Tasmania.
 - Scale and volume are key components in the planning and delivery of efficient freight infrastructure and services. Achieving this within Tasmania is a challenge but there may be opportunities within sectors or across parts of the network to achieve greater aggregation of volumes to support higher infrastructure standards or a change in service provision.
 - Options beyond the status quo need to be considered; e.g. road and rail to three ports at a similar infrastructure standard targeting a relatively low level of differentiation, is unlikely to be sustainable for Tasmania.
 - The FLCT is demonstrating the value industry involvement brings to freight planning. Industry and the market must have a major role in future infrastructure planning and funding.
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Attachment 1. Membership of the Freight Logistics Coordination Team

NAME	POSITION	ORGANISATION
1. Mr Philip Marcus Clark AM	Chair	Tasmanian Infrastructure Advisory Council
2. Mr Robin Philips	Executive Director	Tasmanian Transport Association (TTA)
3. Ms Jan Davis	Chief Executive Officer	Tasmanian Farmers and Grazier's Association (TFGA)
4. Mr Tony Stewart	Divisional General Manager	Toll Tasmania
5. Mr Ian Newman	Independent Transport Consultant	
6. Mr Chas Kelly	Chairman	SeaRoad Holdings Pty Ltd
7. Mr Leigh Titmus	Managing Director	Webster Limited
8. Mr Phil Cooke	General Manager Infrastructure and Maintenance	TasPorts
9. Mr Gary McCarthy	Business Development Manager	Port of Melbourne Corporation
10. Mr Ray Mostogl	General Manager Operations	Bell Bay Aluminium
11. Mr Steve Henty	Finance and Administration Manager	Net Sea Freight Tasmania Pty Ltd
12. Mr Arnold Willems	Supply and Logistics Manager	Norske Skog
13. Mr Craig Fraser	Senior Consultant Resource Recovery	Veolia Environmental Services
14. Mr Satyajit Warty	Freight Manager ANZ (Supply Chain – Logistics)	Cadbury Schweppes Pty Ltd/Kraft Foods Australia
15. Mr Neil Armstrong	Managing Director	Harvest Moon
16. Mr Tim Hess	General manager Marketing and Logistics	Petuna Group
17. Mr Damien White	Chief Executive Officer	TasRail
18. Mr Michael Bailey	Chief Executive Officer	Tasmanian Chamber of Commerce and Industry (TCCI)
19. Mr Gary Swain	Deputy Secretary Strategy and Policy	Department of Infrastructure, Energy and Resources

		<i>Supply chain analysis/benchmarking</i>				
	Review of International Shipping services <i>(GPS Logistics)</i>			Supply chain analysis (review of empty container movements) <i>(Aurecon)</i>		
Final Reports						
	<i>International Container Shipping Service Viability for Tasmania</i>		<i>FLCT Chair's Interim Report</i>	<i>Final reports, Aurecon and Juturna</i>	<i>FLCT Public Discussion Paper</i>	<i>FLCT issue Final Report on 29 November 2013</i>

Tasmanian Government - Hobart Light Rail Project

1. Project background

The Tasmanian Government is continuing to investigate the re-introduction of a light rail passenger service connecting the Hobart CBD to the northern suburbs, utilising the existing rail corridor.

The results of an initial feasibility study into the provision of a light rail service between Hobart and Claremont were described in our submission to Infrastructure Australia in November 2011. The submission highlighted the Project's relevance to the 'Transforming our Cities' theme and detailed the advantages of re-using the rail corridor to improve passenger transport outcomes and contribute to urban renewal in the northern suburbs.

2. Update on progress

Following our 2011 submission, the original Hobart-Claremont business case was reviewed by AECOM, who proposed that a shorter light rail service between Hobart and Glenorchy would be more likely to deliver a stronger return on investment. ACIL-Allen was subsequently engaged by the Tasmanian Government to investigate this option.

The Stage 1 Light Rail Business Case – Hobart to Glenorchy was completed in April 2013 and found a light rail service between Hobart and Glenorchy, augmented by a feeder bus system to be capable of delivering a BCR of 1.12. A copy of the Business Case was provided to Infrastructure Australia in May 2013.

The estimated cost of implementing the rail service modelled in the Business Case is between \$70 and \$78 million with ACIL-Allen estimating the real resource cost (taking into account the shadow costs of public funds) as being \$84 to \$93 million. As a consequence of the low cost of the proposed light rail project, it falls outside Infrastructure Australia's criteria for consideration of projects.

Whilst the cost of the Hobart Light Rail Project rules it ineligible for Infrastructure Australia consideration at this time, the Federal Labor Government made an in-principle commitment to contributing \$190,000 toward the completion of the Scoping Phase of the Project. The Scoping Phase has commenced and will include identification of transport and land use planning considerations relevant to the Project, together with an examination of a range of options for funding the delivery of the Project. It is expected that the Scoping Phase will be completed by February 2014.

It is intended that a funding submission will be presented to the Commonwealth Government for the next (Development and Delivery) Phases of the Project when the next formal opportunity arises.



Tasmania
Explore the possibilities

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