

SUBMISSION NO. 53

Secretary: *J. L. ...*

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15 JUN 2005

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON
TRANSPORT AND
REGIONAL SERVICES



Tasmania

***House of Representatives – Standing Committee on
Transport and Regional Services – Inquiry into the
Integration of Regional Roads and Rail Networks and
their Connectivity to Ports***

Tasmanian Government Submission May 2005

Background

Unlike the mainland States, which enjoy national connectivity through road and rail, Tasmania has access by sea and air only. The interface and access to Tasmania's ports is through the road and rail networks. It is only since the AusLink initiative that there has been recognition of the importance of this interface by the Australian Government. Previously in Tasmania, only roads received Commonwealth Government funding at the total exclusion of rail, with the Commonwealth Government spending concentrated on the National Highway between Burnie and Hobart.

The recent expansion of the National Highway to the AusLink National Land Transport Network has meant that the strategic route to the Port of Launceston at Bell Bay is now included. The network now includes both the state road and the rail between Burnie, Hobart and the Port of Launceston at Bell Bay. Whilst this now brings the four major ports into a network, the Commonwealth Government continues to ignore the rail sector in Tasmania in terms of funding requirements with no allocation in the current AusLink funding round through to 2008/09. This is despite hundreds of millions of dollars being committed to mainland rail infrastructure, which, unlike Tasmania, has for decades received funding from successive Australian Governments. During the same period, Tasmania's rail system has been ignored and excluded from similar funding, putting increased traffic on the National Highway in Tasmania.

Tasmania's four major ports handled 15.8 million tonnes of freight in 2003/2004 consisting of 5 million tonnes of imports and 10.8 million tonnes of exports. Commodities dominate the export tonnages with woodchips, cement and mineral concentrates making up over half the total tonnage. For this reason the interface, access and the efficient operation of Tasmania's ports and airports are of vital importance to the economic wellbeing of the State and the nation's economy and export trade.

Recent growth in container traffic has been significant with exports of paper, processed vegetables and fresh and frozen foods continuing to expand to meet both Australian and international market demand. This growth has meant that both industry and Tasmanian Government are undertaking a critical review of the whole of the Tasmanian logistic chain.

Whilst the inquiry is only looking at freight, it has to be stated that in Tasmania, the movement of people to and from the State's sea ports and airports and the infrastructure required for this purpose is of critical importance.

There has been a substantial increase in passenger numbers over the recent period with arrivals by sea going from 159,000 in 1999/2000 to 242,000 in 2003/04 and air from 732,000 to 933,000 in the same period.

Discussed below are three discrete, yet related, projects, which are considered to hold significant efficiency improvements for the State's transport function and critical sea port links.

Tasmanian Export Efficiency Initiative (Bell Bay)

The Port of Launceston at Bell Bay has experienced substantial growth, particularly in the container market, with a tripling of containers handled over the past four years. This growth has manifested itself through direct call international ship visits, which typically improve the cost of freight by negating the need for prior transshipment and double handling of cargoes.

In the main the port has responded well to the growth in trade. However, constraints have emerged in both rail access to and within the port. Likewise, the increased volumes have created a constraint in the effectiveness of the road access servicing the port.

Currently an application exists through the Regional Partnerships process administered through the Department of Transport and Regional Services for the upgrade of both road and rail infrastructure both to and within the port.

The proposed total cost of the improvements is approximately \$14 million and will include a new rail line entering the western end of the port and connecting to the existing rail spur entering from the east of the port facility. The increased rail line will reduce the current need for shunting and splitting of the train, which adversely impacts on both road movements and container handling operations. In addition, the efficiency of the container handling will be enhanced through a greater working length of trains. Pacific National Tasmania also expects this decreased shunting and manoeuvring activity to translate into a 17% terminal efficiency increase and a consequent 2% improved train utilisation throughout the rest of the network.

The improvements will also provide bulk cargo capabilities for rail within the port allowing the port to more effectively cater for bulk products.

Similarly, the road improvements will streamline the movement of traffic through the port, avoiding congestion as product and containers will have much reduced interference with cargo handling activities at the eastern end of the port. This will also greatly improve safety of operations within the port.

In addition to road access into the port itself, there is a consequential need to upgrade the road, which leads through the Bell Bay industrial area to the western end of the port. It is worth noting that the Port of Launceston sits within a depression skirting the water and is essentially a long and narrow port facility bound by a steep embankment on the northern side and the water on the southern side.

In respect of terminal operations, stevedores will gain significant efficiencies in terms of time, manpower and equipment usage if an additional road and rail access is established at the port. This in turn will lead to better terminal efficiencies and help to reduce vessel port time, which is a critical element for a regularly scheduled container service. (Indicatively, a four-hour reduction in port time could translate into savings of around \$10,000 per visit.)

Proponents under the application are Pacific National, Port of Launceston, George Town Council and the Northern Tasmanian Regional Development Board.

Brighton Intermodal Facility

Southern Tasmania's rail freight task is currently serviced through the Macquarie Point rail yards adjacent to Hobart Ports. Whilst geographical proximity would suggest a significant degree of integration between road/rail and maritime activities, the current configuration reflects an industrial and commercial environment long since passed.

The current intermodal terminal's positioning does not match the flows of freight arising out of the State's manufacturing and commerce activities. Currently approximately 8.5 million tonnes of product originating from the south of the State is exported through the northern ports.

