Document for public consultation
November 2015

Draft Tasmanian Integrated Freight Strategy

Infrastructure Tasmania

Tasmanian Government

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Message from the Minister for Infrastructure

The Tasmanian Government prioritised the development of an Integrated Freight Strategy as an important step to address barriers to productivity and job-creation in Tasmania.

The delivery of this Strategy by the newly-created Infrastructure Tasmania is a milestone in coordinated infrastructure planning to guide future investments that optimise our economy's competitive strengths.

Infrastructure Tasmania has engaged widely with infrastructure providers, freight carriers (land and sea), growers and producers in developing this draft Strategy. While the issues raised by stakeholders through this consultation have been broad and varied, the need for the efficient and cost-effective movement of products to market is a common theme.

A contemporary, integrated freight strategy for an island state ideally must include a range of complementary components that require management, monitoring and facilitation to maximise the benefits and capacity to get Tasmanian products to market. The need for efficient access to food and other goods is increasingly important in Tasmania as our population and visitor numbers grow with our economy.

It is essential that appropriate infrastructure is in place to support the freight task. A key goal of the Tasmanian Government is to make sure that the component pieces work together to provide a capability for integrated freight movements both across and out of the state.

Getting this Strategy right will provide industry and business with confidence to invest in new property, plant and equipment and to innovate, whether that be trialling different crops to enter new markets, or building greater capacity ships to ply Bass Strait.

Sustainable, long-term market demand and clear Government policy settings will enable the private sector to invest its own capital.

An efficient Bass Strait freight service, a safe and reliable road network, a robust rail system and development of an under-utilised airfreight capacity are core elements of a freight strategy that can meet the needs of Tasmanian producers, shippers and consumers alike.

Tasmania's reputation for premium, high value products and produce is envied around the world. Our state's rich natural resources and our ability to grow, manufacture and consistently deliver is a testament to the productivity and ingenuity of all Tasmanian companies and individuals in all parts of the supply chain.

The Tasmanian Government has set aggressive growth targets for population, agricultural output and visitor numbers, and it is vital that we have the best possible infrastructure in place to meet those goals. Access to new markets and investments in irrigation, agriculture, aquaculture and our more traditional resource industries are changing the freight landscape in our state.

The Australian Government's extension of the Tasmanian Freight Equalisation Scheme from January 2016, will make exporting our products more competitive and has been met with a positive reaction by the market, including strong interest in new shipping services, re-tonnaging of existing services and the entry of bulk and boutique airfreight options to move product to and from the state.

The *Tasmanian Integrated Freight Strategy* will underpin the anticipated growth in the freight task and the Tasmanian Government will continue to work with industry to refine requirements and address future needs.

I encourage all Tasmanians with an interest in an efficient freight sector to read this Strategy and provide input into the content and recommendations.

Rene Hidding
Minister for Infrastructure

Your feedback

The Tasmanian Government is seeking broad public feedback on the content and recommendations of this *Draft Tasmanian Integrated Freight Strategy*. Through Infrastructure Tasmania, the Tasmanian Government will also consult directly with key stakeholders, including businesses, service and infrastructure providers, peak industry bodies and local government.

The draft Strategy identifies 33 key policy positions and actions, across four key areas. The Government is seeking feedback on the draft Strategy generally, and with particular emphases on key actions and the phasing of individual recommendations.

Submissions should be provided by Friday, 22 January 2016 and can be made by:

Email
freightstrategy@stategrowth.tas.gov.au

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Tasmanian Integrated Freight Strategy
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Please note that submissions may be released publicly unless clearly marked as confidential. A summary of feedback received will be released as part of the final *Tasmanian Integrated Freight Strategy*.

Supporting information

The draft Strategy is underpinned by a series of information papers and reports, which provide additional information on the operation of Tasmania's freight system.

Information papers

1. An overview of Tasmania's freight system
2. Tasmanian freight supply chains
3. Tasmania's major ports and intermodal connections
4. Tasmanian sea freight
5. Land transport infrastructure
6. Container growth and capacity, Bass Strait

Key reports

- *Final report of the Freight Logistics Coordination Team (December 2013)*
- *Tasmanian Supply Chains and Tasmanian Shipping and Ports, Aurecon (2013)*
- *Tasmanian Empty Container Movements Study, Aurecon (2013)*
- *Tasmanian Freight Infrastructure Systems, Juturna (2013)*
- *Tasmanian Freight Survey: Data summary 2013*

All information sheets and reports are available at:
www.stategrowth.tas.gov.au/home/about_us/infrastructure

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Executive summary

The Tasmanian Government recognises the critical relationship between a responsive freight system and economic activity and business growth. The Government is focused on improving Tasmania's freight system for the benefit of the whole community, which in turn helps to drive a strong economy.

Meeting our freight challenges

Tasmania's freight system underpins business and economic growth in the state. It is a key part of realising the outcomes of the Government's investment in sectors such as agriculture and aquaculture, and capitalising on the growing national and international demand for Tasmanian products. A reliable freight system is critical to our businesses retaining markets and accessing new ones.

The Tasmanian Government owns most of the state's major freight infrastructure across our roads, rail network and ports. It also operates rail and sea freight services. This provides an opportunity for the Government to influence the coordination of freight planning and investment.

By targeting investment and differentiating infrastructure standards based on demand, Tasmania can build the economies of scale required to support high quality freight infrastructure. Investment in freight infrastructure must be planned and coordinated, and duplication of investment, within and between modes, avoided.

> While the 2016 summer season is likely to present a significant challenge in meeting demand for Bass Strait services, the arrival of the first of a number of planned, new freight ships for Bass Strait will ensure capacity meets increasing demand from late 2016 onwards.

Bass Strait shipping

Bass Strait is a direct or indirect part of nearly all Tasmanian supply chains and is proportionally the single largest transport cost in the supply chain of a typical Tasmanian business. The cost of shipping freight and the type of services offered therefore exerts a significant influence on business costs and the potential for business growth into new products and markets.

Our Bass Strait freight market is characterised by high frequency, daily services that are relatively expensive for operators and customers alike, when compared to longer distance sea freight routes.

Container demand currently exceeds effective operating capacity during seasonal peaks on Bass Strait. Forecast container volumes indicate additional investment in vessel capacity is required to meet export and import demand.

The Tasmanian Government is committed to supporting the best possible outcomes for Tasmanian shippers. Maintaining at least existing levels of competition in Bass Strait shipping, increasing total and seasonal container capacity, and ensuring the long-term continuation of the Tasmanian Freight Equalisation Scheme (TFES) assistance to cover eligible goods destined for international markets, are key objectives.

In a commercially-driven market, private sector solutions to shipping capacity and service needs is the first and preferred response. The Government supports planned investment in larger vessels by the two existing private operators.

In relation to TT-Line, the Government is focused on growing passenger numbers, while maintaining the existing proportion of lane metres dedicated to freight. This policy has been highly successful, with an 8 per cent growth in passenger numbers in 2014-15. It has also provided additional freight capacity as part of expanded day sailings.

