



FLINDERS
COUNCIL

30 March 2011

The Hon. Tania Rattray MLC
Selected Committee Chair
Member for Apsley
Parliament House
Hobart
TAS 7000



Tabled by
Hon. T. Rattray MLC
5/4/2011

Tania Rattray

Dear Ms. Rattray,

Flinders Council received the Select Committee Final Report into Island Transport Services at its Ordinary Meeting on the 17th of March 2011.

At this meeting Council passed the following motions:

"Council prepare a formal response to the Legislative Council and the Chair of the Select Committee requesting consideration be given to reopening this inquiry into air and shipping services to the Furneaux region as the Final Report does not adequately meet the original Terms Of Reference formed by the committee or address the real and ongoing issues of sustainable air and shipping services to the region.

That the Council members on the Aviation Special Committee and the Furneaux Shipping Special Committee construct a letter and combine content of the officers report and other issues raised by elected members concerns as to the performance of the final report and its inadequate findings and recommendations then forward such to the Minister of Infrastructure and Premier."

and:

"That Flinders Council investigates the ownership of Port Zone facilities in Lady Barron"

To that end and in reflection of the Motion passed by Council, the following response to the Final Report is provided.

The Legislative Council Select Committee inquiry into Island Transport Services was appointed on the 10th of June 2009 to inquire and to report upon the transport services to King Island, the Furneaux Group and Bruny Island, with particular reference to:

- 1) The adequacy of existing transport arrangements
- 2) The impact of existing transport service arrangements including the associated infrastructure on the community, business and industry
- 3) The identification of strategies and options to enhance the level of service;
- 4) Any other matters incidental thereto.

At the inception of the committee, you as Chair, outlined that the committee had a goal of:

"...An inquiry to address the issues as outlined in the terms of reference could and should deliver a report with recommendations to assist the island communities, identify areas of need, and deliver to the Government a clear direction for consideration and future funding for the adequate needs of these significant island communities in the Tasmanian landscape."

Firstly I would like to thank you and the other committee members for the recognition you have shown for the need to identify issues and improve transport to the islands of Tasmania, in our case to the Furneaux Group. The quality of the transport services to and from Flinders and Cape Barren Islands impacts directly on the social and economic viability of the Furneaux Group and to this end the terms of reference were relevant to the needs of our community and to fully assess the impacts of the recent shipping crisis.

The Select Committee held public hearings into the matter on all the islands under inquiry and in Hobart. The Flinders Island hearings took place in November 2009 with the final report outlining those who made submissions and the generalized thrust of their concerns and suggestions.

With the final report being presented in February 2011, Flinders Councils position is that the transport situation, in particular shipping, has improved since the original hearings but the damage to the islands economy, confidence and long term viability remains unaddressed by the Final Report as does the Governments role in the crisis and the actual impacts this episode has had on our remote community. The delay in presenting the findings of the Committee to the affected communities is multi layered with the State Election of 2010 being highlighted as significant factor. Be that as it may, the delayed delivery of the report and the lack of any focus in relation to the impact that the shipping crisis had on the community, business and industry have been found by Council to be disappointing.

Factual inaccuracies are present in the report. Two examples being:

1) Page 32 the paragraph 2nd from the bottom cites "...Sharp Airlines began flying to Flinders Island, providing services to an **additional 20,000 passengers travelling to and from Launceston.**"

This is incorrect and does not reflect the actual situation with air services or the cost of maintaining a quality airport facility on our community. The cost impact on small remote Councils of maintaining and developing airport facilities is neither referenced nor discussed. The financial drain on our community of maintaining an airport facility is significant and impacts directly on the standard and availability of core Councils services, cost of living pressures for ratepayers and ultimately the sustainability of the Council and community itself.

The fact is that in purchasing the Flinders Island routes from Airlines of Tasmania, Sharp Airlines increased the number of passengers the company expected to carry over its entire network of routes by 20,000.

2) Finding Number 5 - Freight costs between the Tasmanian mainland and Flinders Island are significantly more than freight costs between Flinders Island and Victoria. These costs are impacting negatively on businesses based on Flinders Island.

Council is of the belief that this finding relates to King Island and not the Furneaux Group. No reference exists in the body of the report or evidence provided to the Committee that this was submitted as an issue. Council is unaware that the freight costs to Victoria versus Tasmania have ever been highlighted as a genuine concern for our community.

By way of example, the current fees of Furneaux Freight as taken from their website list the freight cost between Bridport and Lady Barron is \$82.86 per cubic metre versus Lady Barron to Port Welshpool at \$116 per cubic metre. Quite clearly the finding of the select committee has not been verified with the actual situation of freight charges of operators.

