

D. Parkinson
21/6/11

Government Response

to the

Tabled by Hon. D. Parkinson MLC.
21/6/11

Report

of the

Legislative Council

Select Committee

on

Island Transport Services

[Signature]
16/6/11

Government response to the Report of the Legislative Council Select Committee Island Transport Services

General Comments

The Government understands the need for reliable and appropriate shipping services to both the Furneaux Island Group and King Island, as well as Bruny Island. It is committed to ensuring these services provide the best possible support to the respective communities.

As a principle, the Government believes in the concept that island shipping services should be provided on a strictly commercial basis without Government support or subsidies. To this end, the Government has developed policy advice on its role in the Furneaux Island shipping services. This policy advice has been developed in close consultation with the Flinders Island Council and the Furneaux Group Shipping Committee. The Government is progressing a similar policy with the King Island Council and King Island Shipping Group.

The Policy Statement includes long-term objectives and delivery arrangements. A central tenet of the policy is that the Tasmanian Government will not intervene in the shipping market unless there is market failure. In the event that there is a change in freight demand such that the market cannot support a commercially viable service, the Government will provide assistance in order to ensure a service for a duration as is necessary until a workable market arrangement is established.

The Government is also actively involved with infrastructure development and those key authorities that provide infrastructure support to Island communities such as TasPorts.

The recommendations made in the Legislative Council Select Committee Report on Island Transport Services largely align with work that has recently been undertaken by the Government, or that which is currently being undertaken.

Background

The Legislative Council Select Committee on Island Transport Services (the Committee) was appointed on 10 June 2009 to report on transport services to King Island, the Furneaux Group, and Bruny Island, with particular reference to:

- the adequacy of existing transport arrangements;

- the impact of existing transport service arrangements including the associated infrastructure on the community, business and industry;
- the identification of strategies and options to enhance the level of service; and
- any other matters incidental thereto.

The Committee received a total of 44 submissions and requests to give evidence and public hearings were held on Bruny Island in October 2009, King Island and Flinders Island in November 2009 and in Hobart in October 2009, February 2010 and October 2010. A total of 47 witnesses gave evidence to the Committee.

On 25 February 2011 the Committee released a Final Report including a number of recommendations for King Island, the Furneaux Group and Bruny Island.

Government Responses to Select Committee Recommendations for Bruny Island (Page 16 of Report)

Recommendation 1. The State Government assess levels of service need and explore the options for an additional ferry during peak times.

Government Response

The current contract for the Bruny Island Ferry Service commenced on 1 July 2008 and will continue until 30 June 2013 with a second five year term, until 30 June 2018, subject to satisfactory performance.

The issues of service levels and demand have been considered. Prior to the commencement of the tendering process for the current service, the Department of Infrastructure, Energy and Resources (DIER) commissioned GHD Consulting to undertake a two-stage strategic transport study of Bruny Island.

Stage one of the study provided a broad socio-economic assessment of the Island including demographic analysis to give context to the Island's transport infrastructure requirements. The second stage of the study was undertaken to identify and evaluate the range of alternative models for ferry service ownership and service delivery over a 10 and 20 year planning horizon. The study included an examination of the levels of service and operation of the ferry as well as future requirements for landside infrastructure, scheduling, fares and the long term demand/supply balance. The findings of this study informed the specifications for the tender and, ultimately the letting of the current contract to the Bruny Island Ferry Company.

A review of estimates conducted by DIER has indicated that a \$5 fare increase per vehicle, all year round, would be required to fund a second ferry for the service subject to a suitable vessel being available.

The current loadings on the ferry are considered within the range projected by the consultants when the study was originally done and therefore there doesn't appear the need to revisit the issue of an additional ferry at this stage.

Recommendation 2. The State Government work with Bruny Island stakeholder groups and the Kingborough Council to urgently upgrade infrastructure and public amenities at Roberts Point.

Government Response

The Government owns and maintains the land-side ferry terminal infrastructure servicing Bruny Island. This infrastructure is subject to an ongoing maintenance program including road upgrades and is currently funded for financial year 2011/12.

The effect of infrastructure deficiencies on ferry users, road users and the community is most pronounced on the Kettering side, where the broader Ferry Road community is affected. The effect on the Roberts Point side is felt by ferry patrons as the access road to the ferry doesn't currently serve residential properties or roadside businesses.

While some extended queuing on Roberts Point during peak periods is acknowledged, the mitigation of queuing impacts on the Kettering side is considered a higher priority at this stage. Work on this issue is being funded under the Community Roads Program and undertaken collaboratively with the Kingborough Council.

In the short to medium term, queuing at Roberts Point could be dealt with through alternative demand management initiatives such as an improved booking system for peak periods, in preference to otherwise expensive infrastructure upgrade works.

Government Responses to Select Committee Recommendations for King Island (Page 25 of Report)

Recommendation 1. The State Government, as owner of the King Island Port through TasPorts, partially divest control of the Port and share its ownership and operation with King Island Council through a partnership arrangement.