A changing seascape

Proposed and potential market and regulatory changes will significantly alter the Bass Strait containerised freight market.

These changes include cost and service changes associated with the introduction of new vessels; the impact of a privatised Port of Melbourne on shipping costs and the decisions of shippers; and the impact of future coastal shipping reforms.

In the context of these changes, the Government will significantly increase its monitoring and facilitation role in relation to all aspects of Bass Strait container shipping.

This will include working with industry to provide transparent information to the market on shipping needs; identifying capacity and service gaps; and continuing to advocate for regulatory changes that expand service choice for Tasmanian shippers.

The Tasmanian Government is committed to the re-establishment of direct international shipping services to Tasmania as a competitive alternative to more expensive transhipment options through the Port of Melbourne.

This commitment saw the signing of a non-binding MOU with Swire Shipping as the preferred operator of a service. In March 2015, the Australian Government announced an extension to TFES to cover international export freight transhipped through Melbourne.

This extension materially changed the strategic context of the MOU by addressing the freight cost disadvantage faced by eligible shippers transhipping to international destinations, and the MOU expired with the mutual agreement of both parties.

Swire Shipping since confirmed it will commence a new container shipping service into Hobart on a fully commercial basis, beginning in November 2015.

Air freight opportunities

The Tasmanian Government is continuing to work with carriers and airport owners to assess capacity and identify opportunities to move larger quantities of freight by air.

Pricing and facilities are critical but significant opportunities exist to expand existing airfreight capacity, particularly in moving high value, premium products to market. Increased domestic connections to overseas forwarders and direct flights to export markets are important issues for growers and producers.

A range of airport infrastructure developments have excited private sector airfreight interest, including extension of the Hobart International Airport runway, terminal upgrades and associated expansion of air freight service industries around both the Launceston and Hobart Airport precincts.

Strategic ports

Ports are fixed, long-term assets that are expensive to provide and maintain. The location and operation of ports influences the cost and efficiency of freight supply chains.

By volume, 99 per cent of freight into and out of Tasmania is moved by sea, making ports a central point for the exchange of goods, and the focus for land freight connections.

TasPorts' *30-Year Port Plan* establishes the framework for ongoing investment and prioritisation of port infrastructure spending, supported by a broader understanding of the issues and opportunities facing the future planning of Tasmania's port network. The Plan is a key input to this draft Strategy.

The Tasmanian Government continues to engage with the Victorian Government on the impact of a privatised Port of Melbourne for Tasmania. While some concessions have been won through advocacy with the Victorian Government, the risk of inflation in lease costs for Tasmanian stakeholders at the Port of Melbourne will require ongoing attention.

Tasmania's land freight corridor

Tasmania's land freight network is extensive across road and rail. Meeting the needs of current and future freight users will require more targeted freight investment within and between modes and improved coordination of investment priorities between the Australian and Tasmanian Governments through their respective Infrastructure bodies.

Delivering a clear investment framework for Tasmania's key freight corridor between Burnie and Hobart is a priority.

The land freight network across road and rail is extensive. Both networks have undergone significant upgrades in recent years and that investment will continue. Ongoing challenges remain in ensuring that suitable funding is provided to maintain this premier freight corridor; heavy vehicle productivity, user and safety requirements remain a priority.

Expectations are that the present 65 per cent of the state's land freight task travelling on this corridor will continue to grow.

The Tasmanian Government will prioritise major freight related investment in support of that growth. It will deliver the highest road freight infrastructure standards, including investment in support of major changes to heavy vehicle productivity. Investment in rail will focus on safety and reliability.

Tasmania's rail network, which is owned and operated by TasRail, has benefited from significant public investment. This investment has delivered a safe and reliable rail network, which now provides a competitive alternative to road transport.

The mining sector, in particular, is set to benefit from this investment in rail infrastructure on the west coast where the industry has traditionally relied upon rail for the transport of ore for export from the Port of Burnie.

Freight system planning

Addressing Tasmania's freight challenges requires a coordinated and inclusive approach. The establishment of Infrastructure Tasmania is significant for improved infrastructure planning in Tasmania, providing, an independent body to oversight, and advise on, major infrastructure policies, proposals and evaluation methodologies.

The Tasmanian Government will continue to work with industry to deliver effective and sustainable freight system outcomes. Large-scale privatisation of publicly-owned freight infrastructure is currently not supported by the Government.

However, the Government will work with business and the private sector to identify partnered investment opportunities in specific freight assets, services or in support of a discrete freight task.

Structure of this Strategy

This draft Strategy identifies issues, opportunities and actions across four themes – shipping services, ports, land transport and strategic freight planning.

These themes address the key elements of Tasmania's freight system.

Guiding freight system objective

The Tasmanian Government supports the freight system objective identified by the industry-led Freight Logistics Coordination Team as an appropriate basis to guide a *Tasmanian Integrated Freight Strategy*. This objective was developed through collaborative discussions with industry.

The Team identified that our freight system should:

- provide services that are commercially sustainable, and which deliver competitive and sustainable prices to users over the long-term
- reflect the current and future needs of customers, and the broader community
- maximise supply chain efficiency and quality, with a continued focus on productivity improvement
- support safe, reliable and secure freight service provision
- ensure freight service provision operates within an efficient and certain regulatory environment.

In pursuing this objective, the Government has identified the following supporting principles.

- Greater aggregation of freight volumes on core freight networks will support higher standard infrastructure which enhances productivity and safety.
- Freight investment needs to be targeted, based on demand, and focused on key corridors and intermodal points.
- Where possible, a competitive market for freight services should be promoted, supporting choice and lower costs for users.
- Freight capacity and services should be provided on a commercial-basis, and primarily by the market. Government has a role in facilitating whole of system outcomes for the benefit of Tasmanian businesses, and closely monitoring capacity and service-based needs across modes.

The final *Tasmanian Integrated Freight Strategy* will be supported by a rolling action plan to be led by Infrastructure Tasmania. The Government has identified priority actions for implementation over the next two years. These actions are summarised at the end of each chapter. The outcomes of these actions will inform the identification and prioritisation of future actions.

The Strategy will be reviewed every five years, or more frequently if required, as well as in response to major changes in freight demand, investment, and broader market and regulatory frameworks.

Key actions, *Draft Tasmanian Integrated Freight Strategy*

The Tasmanian Government has identified the following priority actions, as at November 2015, to be progressed immediately in anticipation of the final Strategy.

The full set of recommendations identified within this draft Strategy, including policy positions and priority actions, is included in Appendix 1.