The contract between Southern Shipping and the State Government prescribed the general cargo freight rates at :

- Bridport to Flinders Island & Cape Barren Island \$101.65 per cubic metre
- Flinders Island to Port Welshpool \$120.60 per cubic metre.

[http://www.dier.tas.gov.au/ data/assets/pdf file/0008/20231/Transport Commission and Southern Shipping Company Pty Ltd and Geoffrey Gabriel 18 July 2007.pdf](http://www.dier.tas.gov.au/data/assets/pdf_file/0008/20231/Transport_Commission_and_Southern_Shipping_Company_Pty_Ltd_and_Geoffrey_Gabriel_18_July_2007.pdf)

The recommendations of the Final Report do highlight that since the establishment of the Legislative Council Select Committee there has been a major investment into the Lady Barron Port and that Council and the State Government have a much closer working partnership than in the past in relation to shipping and port related matters. The fact remains that the State has a clear responsibility to provide port and shipping related services to the Furneaux Group of Islands. Council has a genuine concern that despite the new arrangements with the State and the change in shipping operators, the Final Report does not address two of the terms of reference that were of genuine need for our community post the shipping crisis we faced.

These are as follows:

- 1) The adequacy of existing transport arrangements
- 2) The impact of existing transport service arrangements including the associated infrastructure on the community, business and industry

There is a genuine lack of focus and recognition in the final report of the "pain" this community suffered due to the inadequate control the State Government had over the Southern Shipping Company as the contracted provider of shipping services to the Islands. A "pain" that has cost the islands business, community and Council dearly and is still impacting today as confidence in shipping services slowly rebuilds but many of the core issues remain unaddressed. The absence of any real insight from the report or recommendations that address the terms of reference highlighted above, specifically into the damage this episode has caused, do little to engender confidence that such an episode may not happen again in the future. With high service levels at present from shippers predominately revolving around the movement of pine logs from North East River to Bridport, what will become of service provision once this comes to an end? Will the absence of an agreed contract for a weekly service see reliability suffer in the long term and with the contingency funding only assured for the next two years, what vision and arrangements will the State put in place to support the growth and economic development of the islands in

this coming period to ensure shipping service providers have a sustainable business? Council is of the opinion that many of these questions still remain unaddressed and the terms of reference of the Select Committee have not been met in relation to these specific areas.

In providing a cohesive and considered response, Council has addressed each finding and recommendation. Council's response can be found in italics under the original Final Report finding or recommendation that follows:

The key elements of the findings of the Select Committee are:

1) Tasports are a major factor in the maintenance, licenses and operation of the port at Lady Barron but have no role on Cape Barren Island or Bridport.

Tasports are charged with ongoing responsibilities in many regional ports. The enabling legislation that governs their actions and investments into these ports is the Government Business Enterprises Act 1995. Under this Act, Tasports must make decisions based on a commercial basis:

"7. Principal objectives of Government Business Enterprise

(1) The principal objectives of a Government Business Enterprise are –

(a) to perform its functions and exercise its powers so as to be a successful business by –

(i) operating in accordance with sound commercial practice and as efficiently as possible; and

(ii) achieving a sustainable commercial rate of return that maximises value for the State in accordance with its corporate plan and having regard to the economic and social objectives of the State; and

(b) to perform on behalf of the State its community service obligations in an efficient and effective manner; and

(c) to perform any other objectives specified in the Portfolio Act.

(2) On the request of the Portfolio Minister, the Treasurer may, by notice published in the *Gazette*, specify the economic and social objectives of the State relevant to the Government Business Enterprise specified in the notice.

(3) On the request of the Portfolio Minister, the Treasurer may, by order, exempt the Government Business Enterprise specified in the order from the application of subsection (1)(a)(ii).

The commercial viability of the Lady Barron Port (and other isolated ports) has continually been alluded to by Tasports over the recent period. It is this issue that directly impacts on the level of funds that Tasports can invest into the port, services provided and its maintenance. The fact that community service obligation payments are not made to Tasports to maintain a commercially unviable port facility such as Lady Barron (and many others) has seen the facility degrade over the years that Tasports have had direct control and impacts on levels of service that can be expected.

The exclusion of any discussion on this point in the findings is disappointing as it is clear that without an ongoing community service obligation (CSO) payment then Tasports is in no position to provide a quality service or facility to our community. Further to this the fact that Bridport and Cape Barren Island are managed by a separate entity in Marine and Safety Tasmania highlights that regional port management is a long way from a coordinated, well considered system that allows for the efficient, safe and economic transport of goods and management of the facilities required to ensure viable port facilities.

