



Interim Response to the Freight Logistics Coordination Team Final Report

Tasmanian Government

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FOREWORD

The Tasmanian Government welcomes the *Final Report* of the Freight Logistics Coordination Team (FLCT).

The final report of the FLCT indicates that many issues are impacting on Tasmania's freight system. It confirms Tasmania's freight issues are complex, particularly on Bass Strait, and that integrated, system wide improvements are required to achieve effective, long-term outcomes.

Recognising the significance of the FLCT's work, the Tasmanian Government is providing an interim response to the FLCT's recommendations as described in detail in the remainder of this document. In summary, the Government is immediately supporting many of the recommendations, it will consider the remainder in the development of a Tasmanian Freight Strategy and is not rejecting any recommendations at this point.

We are already taking action on some recommendations. Government is working directly with international shipping lines to explore a commercial international container service for Tasmania. We are maintaining our commitment to a joint \$40 million international exporter's assistance package and are continuing to lobby the Australian Government to honour its side of this budgetary commitment.

For small to medium freight users, we are moving now. The Government is committing \$1.25 million to establish a *Freight Expert Advisory Panel* to work with businesses to improve their supply chains. At the end of this period, the program will be reviewed and consideration will be given to extending it for a further year.

The FLCT is an independent body. Its final report reflects that. The Government acknowledges the expertise and independence that has informed the FLCT process and its final outputs.

I would like to thank members of the FLCT for their commitment and the quality of their input. The work of the FLCT has been complex and significant, and there has been a lot of interest in the outcomes. These are not ideal circumstances to work under. I particularly acknowledge and thank the leadership and efforts of the Chair of the FLCT, Mr Philip Clark AM, who has made a significant professional and personal investment in the work of the FLCT.

David O'Byrne
MINISTER FOR INFRASTRUCTURE

FREIGHT LOGISTICS COORDINATION TEAM

In 2012, the Tasmanian and Australian Governments established the Freight Logistics Coordination Team (FLCT) to provide expert advice on freight and supply chain issues, and inform the development of a long-term freight strategy for Tasmania.

The FLCT membership comprises 19 senior representatives from major shippers and producers, infrastructure providers, freight logistics companies and peak industry bodies. It brings with it significant experience in the provision, operation and use of our freight system.

The FLCT's approach has focused on building the evidence base, and it has overseen a number of major consultancies in support of this approach. The FLCT has also consulted widely, and also released a public discussion paper in September.

The Government acknowledges the breadth and value of the information gathered by the FLCT, much of which is new for Tasmania.

The FLCT provided its *Final Report* to the Tasmanian and Australian Governments on 6 December 2013.

The report contained a series of detailed recommendations and observations on Tasmania's freight system. Principal themes include:

- The complexity and importance of the Bass Strait shipping market;
- The critical role of ports as central points in both supply chains and freight infrastructure networks;
- The need for prioritisation of investment across a freight infrastructure hierarchy;
- Small to medium freight users and international exporters face challenges in the current freight system; and
- In the context of budgetary constraints, alternative infrastructure funding models and sources need to be investigated.
- Decisions on Tasmania's freight system must be based on evidence, and informed by industry expertise.

THE TASMANIAN GOVERNMENT'S INTERIM RESPONSE TO THE FLCT'S *FINAL REPORT*

The FLCT made 26 recommendations in relation to Tasmania's freight system in five key areas.

The recommendations are comprehensive, covering -

- Ports, road and rail;
- Shipping capacity, services and cost;
- The Tasmanian Freight Equalisation Scheme;
- Infrastructure funding and investment priorities; and
- Freight and supply chain information and collaboration.

Many of these recommendations will require further, detailed consideration, together with consultation and advice from key and affected stakeholders.

The Government must also consider the budgetary impacts and implementation risks of specific recommendations.

However, recognising the significance of the FLCT's work, and the interest of the community and business sector in progressing these issues, the Tasmanian Government is providing an interim response to the FLCT's recommendations.

The following outlines the Government's response to the specific recommendations of the FLCT.