Support service choice and competition across Bass Strait	Timeframe
Provide accessible and transparent information on the operation of the Bass Strait container market, including container demand and capacity	March 2016/ ongoing
Support and facilitate attracting a dedicated national and international air freight service to and from Tasmania	ongoing
Assess opportunities to reduce the volume of empty containers crossing Bass Strait	ongoing
Continued advocacy to the Australian Government in relation to the long-term continuation of existing TFES arrangements, and expanded coastal trading opportunities for Tasmanian shippers	ongoing
Promote efficient freight gateways	
Complete a commercial and market analysis informing future planning for domestic containers at Burnie	December 2016
Identify final options to replace the mineral concentrates ship loader at Burnie Port	April 2016
Develop a *Western Tasmanian Export Corridor Plan* to improve supply chain efficiency and productivity for key bulk export sectors	June 2016
Develop a bulk freight port investment prioritisation plan	June 2017
Enhance existing high-standard, responsive land freight connections	
Finalise a Tasmanian Land Freight Network	April 2016
Deliver a *Burnie to Hobart Freight Corridor Strategy*	December 2016
Deliver a new *Tasmanian Rail Access Framework*	December 2016
Deliver a single, integrated freight system	
Develop a dedicated and consolidated web-presence on Tasmania's freight system, covering all modes, major activities and key information	March 2016/ ongoing
Complete a fifth *Tasmanian Freight Survey*	October 2016
Formal alignment of planning and investment undertaken by TasRail, TasPorts, TT-Line and the Department of State Growth (road delivery agency) with the Integrated Tasmanian Freight Strategy	by 2017
Develop a standard project evaluation methodology for major publicly-funded freight infrastructure investment	March 2016

Chapter 1 – Supporting competition and service choice across Bass Strait and beyond

Growth in Tasmania's economy is underpinned by sea freight capacity that is affordable for Tasmanian producers and sustainable for shipping operators.

The movement of freight across Bass Strait, whether by sea or air, is part of a longer and often complex supply chain from producer to end market. While most Tasmanian supply chains have developed around a 'make and ship' model, different commodities have different transport and handling requirements, and Tasmanian businesses pay a range of freight prices based on product, volume and regularity of shipments.

The Port of Melbourne is a container hub for international services and for coastal services to other domestic markets. It is the focus for nearly all container movements into and out of Tasmania. Bulk carriers move large volumes directly between Tasmania and domestic ports across Australia and direct to international markets.

Coastal shipping regulations affect cost and service options for shippers and may, in conjunction with an extended Tasmanian Freight Equalisation Scheme, result in new services between Tasmania and other Australian ports.

Key observations

- Over 99 per cent of freight by volume leaving and arriving in Tasmania is transported by sea.
- Interstate container shipping plays a more significant role in Tasmania's freight system compared to other states and territories. The majority of Tasmania's container trade is with domestic markets.
- Bass Strait container freight services are provided by Toll-ANL, SeaRoad Shipping and TT-Line. Each provides an overnight service between Devonport and Burnie ports and the Port of Melbourne, with differing service options, although trailered freight has developed as the key logistic preference for many producers, particularly for perishables.
- Major container commodities include agricultural products, retail goods, industrial products and empty containers.
- Increasing demand for fresh and perishable products and the need for speed to market is impacting significantly on the capacity of preferred modes and service delivery models.
- A small number of large freight users account for a high proportion of Tasmania's container and bulk export freight task.
- The majority of Tasmania's container movements are through the Port of Melbourne.

1.1 Cost competitive and sustainable Bass Strait shipping services

Container shipping is proportionally the single largest transport cost in the supply chain of most Tasmanian businesses, accounting for up to 65 per cent of a domestic shipper's supply chain costs.

Indicative container freight rates across Bass Strait show that prices can vary from between $600 to $1 200 per Twenty Foot Equivalent Unit (TEU). Volume, seasonality and service needs influence cost, with low volume, highly seasonal or time-sensitive shippers paying more than larger volume, regular shippers.

Bass Strait operates as a short sea trade, with high frequency, daily services. It is a potentially more expensive model to both provide and use. Fixed costs (fuel, wages) for operators are high.

Service competition within the Bass Strait container market is critical, ensuring Tasmanian businesses have a choice of shipping operator, and some options in terms of transport costs and sailing schedule. The current number of operators is likely the minimum required to ensure there is sufficient competitive tension in the market to the benefit of Tasmanian businesses. Over the long term, relative market share across operators is also important.

1.1.1 Tasmanian Freight Equalisation Scheme and coastal trading review

The Tasmanian Freight Equalisation Scheme (TFES) is a major benefit to reducing freight rates for eligible shippers. The TFES is an Australian Government-funded freight scheme, and is provided on the basis that the cost of shipping across Bass Strait is higher than road transport equivalent distances.

In early 2015, the Australian Government announced a four year, $203 million extension to the TFES, providing additional assistance for non-bulk goods transhipped to an international destination. From 1 January 2016, eligible freight transhipped to international markets will receive assistance of $700 per TEU, with goods shipped from King Island and the Furneaux Group attracting additional loadings, to reflect the Bass Strait Islands' higher freight costs.

An estimated 35 000 extra TEUs per year will be eligible for assistance under the expanded scheme and this is expected to increase over time.

The Tasmanian Government strongly advocated for, and supports, this extension, as one that will drive further growth in Tasmania's major industries, and provide opportunities for smaller businesses to develop and expand into new markets.

The TFES does not apply to bulk trade which comprises two thirds of Tasmania's sea freight by volume. Some Tasmanian freight users have indicated that the current coastal trading regulatory arrangements have increased cost and reduced competition in moving bulk products. In particular, the cost and administrative complexity of including Australian coastal trading routes in international voyages is seen as an impediment to greater service choice and potentially lower freight costs.

The Tasmanian Government is representing the interests of the Tasmanian community and economy through the Australian Government's reform of national coastal trading laws.

Through this process the Government has sought recognition of Tasmania's reliance on coastal shipping and outcomes that support increasingly cost-competitive and sustainable shipping services for Tasmanian businesses. This includes arrangements that support a sustainable and reliable fleet of vessels engaged in Tasmania's coastal trade and the inclusion of Australian coastal trading routes in international voyages.

1.1.2 Complexity of the Bass Strait container market

Bass Strait operates as a complex, commercially-driven market. The following changes have the potential to affect service choice and delivery on Bass Strait, such as the:

- extent to which planned private sector capacity increases will impact container prices, services offered or freight volumes across operators
- potential for shippers to make better use of under-utilised sailings (for example, weekends and day sailings)
- impact of a privatised Port of Melbourne on shipping costs and the capital investment decisions of shippers

- potential for expanded domestic and international service choice for shippers as a result of direct international shipping services to Tasmania, and broader coastal shipping reforms
- market stimulus effect of the recently announced extension to TFES to cover eligible non-bulk goods destined for international markets.

1.2 Meeting future Bass Strait container and trailer demand

Unlike the bulk freight market where producers negotiate service and price directly with shipping companies on a market-to-market basis, the Bass Strait container and trailer freight market is served by regular, scheduled services, provided by three operators.

All operators provide a high frequency, overnight service to/from the Port of Melbourne. These services are now built into nearly all Tasmanian freight supply chains, both import and export, under a make-and-ship model, which sees minimal warehousing of product within Tasmania. It also supports just-in-time delivery.

While service frequency is broadly consistent across the three Bass Strait operators, there are differences in service offerings.