The recommendations provided by the Select Committee for King, Bruny and the Furneaux Group of Islands shed no light on the mismatch of management, maintenance levels and ownership of port facilities with each area recommended for a differing approach to resolution of ongoing issues. This is a significant opportunity missed to direct the State Government to consider a model that would alleviate the obvious issues that exist.

Council believes that a proactive recommendation would have been to direct the State to undertake a thorough review of service levels, standards and ownership models for isolated communities in relation transport services and facilities. This would provide some level of evidence base to support (or not) Council's belief that in a non functioning market, service provision by GBE's under their current enabling legislation must be supported by community service obligation payments to ensure quality service provision and long term investment into facilities planning and development.

The use of CSO's for service provision that supports the long-term viability of isolated communities and their development already has precedent with the current arrangement for the Bass Strait Islands and Hydro Tasmania. A similar model should be considered in relation to transport infrastructure and service provision.

Finally, the recommendation variance between the approach that should be taken with King Island and Flinders Island in relation to port ownership is quite concerning. Flinders Council is concerned that King Island Council's desire to own a port facility stems from the lack of service and high cost of Tasports providing services under the current model. Tasports inability to provide a quality service and facilities to Flinders Island is also seeing Flinders Council considering if a Council ownership model would provide higher standards of service and facilities provision. This approach is only being considered in the absence of many of the required facilities being available and perceived poor service quality. The lack of a long term facilities development plan does not engender confidence that the port and its facilities will be improved and has come under heavy criticism from the current shipping operators. The inability of a GBE under its existing enabling legislation to support the growth and development of isolated ports could have been addressed by the Select Committee in providing a recommendation to the State that the current model of GBE ownership is dysfunctional and requires revision.

2) Bridports tidal nature presents significant challenges to a regular scheduled service to the islands.

The tidal nature of Bridport is agreed but the operational importance of this port for the Furneaux Group is vital for the timely and humane movement of livestock in particular. The port also has an economic enabler effect on the north eastern corner of Tasmania which to date has been given very little consideration or investment by the State. The removal of shipping services into Bridport would have a dramatic effect on an area that has already experienced significant recent hardship. Support for port improvements and the existing shipping operator would alleviate some of the scheduling issues that the tidal nature of the port presents.

3) Storage options are limited and generally inadequate at Lady Barron for goods shipped to and from the islands.

Storage and the safe, efficient handling of goods at the Lady Barron Port continue to be a MAJOR issue for the community, shipping operators and businesses. The configuration of the Lady Barron Port in its current format precludes the development of the required cargo storage and handling facility where shippers have highlighted it would be best suited. While the allocation of funds from the State Government for port improvements is very welcome, the quantum of funds provided and the list of essential works needed again precludes the development of a storage facility that would meet the needs of shippers or the community. The narrow strip of land owned by Tasports, bordered by a state owned road accessing both the commercial area and "non-commercial" area of the port make the logistics of working within the commercial port area very difficult. Further to this the, complex web of land and property titles in the port area (mostly crown land with existing license agreements) has created a situation where the port area in its entirety is challenging (and expensive) to plan for modernization. What is clear is that if the port is to be a functional facility in the long term a concerted effort by the State, Tasports, Crown Land Services and Council is required to remove land use conflict, develop an agreed master plan for the entire precinct and then fund the development and ongoing operation of the facilities required to provide a standard of service to meet the economic and social needs of the community, business and shippers. In the short term the existing lease arrangements for the only storage facility on the Lady Barron wharf must be reconsidered by Tasports. The current arrangement of the only facility being leased by one transport operators continues to frustrate quality service and public health outcomes. The lack of a dedicated stevedore at the port also drives many of the issues our community faces. This point is a major component of the inefficient nature and operation of the facility.

4) Shipping services have improved since the demise of Southern Shipping.

The Furneaux Islands have received an improved level of service since the demise of Southern Shipping. That said the ongoing issues with the port do not make the operation of the services or the ongoing viability of the operators particularly tenable. Furneaux Freight and LD Shipping continue to express frustrations to Council as to the operation of the port, the facilities provided and the lack of coordinated logistics to service their customers. While shipping services have improved the basic issues that confront the operators in providing a quality and reliable service have not.

5) Freight costs between the Tasmanian mainland and Flinders Island are significantly more than freight costs between Flinders Island and Victoria. These costs are impacting negatively on businesses based on Flinders Island.