Government Response

Control of the King Island Port remains a matter for the King Island Ports Corporation (a fully owned subsidiary of TasPorts). At this stage there is no plan to divest control and share ownership and operation with the King Island Council. The Government understands that trading, operational and personnel activities associated with King Island Port Corporation will re-integrate with TasPorts in July 2011. The joint decision by the boards of TasPorts and King Island Ports to amalgamate the subsidiary into the parent company has been made to provide the Island's port facilities with the benefit of the greater financial and operational resource base of TasPorts. This should assist in funding future infrastructure, maintenance and renewal activities.

The change in structure is consistent with the issues raised with the Select Committee regarding the adequacy of current port facilities to meet future freight and transport demands, as well as the security and reliability of services. The Committee's recommendation regarding partially divesting control of the Port through a partnership with the Council is unlikely to be practicable or efficient.

TasPorts has endeavoured to keep its stakeholders well briefed throughout the process, including the King Island Council, and will be moving to establish an Advisory Board to help inform future strategic port decisions as well as continue community input into the strategic direction of the port and associated activities.

Recommendation 2. State Government consult with the shipping operator of shipping services to King Island regarding the planned replacement of the *SeaRoad Mersey*, to ensure a reliable, regular and adequate shipping service is maintained without any interruption to service.

Government Response

Shipping services to King Island are provided on a commercial basis with freight rates negotiated between shippers and shipping service operators.

The Government has developed draft policy advice on its role in King Island shipping services. This policy advice has been developed with information provided by the King Island Shipping Group and analysis undertaken by GHD Consulting of freight movements to and from King Island. The draft policy is being progressed through consultation with the King Island Council and the King Island Shipping Group.

In regard to the planned replacement of the *SeaRoad Mersey*, the Government (through DIER) has undertaken discussions with SeaRoad Shipping in order to understand their future intentions. The King Island Shipping Group (in conjunction with the King Island Council) has also released an Expression of Interest seeking businesses interested in entering the King Island shipping market place. This Expression of Interest appears to have been quite successful in attracting a number of initial responses. Under any new arrangements, it is proposed that the Government will remain responsible for ensuring shipping outcomes for King Island if services cannot be provided on a commercial basis. TasPorts, while primarily responsible for port infrastructure and related services, have also indicated their willingness to assist in discussions with any shipping operator prepared to provide services to King Island.

An investment proposal developed by GHD Consulting on behalf of the King Island Council and King Island Ports Corporation that would enable Grassy Point Port to accommodate larger vessels than the *SeaRoad Mersey* has been considered. The King Island Council acknowledges that the investment cost (likely to be between \$40 and \$60 million) is likely to preclude redevelopment of Grassy Point Port on the scale proposed. Any future plans for wharf redevelopment will need to consider the possibility of shipping off the Island of mining products and the importation of mining equipment.

Recommendation 3. State Government seek funding support from the Australian Government to facilitate necessary port upgrades at King Island Grassy Point to ensure future shipping needs and services can be accommodated within an all-weather port.

Government Response

In 2008, the King Island Ports Corporation and the King Island Council engaged GHD Consulting to prepare a feasibility assessment of the potential expansion of

Grassy Point Port. TasPorts have confirmed that current infrastructure at the Port is sufficiently capable of servicing the freight task for the island now and into the foreseeable future. The current issues associated with the scheduled replacement of the *SeaRoad* Mersey with a larger vessel are being managed appropriately by the King Island Council and King Island Shipping Group. There is no business case that could support the proposed upgrade of Grassy Point Port (estimated at a cost of between \$40 and \$60 million) to service a larger vessel based solely on a change of one provider. In relation to developing an all-weather port capability, few ports can realistically be classified as all-weather ports. To provide Grassy Point Port protection from wave surge would involve major expenditure and there is no infrastructure which can mitigate the effect of high winds.

Consideration of any future upgrades to Grassy Point Port facilities should remain a matter for discussion between TasPorts and the King Island Council.

Recommendation 4. TasPorts or any future owner/operator of the King Island Port consider cost effective means of ensuring appropriate security measures at the port can be met without additional costs being imposed on port users that may threaten the ongoing viability of the port or its users.

Government Response

Security measures under the Maritime Transport and Offshore Facilities Security Act 2003, or as part of duty of care under Occupational Health and Safety are a cost of TasPorts doing business. Security measures in place at King Island are a compliance issue and therefore also a matter for TasPorts to manage in conjunction with the King Island community.

The Government believes TasPorts is entirely within its rights to pass these costs onto customers as a cost of doing its business. Specific and additional security requirements are assessed and charged on a user pays arrangement when needed. This particularly applies to areas such as cruise ship operations.

As a matter of principle and good business, TasPorts or any future owner/operator of the King Island Port should be expected to consider a range of cost effective means of ensuring appropriate security measures in reaching any final position.

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

Government Response

The Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES) is administered by the Federal Government in accordance with Federal Ministerial Directions and applies to eligible passenger vehicles moving between Tasmania and the Australian mainland (including King Island to the Australian mainland). A total of \$36.5 million was paid in rebates in financial year 2009-10.