Toll and SeaRoad Shipping predominantly move containers, including larger baseload cargoes. Freight delivery cut-off times are mid-afternoon. TT-Line provides a roll-on, roll-off service for trailers only, with a later freight delivery cut-off time of 7:00 pm (Table 1).

These differences are sufficient to influence the decision-making of some businesses. There is a preference amongst businesses moving fresh/perishable freight to use TT-Line. There are also advantages for freight forwarders in maximising the use of their equipment, as a result of the later freight cut-off time of TT-Line and the speed of departure of that equipment from the destination dock.

Table 1: Summary of Bass Strait container services

	Toll	SeaRoad Shipping	TT-Line
Port	Burnie	Devonport	Devonport
Vessels	MV Tasmanian Achiever MV Victorian Reliance	MV SeaRoad Tamar MV SeaRoad Mersey	Spirit of Tasmania I Spirit of Tasmania II
Frequency	6 nights per week	6 nights per week	7 nights per week
Cargo delivery cut off/ departure times (Tasmania)	Cargo delivery: 2:00 pm – 3:30 pm Departure: 5:00 pm (4:00 pm Saturday)	Cargo delivery: 3:30 pm (1:00 pm Saturday) Departure: 4:00 pm	Cargo delivery: 7:00 pm Departure: 7:30 pm
Arrival (Port of Melbourne)	7:00 am	8:00 am	6:00 am
Capacity (one-way)	500 TEU plus general freight	180 to 260 TEU plus trailers	144 TEU
Market share (TEU %)	55	25	20

Source: Aurecon; TasPorts

1.2.1 Peak period capacity

Seasonal shipping peaks exist – between September and early December for imports, driven by the retail sector, and February to June for exports, driven largely by agriculture. During these periods, average utilisation for exports is 88 per cent and 86 per cent for imports, which is above the target effective operating capacity of 85 per cent utilisation (Figure 1).

While recent growth in Tasmania's total freight task has been just under 2 per cent, growth in full containers and trailers has been higher – around 3.4 per cent for exports and 2.3 per cent for imports. Over the past financial year, trailerised freight grew by almost 7 per cent, the majority within the export market.

This seasonal capacity constraint remains a challenge for a freight strategy. However, given the commitment of private sector shippers to invest in additional tonnage, and the fact that these investments must be supported by year-round demand, the Government is confident that this challenge will be met without the need for a public subsidised solution.

Businesses and freight forwarders continue to show a preference to use Monday to Friday evening services. While these services appear to better suit most supply chain needs, it further concentrates freight flows. During weekdays and periods of high demand, operators closely manage space to assist in the movement of freight, including perishable and/or time critical products. However, demand on some days does exceed capacity and not all freight can be moved on the preferred day.

1.2.2 New domestic container capacity

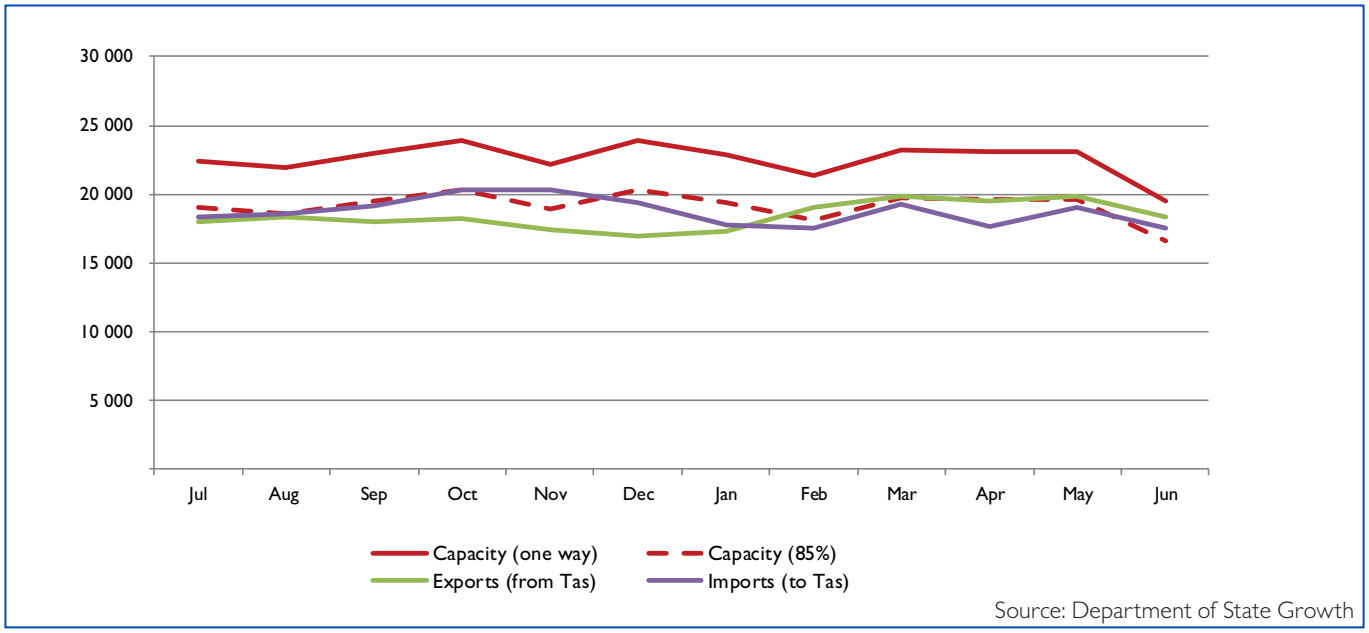
Both SeaRoad Shipping and Toll have announced plans to replace their existing Bass Strait vessels, increasing capacity at the same time. SeaRoad Shipping will be the first to introduce a larger vessel, replacing the SeaRoad Mersey with a purpose-built 436 TEU vessel, by late 2016, increasing the company's total container capacity by almost 50 per cent.

A second vessel, to replace the SeaRoad Tamar, is planned to come on line as soon as possible thereafter but will be dependent upon market demand and take-up.

SeaRoad Shipping is hopeful that this could translate to a second vessel being in service two to three years after delivery of its first vessel. Toll has indicated it will introduce two new vessels of about 700 TEU capacity each, with arrival expected in mid-2018 and both vessels operational within that year.

New vessel configurations will see both shipping companies able to extend departure times from the port allowing for later loadings for producers and easier and quicker access to destination ports.

Figure 1.Monthly demand and capacity, Bass Strait, 2014-15 (TEU)



Source: Department of State Growth

This will be of significant benefit to those with critical deadlines for market access or distribution.

The introduction of new vessels by SeaRoad Shipping and Toll will provide much-needed additional capacity into the container and trailer freight market.

At a higher growth rate of 3 per cent, this will meet demand for at least the next 10 years (Figure 2). A lower growth rate of 2 per cent will see adequate seasonal capacity into the early 2030s.

Given strong growth in agricultural investment, particularly in irrigation infrastructure, and ambitious agricultural production targets, it will be important to closely monitor volume growth against existing and future freight capacity.