SUMMARY RESPONSE TO THE RECOMMENDATIONS OF THE FLCT

Freight Logistics Coordination Team Recommendation		Tasmanian Government Response			
Planning and policy measures to support productivity and growth					
		Supported	Policy Consistency	Manageable Cost Likely	Implementation Risk
1. The Tasmanian Government should complete a Tasmanian Freight Strategy by 30 June 2014.		Supported	✓	✓	✓
2. The Tasmanian Government should adopt the FLCT's objective for the Tasmanian freight system as the objective for the Tasmanian Freight Strategy.		Supported	✓	✓	✓
3. The Tasmanian Government should establish an on-going high level, public-private freight advisory group.		Supported	✓	✓	✓
4. All funding remaining from the \$1.5 million provided by the Australian Government for the FLCT's work should be allocated to preparation of the Tasmanian Freight Strategy and the operation of the freight advisory group.		Supported	✓	✓	✓

- ✓ : Consistent, no issues identified
- ⊖ : Dependent on the outcomes of other initiatives; some aspects require further work
- * : Identified issues requiring further consideration

<p>5. Port development is critical for Tasmania and should be progressed on the following basis -</p> <p>(a) Formalise a long-term port strategy that recognises Burnie Port as Tasmania's principal domestic container port in the medium to long term, based on potential for deep water expansion, closest sea travel time to Melbourne, the ability to develop at comparatively lower cost and alignment with land transport networks.</p> <p>(b) Ensure investment in other ports is targeted to meet specific freight needs, with no investment in duplicated functions.</p>	<p>Detailed consideration needed in the development of a Tasmanian Freight Strategy</p> <p>Detailed consideration needed in the development of a Tasmanian Freight Strategy</p>	<p>The need for a long-term port strategy is supported.</p> <p>TasPorts is finalising a long-term ports strategy, addressing the future management and development of Tasmania's commercial ports. TasPorts advise this strategy will be delivered in the first quarter of 2014.</p> <p>The Government notes that the FLCT report identifies a number of market and service-related issues that require further analysis.</p> <p>The Government will consider TasPorts' strategy, the recommendations of the FLCT and the outcomes of the current Productivity Commission Inquiry into Tasmanian shipping, in forming a position on the future development of Tasmania's ports, and future work required on this issue.</p> <p>See comments above.</p>	<p>✓</p> <p>☹</p> <p>✓</p> <p>☹</p> <p>✓</p> <p>☹</p> <p>☹</p> <p>☹</p>	<p>✓</p> <p>☹</p> <p>☹</p> <p>☹</p>
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<p>(c) Formalise an involvement by the Tasmanian Government with the Victorian Government in Port Planning that recognises Tasmania is a significant customer of the Port of Melbourne.</p>	<p>Supported</p>	<p>The Government will write to the Victorian Government to seek an initial meeting on this issue. Future discussions will focus on future planning for the Port of Hastings and redevelopment plans at the Port of Melbourne as this affects Tasmanian ship operators and shippers.</p>	<p>✓</p>	<p>✓</p>	<p>✓</p>
<p>6. The role of rail in the transport system should be clearly articulated by Government and aim to -</p> <p>(a) Ensure that above rail operations operate on a commercial basis within five years, where revenue from freight is sufficient to cover operating costs and provide for future investment in above rail assets.</p>	<p>Detailed consideration needed in the development of a Tasmanian Freight Strategy</p>	<p>The need for increased clarity on the role of rail in the transport system is supported.</p> <p>The commercial operation of rail freight services is consistent with the Government's existing policy set out in the <i>Tasmanian Rail Network Objectives and Priorities for Action 2010-11 to 2013-14</i>, which identifies a viable rail network for the long term as a key objective for rail.</p> <p>The Government will work with TasRail to understand commercial outcomes across the network and on individual lines. This includes future market contestability.</p>	<p>✓</p> <p>✓</p>	<p>✓</p> <p>✓</p>	<p>✓</p> <p>☉</p>
<p>(b) Ensure that public investment in below rail assets is based on defined network standards linked to freight demand.</p>	<p>Detailed consideration needed in the development of a Tasmanian Freight Strategy</p>	<p>Linked to recommendation 8. The contestability of the freight task and the optimum modal combination for major new freight tasks will identify freight demand and network standards.</p>	<p>✓</p>	<p>☉</p>	<p>☉</p>
<p>(c) Be consistent with a long-term port strategy and consider the long-run adequacy of rail access to Tasmanian ports.</p>	<p>Supported</p>	<p>While this recommendation will require detailed consideration post the finalisation of a Tasmanian Ports Strategy, it is supported in principle.</p>	<p>✓</p>	<p>✓</p>	<p>☉</p>