There is no clear policy rationale to indicate why the Federal Government would want to expand the Scheme for what is essentially intra-state travel. This does not

prohibit interested stakeholder groups lobbying the Federal Government directly on this issue.

Government Responses to Select Committee Recommendations for Furneaux Group (Pages 34 and 35 of Report)

Recommendation 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 island.

Government Response

The Government works closely with the Flinders Council and the Furneaux Group communities on achieving appropriate shipping services. The Government released the Furneaux Islands Shipping Policy Statement in June 2010 which was developed in consultation with the Flinders Council and Cape Barren Island Community Association on behalf of the communities. The Policy Statement was endorsed by the Furneaux Group Shipping Special Committee on 30 June 2010 and is publicly available on the DIER website.

The Policy articulates the Government's long-term policy objectives for shipping services and identifies the most appropriate delivery models for meeting these objectives. Under the agreed arrangements, the Government remains responsible for ensuring long and short-term shipping outcomes for Flinders and Cape Barren Islands.

Shipping services to Flinders Island are being provided by the market on a commercial basis.

The Government has recognised that the demand for services from Cape Barren Island is unlikely to be provided on a commercial basis. Following an invitation to quote process, the Transport Commission has entered into an arrangement with Furneaux Freight to provide a once every four week service. The arrangement was for one year at a cost of \$58,500. Quotations are currently being sought for the renewal of this service for financial year 2011/12.

Tourism Tasmania has also worked very closely with the Flinders Island Council and the Flinders Island Tourism Association on the development of a sustainable tourism sector on the island. This is achieved through a Memorandum of Understanding which identifies jointly agreed tourism priorities. Considerable progress has been made in the area of access by forging strong links with airline and airport partners, including Sharp Airlines who commenced services with larger planes to Flinders Island late last year.

Recommendation 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.

Government Response

In the 2010-11 State Budget, the Government committed \$1.585 million over two years for port infrastructure (\$585,000 in financial year 2010-11 and \$1million for financial year 2011-12).

The Government, through DIER, has facilitated discussions between TasPorts and Flinders Island Council to ensure the funding is allocated where it can achieve the best outcomes for Lady Barron and the Flinders Island community.

TasPorts has been working collaboratively with the Flinders Island Council to develop a Master Plan for port infrastructure and precinct development of Lady Barron Port under the \$1.585 million State Government funding allocation. The Master Plan is based on significant stakeholder feedback including the island's Shipping Committee. Cost estimates and priorities for the program of work have been agreed as follows:

Stage 1: Expenditure budgeted for financial year 2010/11 (\$585,000). The aim of Stage 1 is to put the majority of the overhead power lines underground to remove the restrictions associated with operating around overhead power lines. The second priority is to remodel the stockyards and install concrete floors and rubber matting. Dependent on budget, the work in the lower cargo area will be the next priority and then the main street camber and drainage will be addressed.

Stage 2: Expenditure budgeted for financial year 2011/12 (\$1 million). The aim of Stage 2 will be to address the remainder of the works identified in the port plan and will complement the Council's future potential incorporation of the fish factory buildings to the east of Main St and future port traffic flow. The strengthening of the TasPorts wharf will also occur in Stage 2.

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

Government Response

The Government is currently working with the Federal Government on a single national regime for the regulation of commercial vessels. The arrangements for improved vessel safety compliance and penalties for non-compliance will be addressed in the new national regime. From January 2013 there will be one single national regulator of commercial vessels in Australia. COAG has agreed that this will be the Australian Maritime Safety Authority (AMSA). A new Maritime Safety Act is being drafted and it is intended that this will be introduced into Federal Parliament at the end of 2011.

The States and Northern Territory will amend their marine safety legislation so that the Commonwealth Act becomes the applicable law for commercial vessels, their operation and equipment and for the certification of competent crew.

The drafting instructions for the Bill have been agreed between the States/NT and the Commonwealth. However, the detailed mechanics of how compliance with the provisions of the new Act will be enforced have yet to be released.

It is expected that an exposure draft of the Bill will be available for public comment later this year.

Recommendation 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.

Government Response

To date, both the Government and MAST have undertaken work associated with Bridport Port. Both the Government and MAST would be happy to work collaboratively with the operators of the Bridport Port to develop the Port and enhance the area wherever this is practical and reasonable. However, MAST has noted that the options for developing the Port are limited. The river entrance and the tidal range are major impediments to the future development of the Port. MAST has previously commissioned a study of the river mouth and the options for increasing access to the Port. This study was not particularly encouraging.

The present practice of periodically improving the channel by excavating sand is simple and effective. More sophisticated engineering solutions such as extending the training walls, particularly the eastern wall, have not been supported by engineering advice. An alternative proposal by Australian Maritime College engineering students to construct a lock at the river entrance is assessed as being expensive and therefore impractical.

Recommendation 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.

Government Response

The Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES) is administered by the Federal Government in accordance with Federal Ministerial Directions and applies to eligible passenger vehicles moving between Tasmania and the Australian mainland (including Flinders Island to the Australian mainland). A total of \$36.5 million was paid in rebates in financial year 2009-10.

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