In a commercially-driven market, a private sector solution to shipping capacity and service needs is the first and preferred response. The Tasmanian Government supports planned investment in larger vessels by the two existing private operators. TT-Line has also agreed with the Government's request to maintain its freight capacity at 2015 levels and the company will explore opportunities to strengthen alignment with the time-sensitive market.

The Tasmanian Government has taken a policy position on the Spirits of Tasmania to focus the company on growing passenger numbers, while maintaining the existing proportion of lane metres dedicated to freight.

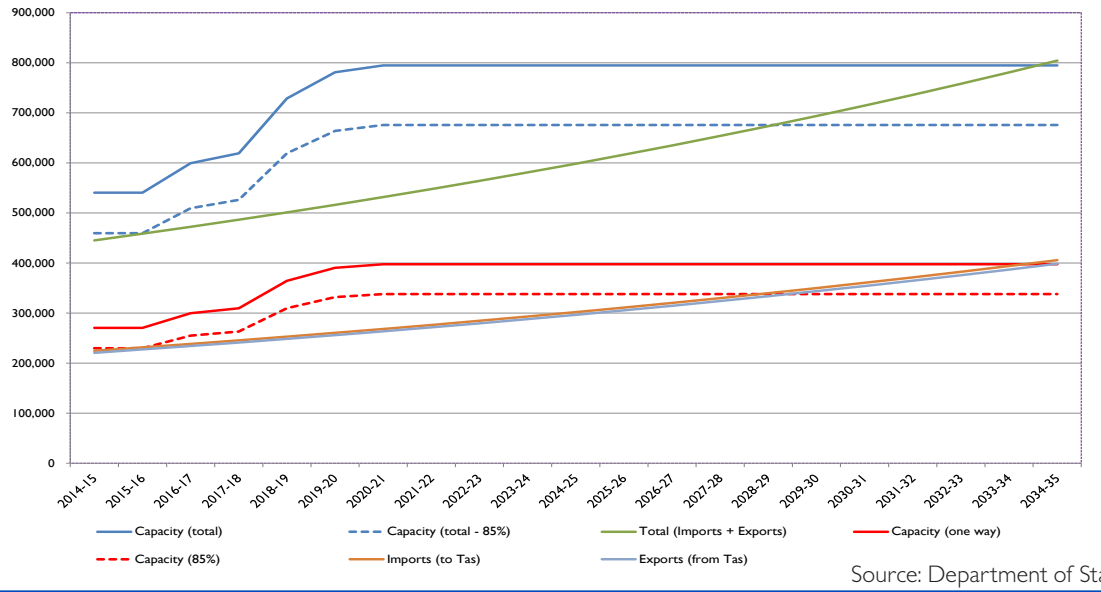
This strategy has proven highly successful with passenger numbers up 8 per cent over the 2014-15 year. Forward bookings are also 17 per cent higher as a result of a major refurbishment of both vessels, lower average fare prices and an increase in scheduled day sailings. The 50 per cent increase in day sailings for 2015-16 over those scheduled two years previously will also enable greater total freight capacity, weighted towards the summer seasonal peaks for time-sensitive freight, despite the established preference for the industry to utilise night sailings.

It is important to recognise that if forced to provide ships to cater for peak seasonal demand there would be insufficient year-round load to generate the revenue and profit necessary to justify a longer-term commitment to re-tonnaging. This would have a significant downside impact on those involved in the shipping industry and those relying upon it. It is critical for a stable, commercially sustainable freight market that a balance is achieved between future growth in demand and available capacity.

A cohesive and transparent view on the operation of the Bass Strait container market is required, supporting a statewide position on outcomes that benefit shippers, and the early identification of issues.

The Government will significantly increase its monitoring and facilitation role in relation to all aspects of Bass Strait container shipping.

Figure 2. Forecast container growth and capacity, Bass Strait, 2014-15 to 2034-35



Source: Department of State Growth

This will include providing transparent information to the market on shipping needs; identifying capacity and service gaps; and continuing to advocate for regulatory changes that expand service choice for Tasmanian shippers.

Greater supply chain flexibility and forward planning of peak freight movements, including within sectors, will assist in managing capacity. Reforms to Australia's coastal shipping framework would also support improved service and cost options for Tasmanian shippers, including for key markets in Sydney and Brisbane.

1.3 Supporting the movement of time-sensitive freight into domestic and international markets

Time-sensitive freight describes commodities that need to move through the freight system quickly, an objective often related to the availability of a premium price. While there are different definitions as to what constitutes time-sensitive freight, for the purposes of this draft Strategy, time-sensitive freight is identified below.

- **Fresh or perishable freight**. Moving product quickly to market to preserve shelf-life, and transport under temperature controlled conditions (for example, refrigerated trailers) to maintain quality, are key factors. Example products include fruit and vegetables (fresh and frozen), fish, livestock, meat, milk products, butter and cheese.
- **Time-sensitive supply chains**. This includes freight that needs to move quickly to meet scheduled delivery time slots, or to maximise the use of transport equipment (for example, enabling a trailer to offload product in the morning and return full on the same day).

Time-sensitive freight export volumes are highest from February to June, with agriculture the major component of the market. Some higher value products, such as cherries, move product outside this peak and can also experience capacity issues.

Recent expansion in the salmon industry and investment in fruit and berries are examples of time-sensitive freight sectors experiencing significant growth. An increase in volumes across a broad range of products is expected as a result of the state's investment in major irrigation schemes, and the stimulus effect of the recent TFES extension.

Through AgriGrowth Tasmania, the Tasmanian Government is working directly with business to identify new growth opportunities, including in premium and value-added food production, and within key Asian markets.

1.3.1 Improved information on the size and service needs of time-sensitive freight

A number of existing business operations have expressed a wish for greater capacity on Bass Strait to provide surety of freight capacity to move higher volumes of product reliably to market. Some of these hope for an early availability of extra capacity to support business expansion plans.

Tasmanian exporters of time-sensitive freight show a strong market preference to ship product to Melbourne using TT-Line. TT-Line's later freight cut-off time and trailer-only freight, which translates to shorter wharf clearance times at port, provide benefits to users.

Data on freight volumes and / or value by key sector exists, however, there is no agreed, aggregated data on the size and value of the time-sensitive freight market. This is key to better understanding capacity and service needs within this market.

The Tasmanian Government recognises there is a particular issue around Bass Strait container and trailer capacity, including for seasonal peaks and within the time-sensitive freight market, with capacity limitations expected to peak in the 2015-16 export season. The Government has and will continue to engage directly with the time-sensitive freight market to clearly identify its capacity and service needs.

The Government will also work with stakeholders and peak bodies to better quantify the size of the time-sensitive market. As the owner of TT-Line, the Government will consider opportunities to even more strongly align this service with the time-sensitive freight market.

Time-sensitive freight supply chains are often characterised by just-in-time deliveries, which make forward planning of required capacity, difficult. Despite this, the ability to improve forward planning of container volumes within and across sectors must also be part of the response.