The removal of a supported weekly service to an open market system was highlighted by the Government commissioned report by GHD as an ideal system for driving competition and lower prices. In reality this has not proved to be the case with only one operator providing schedule weekly services. The cost of transporting goods to and from the islands continues to be a primary factor for a lack of business investment and growth and impacts significantly on already very high cost of living pressures. The disparity between Tasmania and Victoria in relation to costs is not seen by Council as an issue and is most likely provided as a finding for King Island and has been incorrectly inserted into the Flinders Island section. That said, for the islands to reach a sustainable population and become a viable contributor to the State economy a considered and reasonable approach to minimising the cost of transportation of goods to and from the Islands must be a primary consideration. This issue falls directly in to the domain of the State Government.

Page 18, 8th Paragraph "The TFES provides uncapped rebates to shippers moving eligible non-bulked goods between mainland Australia and the Tasmanian mainland including the Bass Strait islands..." – This is not correct. Although the pool of funds is uncapped the rebate to shippers per cargo item is capped.

6) The Bass Strait Passenger Vehicle Equalization Scheme does not operate between Tasmania and the Furneaux Group resulting in higher costs.

Council at its March 2010 Ordinary Meeting failed to support a Motion by Clr Cobham for the subsidisation of vehicles to the Islands from Tasmania under the BSPVES.

7) Flinders Council and the State Government have formalized a commercial agreement since the demise of Southern Shipping with a safety net arrangement as an emergency provision.

Officers are unaware of any commercial agreement with the State in relation to shipping services to the Islands. The reference to such an agreement on page 27 of the report attributed to the Secretary of DIER is incorrect. During the shipping crisis, Council requested a formal role in the establishment and ongoing monitoring of service standards and any contract development that may take place under a new operator or system. This has been forthcoming and DIER and Council have worked closely over the preceding period to assess and discuss the operations of the port and service providers but no formal commercially based agreement is in place. A safety net arrangement is in place for market failures if or when they occur. Both DIER and Council signed the Furneaux Islands Shipping Policy Statement in July 2010.

This is not a commercial agreement but Council is of the opinion that it is this document that the finding refers to.

Council is of the opinion that the findings of the Legislative Council Select Committee have been inadequate and have failed to recognize major and systematic issues with service provision, facilities and management models primarily to the Bass Strait Islands. Further to this the lack of any findings in relation to the damage caused during the shipping crisis, the costs associated with small remote Councils having to own and operate facilities such as airports and the failure to specifically address in the findings the very clear terms that the Committee was established upon leads Council to the opinion that the findings provided are inadequate and fall well short of the expectations of deliverables for the time taken to deliver the final report. From this position Council provides a response to the recommendations of the Committee to further clarify its concerns. These are as follows:

1. The State Government work with the Flinders Council and the Furneaux Group communities to ensure the provision of a reliable and sustainable transport service to support the residents and businesses on the islands.

The State Government and Council have a clear responsibility and direction in relation to this recommendation. While DIER has entered a new level of communication and commitment to working with Council, the complexities that Council now need to deal with in relation to a non core service function continues to absorb staff time, resources well above what would normally be expected of such a small organisation. Flinders Council must navigate between DIER, Crown Land Services, Tasports, and MAST at a State level to advocate for improved services and facilities. Further to this in relation to air services, Council as owners of the Flinders Island Airport are continually exposed to changes of standards and legislation in relation to air services from CASA and other Federal Departments. The role of the Federal Government in relation to these challenges is not referenced in any way in the recommendations. For a small isolated community these responsibilities are often challenging, costly and time consuming with no guarantee of any genuine improvements in service delivery or facilities and subsequent economic growth and social inclusion or support. The recommendation in relation to these points basically reiterates the work that is ongoing between the stakeholders referenced. The Furneaux Islands Shipping Policy Statement outlines the basis for this work and relationship.

2. TasPorts work co-operatively with the State Government and Flinders Island community to assess the ongoing maintenance and upgrade requirements of the infrastructure at Lady Barron to ensure adequate and appropriate facilities are available for goods and stock, as well as a passenger service in the longer term.

This recommendation ignores the realities of Tasports own enabling legislation. Without a considered change by the State to the GBE's funding arrangements by the inclusion of community service obligation payments, the recommendation would appear highly unlikely to be achievable. Council supports the intent of the recommendation as considered long term planning and subsequent infrastructure investment is critical to the ongoing viability of not only the port but also shipping operators and the community. Council would like to see the development of a port wide master plan, including areas not owned by Tasports and a commitment to ongoing funding for its implementation agreed to by the State stemming from this recommendation. Further to this it should be noted that the recommendation ignores any direction to improve the other major port facility in the Furneaux Group, that being Cape Barren Island. This facility is of an average standard and requires a level of upgrade and facility development to service this remote community.