<p>7. Road investment should target one high standard freight corridor, supported by key regional connections and -</p> <p>(a) Prioritise road expenditure to the Burnie-Devonport to Hobart primary freight corridor, which is part of the National Freight Network, developing this corridor as Tasmania's highest standard freight route.</p> <p>(b) Ensure that investment outside this corridor prioritises key regional freight roads that connect to the primary freight corridor. This includes the Bass Highway west of Burnie, East Tamar Highway and Frankford-Birralee-Batman corridor.</p> <p>(c) Inform the development of a high productivity vehicle access policy by the Tasmanian Government.</p>	<p>Supported</p> <p>Supported</p> <p>Supported</p>	<p>One high standard freight corridor, supported by key regional connections is supported.</p> <p>This is consistent with the Government's submission to NB2, which prioritised investment for freight on this corridor.</p> <p>The Government will establish an investment hierarchy for major freight roads. Based on its own freight demand analysis, these corridors are forecast to undergo the highest freight growth.</p> <p>The development of a high productivity vehicle access policy will be completed by December 2014.</p>	<p>✓</p> <p>✓</p> <p>☹</p> <p>✓</p>	<p>☹</p> <p>✓</p> <p>☹</p> <p>☹</p>	<p>☹</p> <p>☹</p> <p>☹</p> <p>☹</p>
<p>8. The best use of resources across Tasmania's infrastructure system needs to be strategically managed. The Tasmanian Government should -</p> <p>(a) Work with TasRail and road authorities to establish the contestability of freight growth across road and rail, focussing on the Burnie-Devonport to Hobart corridor.</p> <p>(b) Directly assess which modal combination is best suited to carry major freight tasks, considering both business and broader system benefits.</p> <p>(c) Assess infrastructure funding across road, rail and ports to ensure funding is directed to those parts of the system that deliver the best outcomes for business and the community.</p>	<p>Support in the context of the development of a Tasmanian Freight Strategy</p> <p>Further consideration</p> <p>Further consideration</p>	<p>The strategic use of resources across Tasmania's infrastructure system is supported.</p> <p>The Government will examine establishing a process to examine road and rail contestability, leveraging off work already completed for NB2. This will involve TasRail and DIER.</p> <p>The Government will establish a framework to consider which modal combination is best suited to carry major new freight tasks.</p> <p>This recommendation is linked to the development of a transport model (recommendation 17) to establish freight demand under different scenarios.</p>	<p>✓</p> <p>✓</p> <p>☹</p> <p>☹</p>	<p>☹</p> <p>NA</p> <p>NA</p> <p>☹</p>	<p>☹</p> <p>☹</p> <p>☹</p> <p>☹</p>