Further, containerised shipping through the Hobart port facility has diminished (less than 4,000 TEU in 2003/04), being replaced by an increase in trans shipment across Bass Strait and direct call international ships, both occurring in the north of the State, most notably the Port of Launceston.

In addition, the rail freight leg south of Brighton increases the total transit time significantly as it traverses through residential and commercial areas at low speed. Consequently the train utilisation is adversely effected reducing efficiencies by an estimated 20%. In turn, the increased time excludes a number of customers as it falls outside their operational/export windows and, as such, must be sent to the north of the state via road transport.

From a road perspective, a significant amount of freight entering the Macquarie Point intermodal facility is in fact carted both to and from its customer base located on the northern outskirts of Hobart. The movement of this freight adds to the cost of the cartage borne by the customer and is considered to add, in no small part, to the growing congestion on the major arterial Brooker Highway.

Pacific National and Toll Logistics have purchased a parcel of land on the outskirts of Brighton and are currently finalising a feasibility study for the construction of a intermodal terminal which will better optimise the movement of freight between the three modes of road, rail and the more practically export positioned northern marine transport.

The proponents of the proposed facility are seeking appropriate access arrangements with the National Network (Midland Highway). The absence of such access would significantly encumber the efficiency of the site from a road transport perspective and as such is a critical element upon which the proposal hinges.

Advice from the proponents has been that the intermodal facility will lead to increased efficiencies both entering and leaving the State and reduce the growing reliance on road freight both on the National Network and the arterial roads leading from the north of the State into greater Hobart.

Ports Amalgamation

The Tasmanian Government has recently given in principle support to the amalgamation of the State's four port entities. The four ports - being Launceston, Burnie, Devonport and Hobart - in conjunction with the Department of Infrastructure, Energy and Resources (DIER), recently undertook a review of their operations with a view to exploring an improved model

which would increase the effectiveness of the State's port system in delivering economy wide benefits, particularly with respect to servicing the export market.

A Committee of Review was formed consisting of the Board Chairs of the four ports, the CEO of DIER and an independent chairman. The Committee of Review engaged Meyrick and Associates to investigate opportunities for both operational improvement and wider economic benefit to the State. A requirement of the review was that the existing four port operations continue as working ports. Meyrick handed down its findings and recommendations in a report to the Committee of Review in December 2004.

The report made a number of recommendations, including:

- The four ports should be amalgamated into a single port corporation under Corporations Law; and
- The newly formed port company should be structured on business activity lines as opposed to a geographical basis.

In making these recommendations Meyrick and Associates cited the following benefits accruing.

Port Infrastructure

Integrated planning will allow the ports to build on current infrastructure strengths and to develop the facilities required to cater for the anticipated increase in trade without the risk of wasteful duplication of expensive infrastructure.

Operations

A single corporation will be able to draw on a broader base of skills and experience and have the scale necessary to develop the expertise required to operate as a leading player in an increasingly sophisticated logistics system.

Administration

Integration of administrative systems offers significant opportunities for cost savings and consistency in service delivery across the State.

Statewide Infrastructure

A unified port corporation will be better placed to develop a coherent statewide development plan. This will assist other agencies in their planning tasks. A single port corporation will also have a more influential voice and collaborate more effectively with industry and government in state planning and policy processes.

Governance

Integration of the Tasmanian ports will streamline the interface between the ports and government, and reduce wasteful reporting and administrative effort.

Business Development

A single port corporation would maximise opportunities for the exploitation of synergies within the ports and create a stronger platform from which to support the development of Tasmanian business including the application of intelligent tracking technology and services.

Customer Relations and Service

Command over a statewide network of assets and skills will enhance the ports' ability to develop comprehensive solutions to customers' needs and provide a single point of contact for customers.

Community Relations

While traditional links between local ports and communities will pose some challenges for an integrated corporation, a larger corporation drawing on a broader and deeper skill base provides an opportunity to develop a consistent 'best practice' approach to community relations across the whole State.

Financing

An amalgamated organisation will have a stronger and more stable cash flow, a better capacity to manage debt, and more flexibility to deal with the inevitable lumpiness in expenditure associated with major capital development.

Staff

A single statewide corporation would provide staff at both strategic and operational levels with new opportunities for professional learning and growth and career development. The projected growth should provide increased employment opportunities within the ports and in ancillary businesses and industries.

The Committee of Review has endorsed the recommendations of the Meyrick Report and the Government has given in principle support to the initiative. The four ports and various government departments are working to effect the recommendations of the report with a completion date set for December 2005.

Wider Tasmanian Network Issues

For the three projects listed above to be fully successful, they will rely on the continued efficiency of the road and rail network between these critical hubs in the most regionally diverse State.

Whilst the National Highway is currently of a high standard, parts of it are reaching a critical age. The rail network track alignment is based on pre-1900 right of way routeings and would be totally unacceptable today. This places on the operator of this vertically integrated rail network heavy and restrictive operational and high financial maintenance costs. There has to be a concerted effort to reduce the length of rail journeys by shortening alignments, reducing the steepness of grades and the number and tightness of curves on the Tasmanian mainline to support these three initiatives.

As an example, the direct Port of Devonport to Port of Launceston at Bell Bay distance is approximately 55 kilometres; the actual rail distance is 181 kilometres. At nearly four times the length this adds considerably to the time cost and competitiveness of rail for all traffics. The removal of the maintenance burden on the vertically integrated operator would release internal funding for locomotive and rolling stock upgrades in a railway with wagons with 75 years service already still in daily use.