The Tasmanian Government has raised with a number of freight industry stakeholders the potential for the introduction of a slot-reservation system. Such a system, similar to that which commonly operates in the rail, road and air freight industries, would enable the market to prioritise freight allocations to overcome seasonal capacity constraints.

While weather, ripening and harvesting are key factors in the timing and demand for freight space, the Government will continue to work with industry on market based freight opportunities and capacity solutions that can provide greater surety for product to reach the market place.

1.4 Recognising short term capacity concerns

The most recent 2015 summer season saw significant challenges in ensuring that fresh and perishable cargo volumes and loads left the island at the time required by producers to meet the market. At least one high value export crop did not yield its full potential due to weather.

While almost all such freight cleared the wharf, there is a commonly expressed view among growers and carriers that increased volumes over the upcoming year will test the capacity of Bass Strait services. All sectors have forecast higher outputs and yields during the growing season with some businesses advising that their expansion plans will be at least partly determined by the availability of extra Bass Strait freight capacity.

1.4.1 Improved supply chain management

The Government has held discussions with all Bass Strait shipping services to ascertain capacity and processes for handling increased load during the peak growing season in 2016. While TT-Line has constrained capacity, it will perform a triaging function to ensure that fresh and perishable freight has priority in that period.

Increased daytime passenger sailings have been scheduled by TT-Line but this action has been taken to meet the demand of significantly increased passenger demand. There will be opportunities on crossings to carry freight, but the priority will be passenger vehicles.

Some freight forwarders have already acknowledged that the finite capacity for trailers at the present time means that fresh produce must go by alternative means if it is to reach market at optimum yield price.

Consultations with customers have seen a willingness to consider shifting some volumes of fresh produce away from a preference to use trailers to use refrigerated containers on both SeaRoad Shipping and Toll. This has involved discussions about time-sensitivity in terms of market delivery with appropriate freight hedging issues being considered to ensure all freight can reach market.

1.4.2 Additional capacity responses

SeaRoad Shipping has indicated a willingness to consider additional sailings over the period, to provide a seven day a week service – it presently operates six days a week.

Toll believes that it will have capacity for increased numbers of northbound containerised goods during this period, and will seek to address the needs of customers to achieve market targets and deadlines.

The re-tonnaging of SeaRoad Shipping prior to the ensuing summer growing season will ease peak demand and increase SeaRoad Shipping's trailer capacity from the present 22 to 70 trailers, and its overall capacity by 50 per cent to 436 TEUs.

The commencement of a direct shipping service from Hobart by Swire Shipping will also potentially ease pressure on Bass Strait. Visiting Hobart every nine days the service has connections to Melbourne, Sydney and Brisbane.

It will also connect to global destinations through Swire's Singapore-based network. The service brings new opportunities for southern exporters and those wishing to ship to the eastern seaboard of the country.

While freight volumes carried are lower, air freight has the potential to deliver expanded services that meet the demand of higher-value, time-sensitive niche products. Freight that can be transferred to air will free up some additional sea capacity.

In addition, the proposed introduction of a dedicated international airfreight service operating from Hobart Airport from February 2016 could ease the Bass Strait reliance initially by some 150 tonnes per week. This could particularly assist in the movement of high value, time critical freight and will free up space for other perishable products travelling by ship across Bass Strait.

1.5 Understanding whether different service models could meet business' shipping needs

Tasmania's container freight task comprises a diverse range of goods, from seafood, fruit and vegetables, to minerals, smelted metals and paper. Many supply chains require or benefit from the existing high-frequency services across Bass Strait, however, not all do.

Analysis of representative container supply chains for Bass Strait undertaken by Aurecon, based on service need and price shows the following information.

- Fresh and perishable products (around 28 per cent or 64 000 TEU outbound) are time-sensitive rather than price-sensitive. For this part of the market, maintaining shelf-life through faster transit times and cool supply chain management; connections to interstate/ international transfer and delivery to customer/distribution centres can be key drivers for service need.
- Low inventory products (around 23 per cent or 52 000 TEU outbound) make use of existing Bass Strait container services to move products consistently through the supply chain, avoiding warehousing within Tasmania and reducing inventory costs. For high volume-low inventory supply chains, producers may be able to negotiate prices.
- Low cost products (around 13 per cent or 30 000 TEU outbound) do not necessarily need the frequency of existing freight services and could use a lower priced service option. Low cost export products connecting with international services in Melbourne are not currently TFES-assisted. The current supply chain is high cost.

Analysis suggests that Tasmania's current freight volumes are unlikely to support a low-frequency, low-cost domestic container service across Bass Strait. Any future service would need to differentiate itself from existing services.

For example, by servicing a particular section of the market, or by offering a direct service to other mainland Australian ports where an established freight task exists, and alternative land transport costs are higher. Future growth in the container market may see the commercial viability of any service change.

The option of a coastal voyage as part of an international service may benefit Tasmanian exporters requiring a low frequency, low cost domestic shipping option, without a major impact on existing Bass Strait shippers. Under current coastal shipping regulations, this is an expensive option for both operators and shippers.

Future changes to Australian shipping driven by the extension to TFES and possible changes to coastal trading regulations may provide greater incentives for international shipping lines to call at Tasmanian ports. Shipping lines have recently shown interest in providing new services to Tasmania on a commercial basis.

The Tasmanian Government committed to re-establish a direct international shipping service for Tasmanian exporters as a competitive alternative to the more expensive trans-shipment options through the Port of Melbourne.

Following an Expression of Interest process, the Tasmanian Government signed a non-binding Memorandum of Understanding (MOU) with Swire Shipping as the preferred operator of the service. In March 2015, the Australian Government announced an extension of the Tasmanian Freight Equalisation Scheme to include international export freight transhipped through Melbourne.

This extension materially changed the strategic context of the MOU as it addressed the freight cost disadvantage of eligible goods exported internationally via any Australian mainland port. The MOU was therefore allowed to expire with the mutual agreement of both parties.

Swire Shipping subsequently announced it would commence a new container shipping service into Hobart on a fully commercial basis, offering pricing and logistical advantages for new and existing customers in Tasmania's south.

The Mediterranean Shipping Company (MSC) has also introduced a domestic and international container service into Bell Bay, connecting to New Zealand via Sydney, Brisbane and Noumea.

The Tasmanian Government will continue to work with companies interested in providing shipping services to Tasmania to ensure the best outcome for Tasmanian shippers.

1.6 Monitoring empty container volumes and movements

Empty containers represent 32 per cent of outbound and 17 per cent of inbound containers. In 2014-15, around 108 283 empty containers were shipped to and from Tasmania, which represented a decrease on previous years.

Aurecon estimated the direct cost to freight users of repositioning an empty container between Melbourne and Tasmania is $300, or around $34 million overall cost within Tasmania's freight system in 2014-15.

While there are a large number of empty containers in Tasmania's freight system, accessing the right container can be difficult. New international services to Tasmania provide an opportunity for cost-effective relocation of containers into Tasmania.

The use and management of empty containers is influenced by business needs and the activities of shipping operators and freight forwarders. There is evidence that larger shippers with control of their own supply chains have implemented solutions for their businesses.