	Further consideration	The Government will consult with infrastructure providers to identify if there are assets that potentially demonstrate more efficient outcomes if controlled or owned by businesses who are the primary users of those assets.	Policy Consistency	Manageable Cost Likely	Implementation Risk
9. The future lease or sale of some or all Tasmanian Government-owned assets to the private sector warrants future consideration, particularly where there is a strong relationship between the use of those assets and specific businesses.	Further consideration	The Government will consult with infrastructure providers to identify if there are assets that potentially demonstrate more efficient outcomes if controlled or owned by businesses who are the primary users of those assets.	☹	☹	☹
10. Infrastructure planning processes across all levels of government must be clear and transparent, with defined objectives, timeframes and opportunities for industry and community involvement.	Further consideration	Mechanisms/processes to establish transparent and coordinated infrastructure planning across modes/ownership will be considered as part of the Tasmanian Freight Strategy.	✓	NA	☹
11. One planning zone and one uniform assessment process should be applied to major transport infrastructure corridors and nodes.	Further consideration – by the Minister for Planning	Coordinated infrastructure planning is a focus area of the <i>Tasmanian Infrastructure Strategy</i> . The Government will continue to work with local government through the Tasmanian Planning Commission, to standardise planning schemes.	☹	NA	☹
Market involvement in future planning and investment frameworks, and service provision					
12. In the context of the current Productivity Commission-ACCC Inquiry into Tasmanian shipping, the FLCT –	Supported	The Government supports the FLCT's view.	✓	NA	☹
(a) Recommends that the Tasmanian Government highlights the critical importance of the TFES to Tasmanian businesses and supports the case for maintenance of at least existing funding levels; and	Supported	The Government supports the FLCT's view.	✓	NA	☹
(b) Seeks and extension of the TFES to Tasmanian international exports.	Further consideration	The Government supports further investigation of Bass Strait shipping service models. This recommendation is linked to (5) above, and to the development of a transport model (recommendation 17).	☹	NA	☹
13. The demand for different Bass Strait shipping services models, including a lower frequency option, should be investigated. This will require the collection of better data on service needs.					

<p>14. Bass Strait seasonal capacity issues should be examined in the context of forecast growth, user needs, alternative lower cost solutions and their relationship to broader port planning.</p>	<p>Support and consider in the development of a Tasmanian Freight Strategy</p>	<p>The Government supports further investigation of Bass Strait seasonal capacity issues. Outcomes of other FLCT recommendations will inform this work (e.g. future port planning (recommendation 5); future international container service (recommendation 16); and reducing the volume of empty containers (recommendation 18)).</p>	<p>☺</p>	<p>NA</p>	<p>☺</p>
<p>15. The Tasmanian Government, with customer support, should continue to market-test the commercial interest of international shipping providers to supplying direct bulk and container services to and from Asia and should continue to negotiate with shortlisted providers.</p>	<p>Supported</p>	<p>The Government has established a process for market-testing an international service. DIER has contacted major Tasmanian exporters and importers to understand their freight needs. This has informed meetings with international shipping lines to understand supply-side requirements. Short-listed lines have been identified. All are seeking a commercially-based service. The Government will move to negotiate with a preferred line early in calendar year 2014.</p>	<p>✓</p>	<p>☺</p>	<p>☺</p>

Transparency and participation measures to promote innovation and competition		Policy Consistency	Manageable Cost Likely	Implementation Risk
<p>16. The Tasmanian Government should examine the potential for alternate transport infrastructure funding models, including -</p> <ul style="list-style-type: none"> (a) Targeted divestment of non-core assets for the recycling of equity with the government business portfolio; and (b) Private sector investment in freight infrastructure and private sector contributions as part of specific freight-related developments. 	<p>Support in the context of the development of a Tasmanian Freight Strategy – further discussion with the Department of Treasury and the Treasurer is required</p>	<p>Flexible equity arrangements with the Government's business portfolio and partnership with the private sector are not new models for Tasmania.</p> <p>The outcomes of the Australian Government's Productivity Commission review 'Public Infrastructure: Provision, Funding and Financing Costs' will inform the Government's consideration of new opportunities for infrastructure investment in the State.</p>	<p>☺</p>	<p>☺</p>
<p>17. The Tasmanian Government should develop a publicly accessible online freight model to understand the impact of future changes in the freight system, to inform decision-making and to establish a common information base across government and industry.</p>	<p>Supported – further discussion with the Department of Treasury required</p>	<p>The Government supports the development of publicly accessible transport model.</p>	<p>✓</p>	<p>☺</p>
<p>18. As part of the development of the Tasmanian Freight Strategy, further work should be undertaken to reduce empty container movements by –</p> <ul style="list-style-type: none"> (a) Working with TasPorts and shipping lines to collect more detailed data on empty container movements; (b) Assisting businesses to use alternative packaging, including slip sheets for containerised freight; and (c) Advocating for a change to domestic pallet sizes within national transport forums. 	<p>Support in the context of the development of a Tasmanian Freight Strategy</p>	<p>The Government supports further work to reduce empty container movements.</p> <p>DIER will work with TasPorts and shipping lines to collect more detailed data on empty container movements. This may form part of the freight model referred to above.</p> <p>There is an opportunity for businesses to share information around the better use of containers. This could be facilitated through industry forums.</p>	<p>☺</p>	<p>☺</p>