3. MAST is provided with additional authority to enforce vessel safety compliance and increased penalties to be imposed for non-compliance.

MAST played a critical role during the shipping crisis but their ability to enforce non-compliance and vessel safety issues was obviously inadequate and not reinforced by the State Government contract as penalties for non compliance and safety issues were not addressed. Increased penalties and enforcement powers to MAST are supported.

4. MAST work with the State Government and operators of the Bridport Port to develop the port and enhance the area to provide a more efficient and reliable facility to meet the current and future needs of the Furneaux Group communities and the shipping service providers.

Bridport is a critical asset for a reliable and sustainable shipping service to the Furneaux Islands. To date very little effort or work has been forthcoming from the State in relation to improving this asset and developing the capability of the port. Due to its tidal nature, expansion of the port is seen as unlikely but a considered approach to regular dredging, port facility upgrades and working with the shipping operator are seen as vital to the ongoing sustainability of the service and the port.

5. The Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES) be applied to the shipping of motor vehicles between the Furneaux Group and the Tasmanian mainland.

If the BSPVES only applied to island residents then Council may be supportive. Council has considered this initiative previously and it was agreed that the risk of non-residents/tourists impacting on the islands infrastructure could have negative effects. The Furneaux Group has few facilities to support the likes of campervans and RV's and the extension of the BSPVES could see an influx of these sorts of vehicles and their associated issues. A formal motion of Council does not support the recommendation in its current format

In summary, Council believes that the recommendations provided are inadequate and fail to address the terms of reference that the Select Committee was established to investigate and report on. To that end Council requests that the Committee reconvene to amend errors in the report and receive further submissions from the affected islands and their residents to ensure that a more comprehensive and considered Final Report be presented. Flinders Council believes that the following information should be considered and forms the basis of further recommendations:

- 1) That the Lady Barron Port and associated Crown Land in the port precinct is a State Government asset and as such the State must play a stronger leadership role in its redevelopment than is currently the case. DIER, Tasports and Crown Land Services must coordinate effort to secure existing buildings and structures that currently do not form part of the working port area along with the associated unused land in the port precinct to mitigate or remove any land use conflict that may impede the development of a fully functional and efficient port precinct. The State and its GBE is to liaise with Council and the community to ensure an agreed and sustainable implementation plan is put in place for the redevelopment of the entire port precinct.

- 2) While the allocation from the State is very much appreciated it is in no way adequate to redevelop the Lady Barron Port facility to the required standard. Council requests the State approve an allocation of funds from the shipping contingency pool for the preparation of a complete and detailed port and foreshore precinct master plan that would inform the long term investment and redevelopment of the Lady Barron Port. This master plan development should include the services of the State Architect and the working group including DIER, Tasports, Crown Land Services and Council. That once the prepared and agreed master plan is completed that an ongoing commitment of funds to undertake the works is forthcoming at a level to be agreed.
- 3) Tasports charter for investment into non financial assets be given a thorough review and assessment by the State. The current GBE Act creates unsustainable outcomes for remote and regional communities that are serviced by GBE's. Council requests an ongoing community service obligation payment to Tasports to ensure port facilities and services are maintained to a modern and acceptable standard.
- 4) MAST is given expanded powers in relation to compliance and safety.
- 5) That the BVPS be expanded to include resident's vehicles only.
- 6) That MAST and the State Government work with operators and the Dorset Council to improve facilities and port infrastructure at Bridport.

As with so many factors in the Furneaux Group of Islands there is a lack of any agreed plan between the State, Federal and local governments for the future to grow our community and its services to a sustainable level. Post the shipping crisis there has been little concerted effort by the State Government to stimulate economic development or support the social fabric of our community. Small scale, tokenistic projects do little to repair the damage that has been caused during the shipping crisis and the recommendations provided in the report do not offer any clear directive to Government that the economic and social development of the islands businesses and community must have support in both the short and medium term. Flinders has the potential to be a significant supplier of quality agricultural products, and as a quality tourist destination, contributing strongly to the Tasmanian economy. This is dependent on the provision of good quality transport facilities and services.

The efforts of the Legislative Council and in particular the Members who dedicated their time and energy to the development of the Report is recognised by Council. While the tone of this response is one of disappointment it should be recognised that the community of the Furneaux Group hold deep scars from what was a very difficult time and hopes were high that the Select Committee would deliver a report that outlined that the pain and loss suffered had not been in vain or over looked. Council hopes that further work may be undertaken to meet these expectations and assist our community in moving forward towards better services and facilities.

Yours Sincerely,



Carol Cox
Mayor