The Freight Logistics Coordination Team identified a number of market-based solutions to address empty container movements, including the use of international containers to transport domestic freight, and the use of refrigerated containers to pack dry freight.

Examples of market-based solutions to address the cost of empty container movements exist.

Zinc ingots produced at Nyrstar's Lutana plant are packed into domestic containers at a consolidation point in Hobart for shipment to Melbourne. In Melbourne the ingots are transported to a warehouse and repackaged into an international container and transferred to an export berth.

The Tasmanian Government will continue to work with shippers in identifying market-based solutions to reduce empty container movements.

1.7 Increasing the proportion of freight carried by air

Airfreight is characterised by goods requiring speed to market, for example, high value, perishable products such as abalone, crayfish, salmon, meats, cut flowers and berries.

Air freight is also important in accessing niche or more distant markets where the availability of consistent speed to market may lead to larger commitments from customers on the basis of a quicker supply chain. While currently representing less than 2 per cent of Tasmania's total outbound freight market, air is an important freight mode and one with significant opportunity for an island state.

Many of Tasmania's high value perishable food products depend strongly on effective airfreight solutions to access domestic and international markets. Airfreight provides increased speed to market for supermarket shelf ready products, which can in turn generate jobs as more product is processed in Tasmania. For example, more distant markets such as Brisbane and Perth, which are of interest to Tasmanian producers, are not well served for time-sensitive perishable products under existing sea and road logistics solutions.

A 2014 report by the Australian Bureau of Agricultural and Resource Economics (ABARES) into Australia's airfreight food exports identified Tasmania as the strongest growth jurisdiction in Australia's airfreight food supply chain, based on volume, with strong growth prospects for future exports.

Between 2006 and 2012, Tasmania's air freight exports to international markets increased from 5 000 tonnes to 11 000 tonnes. Further growth is expected, associated with increased investment in key airfreight products such as seafood, meat, fruit, vegetables and dairy.

As increasing demand and favourable trade agreements make international markets more appealing (particularly Asian markets) the Tasmanian Government is seeking to achieve the best outcome for international exporters by optimising speed to market solutions and airfreight capacity.

Coordination is required, across government and industry to align services with growth markets for passenger and produce.

The Tasmanian Government's vision to grow the value of agriculture tenfold to a $10 billion industry by 2050 will require increased sea and air freight capacity. The Government's investment in expanded irrigation to increase the production of premium, value-added foods as well as capitalising on opportunities to access new markets, are important steps toward achieving this goal.

For premium foods with a limited shelf life, direct airfreight services would enable access to new interstate and international markets previously out of reach, and bolster the value of Tasmania's brand and products by ensuring produce arrives in top condition and as fast as possible.

The Tasmanian Government's *Access 2020 – Five Year Air and Sea Access Strategy 2015-2020* is primarily concerned with passenger movements, but includes airfreight as a core access deliverable. The *Access 2020 Strategy* identifies immediate actions in support of air freight solutions, including dedicated flights and greater utilisation of passenger aircraft cargo space.

Airfreight is a key component in the revenue of a passenger aircraft, and a strong freight load can be an important contributor to the viability of a passenger service. The ability to increase Tasmania's outbound freight services aids the development of additional passenger capacity, which in turn supports Tasmania's economic, tourism and social development targets.

There is a limited range of airfreight data available. Although the uplift data is held by individual operators, is it not available in an aggregated form to airports or government. Operators indicate capacity constraints in the short summer peak but underutilisation of cargo space on passenger aircraft departing Tasmania at non-peak times.

This raises a risk to Tasmania's competiveness and airlines being able to operate the aircraft with greater return on invested capital in other markets. Forecast increased output from Tasmania in future peak periods highlights the requirement to increase utilisation of passenger jet cargo space as a solution for both domestic and international exports.

1.7.1 Supply chain challenges to the increased use of airfreight

As an island state, less than 2 per cent of produce being moved by air is well below average. Unlike sea freight, airfreight does not attract financial support under TFES. This is likely to have had an influence on the development and current operation of Tasmania's freight market and existing supply chain arrangements.

In 2014 report, ABARES identified airfreight as accounting for one third of the value of Tasmania's international food exports, but noted that much of this freight is moved by sea and road to Melbourne's Tullamarine Airport. This adds between 10 and 36 hours of transportation time to the export supply chain. Connections and competing availability for international flights is an ongoing issue, although international air capacity from Melbourne has improved.

Qantas Freight, Virgin Cargo, Toll Air Express, Jetstar, Vortex, AAE, Sharp Airlines and a small number of other providers currently provide airfreight to and from Tasmania. Freight forwarders are integral in the utilisation and use of available airfreight services, as well as being a stakeholder in efforts to boost airfreight capacity and aggregate loads.

Both Qantas Freight and Toll Air Express operate overnight freighter services to Melbourne. Airfreight service provider mix is expected to change if international airlines begin operating to Hobart Airport, and as Virgin Australia launches its Virgin Freight business unit, or other operators enter the market.

Up until September 30, 2015 Toll acted as sales and cargo handling agent for Virgin Australia. Since that time and following the formation of its own Freight Division, Virgin Australia handles and carries all of its freight in the cargo hold of their regular passenger transport aircraft.

A 2015 Deloitte Access Economic study found that Tasmania's airfreight sector and associated services levels are seen by some exporters of perishable agricultural produce as a major constraint to development and future export potential.

Facilities such as larger cool stores and freight hub facilities at key airports are matters to be resolved and both Launceston and Hobart Airport are willing to evaluate and implement airfreight facility investments to grow and diversify their core business as well as creating greater, statewide beneficial, economic trade zones and logistics facilities.

The capacity to increase airfreight capacity and to attract new operators is a detailed process but can happen much more quickly compared to increasing sea capacity.

Detailed business cases and demand commitments are required to demonstrate sustainable and viable demand. Tasmania is currently in this position with a range of airfreight providers and this activity is a key component of the *Draft Tasmanian Integrated Freight Strategy* as well as the *Access 2020 Strategy*.

1.7.2 Efficient airfreight gateways

Government, industry and the airports are in a consultative process to match effective airfreight solutions with growing freight demand and specific destination and speed to market export requirements. Hobart and Launceston are the key airfreight gateways for Tasmania.

Three years ago Launceston Airport completed a $6 million upgrade of its southern freight apron, providing capacity for round the clock movements on three bays, each accommodating freighter aircraft with a maximum take-off weight of 80 000 kg, the equivalent to a fully loaded B737-300 freighter.

While seasonal constraints are experienced on the capacity of current services, Launceston Airport is able to accommodate significant growth in airfreight services.

Launceston Airport, in conjunction with the Northern Midlands Council and Northern Tasmania Development, and other interested parties (such as TasRail), is evaluating the opportunity to establish an intermodal freight hub at Western Junction.

The location of the airport in proximity to Tasmania's major Burnie to Hobart freight corridor, together with the Translink Business and Logistics Park (and its associated warehousing and refrigeration facilities) offers potential for the development of an intermodal freight hub.