<p>19. As part of the development of the Tasmanian Freight Strategy, further work should be done to investigate the extent and nature of air freight needs, with a view to identifying opportunities to better integrate air transport into Tasmania's strategic freight system.</p>	<p>Support in the context of the development of a Tasmanian Freight Strategy</p>	<p>The Government supports further work to investigate air freight needs. This may form part of the freight model (recommendation 17) and will be considered in the context of a Tasmanian Freight Strategy.</p>	<p>✓</p>	<p>NA</p>	<p>✓</p>
<p>20. As part of the development of the Tasmanian Freight Strategy, the Tasmanian Government should test the viability of a market-based trading portal that facilitates voluntary trade of under-utilised freight capacity to reduce the risks and costs facing freight customers.</p>	<p>Further consideration</p>	<p>The Government will undertake further consultation with the freight market to understand the viability of a trading portal.</p>	<p>✓</p>	<p>X</p>	<p>X</p>
<p>21. As part of the development of the Tasmanian Freight Strategy, the Tasmanian Government should investigate opportunities to promote industry collaboration, enhanced skills training and employment opportunities in the freight, transport and logistics sectors.</p>	<p>Support in the context of the development of a Tasmanian Freight Strategy</p>	<p>Detail to be considered in the context of a Tasmanian Freight Strategy. Future specific initiatives are subject to funding. The Government has existing policies and programs to assist Tasmanian businesses development, employment and training support. <ul style="list-style-type: none"> • The Department of Economic Development, Tourism and the Arts offers a range of programs and services to support business development, workforce development, exporters and attract overseas skilled workers. • Skills Tasmania monitors and supports industry sector, including transport, training needs. </p>	<p>✓</p>	<p>NA</p>	<p>✓</p>

Support for small to medium users to improve supply chain efficiency		Policy Consistency	Manageable Cost Likely	Implementation Risk
22. The FLCT supports funding of \$2.5 million over two years to establish an expert advisory panel to assist small to medium freight users to optimise their supply chains and reduce costs.	Supported – subject to budget processes	✓	✓	✓
23. The FLCT recommends the development, by the expert advisory freight panel, of a demand aggregation case study to investigate how and under what circumstances industry collaboration can lead to greater aggregation of freight volumes in the agricultural sector. Consideration should also be given to whether that can be used as a template for other freight-intensive sectors with predominantly small and diverse freight users.	Supported	✓	✓	✓
Assisting international exporters to build and access markets		Policy Consistency	Manageable Cost Likely	Implementation Risk
24. The FLCT recommends that TFES be extended to international exports from Tasmania.	Supported	✓	NA	☯
25. The FLCT calls on the Australian Government and the Tasmanian Government to re-affirm the joint commitment they made in August 2013 to provide \$40 million transitional funding to Tasmanian exporters and to proceed as quickly as possible to be begin to allocate that funding.	Conditionally supported – subject to Australian Government funding.	✓	☯	☯

<p>26. The FLCT recommends that the Tasmanian Government lobbies for changes to the coastal shipping arrangements which result in greater service choice for Tasmanian businesses by removing all restrictions on the ability of international vessels to carry domestic cargo within Australian waters.</p>	<p>Further consideration</p>	<p>The Government will consider the FLCT's recommendations with the Terms of Reference once this review is initiated by the Australian Government.</p>	<p>NA</p>	<p></p>
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