A freight demand analysis has been commissioned and will be underway prior to December 2015, leading to the development of a Master Plan for the 'Launceston Gateway' Freight hub.

Hobart Airport is undertaking a $40 million runway extension, which will increase runway length by 500 metres to 2 720 metres. This will allow aircraft to depart Hobart Airport with heavier payloads, and travel longer distances. It will provide new opportunities in passenger and freight segments with wide-body aircraft being able to fly direct to Asia.

The runway extension also opens up a range of Antarctic gateway opportunities.

The runway extension enables many economic opportunities for Tasmania and is an important part of the Airport's infrastructure plans. In conjunction with Hobart's port facilities, Antarctic and Southern Ocean research institutes and experienced Antarctic Sector suppliers and contractors, the runway extension will significantly improve Hobart's ability to attract non-Australian Antarctic programs to operate from Hobart.

Hobart Airport is investigating additional supporting infrastructure requirements from potential operators, for example, warehousing requirements, larger cool stores and freight hub facilities. Should they be required, it is intended that these types of infrastructure will be developed in co-operation with key partners.

The current growth in demand and production of high value perishable goods provides a good opportunity to revisit the role airfreight should play, and how it can increase value and improve time to market for Tasmanian producers. Longer-term supply chain development to grow Tasmania's airfreight systems is required.

The Tasmanian Government is engaged in discussions with international air service operator to identify opportunities for direct air service between Tasmania and a key Asian hub that will provide freight capacity. These discussions build on significant recent interest from the Chinese market in Tasmania and Tasmanian produce.

It will be important for the Government to continue to work with stakeholders to ensure that facilities and infrastructure is in place at airports to meet the needs of producers in relation to cooling / chilling, and any certification that may be required.

1.8 Maintaining essential freight links to the Bass Strait Islands

As island communities, the Bass Strait islands of King, Flinders and Cape Barren depend on access to regular and reliable shipping services. Cost effective transport connections with both domestic and overseas markets are crucial if primary producers and other businesses on the Islands are to remain competitive.

The Tasmanian Government recognises the importance of regular shipping services to the Bass Strait Islands. The Government believes that a genuine market exists where a long-term, sustainable commercial service can be established for King and the Furneaux Island at no long-term cost to taxpayers.

The Government has worked consistently with Island communities and shipping operators to overcome sea freight challenges and maintain long-term shipping services for business and the community, and will continue to do so in the future.

The Bass Strait Islands are geographically isolated with a comparatively low-volume freight task. Freight exports largely consist of livestock, agricultural and dairy products, while imports include fuel, fertiliser, other farming inputs and general cargo. The freight task is subject to seasonal peaks, with spikes occurring in October to November and February to March.

Shipping services are currently provided to King and Flinders Islands on a commercial basis. A Tasmanian Government subsidy exists to support regular freight services to Cape Barren Island. TasPorts manage port facilities at Grassy on King Island, and at Lady Barron on Flinders Island.

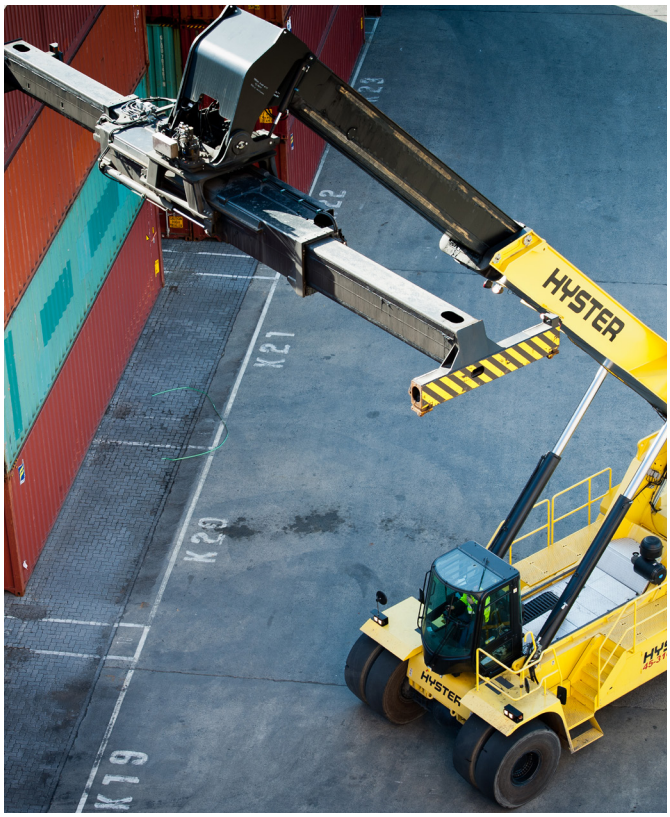
Imminent changes in the broader Bass Strait shipping market will have implications for the King Island service.

Since 2001, SeaRoad Shipping has provided general cargo and livestock shipping services to King Island using its vessel the SeaRoad Mersey. SeaRoad Shipping plans to replace the Mersey in late 2016 with a new vessel, which will be too large to dock at King Island.

Current and prospective Bass Strait Island shipping operators have expressed interest in providing services to King Island on a commercial basis. The Tasmanian Government is confident that a suitable alternative shipping solution will be delivered and will take necessary action to facilitate a market based solution.

As no complete market solutions have yet presented themselves, the Government will shortly commence a market testing process to facilitate a long term commercially sustainable King Island shipping service.

The Government will continue to work with all key parties to facilitate a long term commercially sustainable service. It is crucial, however, that the transition to new shipping arrangements is managed without undue disruption or disadvantage to the King Island community.



Strategic response

In supporting a competitive Bass Strait freight market that meets current and future freight growth, the following are key policy recommendations and actions.

Policy positions

1.1 Private sector solutions to shipping capacity and service needs are the first and preferred response to capacity needs on Bass Strait. The Tasmanian Government supports planned investment in larger vessels by the two existing private operators.

1.2 Service competition within the Bass Strait container market is critical. The Government supports a no-lessening of Bass Strait shipping competition that seeks to maintain at least two major private sector domestic container operators.

1.3 The Government has established a tourism strategy for TT-Line that will maintain existing freight capacity. Opportunities to strengthen alignment with the time-sensitive market will be explored.

1.4 The long-term continuation of existing TFES arrangements, including the recent extension of the TFES to goods destined for international markets is essential to reducing the freight rate of eligible shippers.

1.5 The Government supports balanced reforms to coastal trading regulations that will deliver cost competitive and expanded service choice to Tasmanian shippers.

Actions the Tasmanian Government will undertake

- Facilitate market-based solutions to Bass Strait container shipping needs, including the provision of transparent information to the market on shipping needs; identification of capacity and service gaps; and continued advocacy for regulatory changes that expand service choice for Tasmanian shippers.
- Monitor container volumes with and across commodity sectors, to inform overall capacity and specific service needs.
- Assess opportunities to reduce the volume of empty containers crossing Bass Strait.
- Continued advocacy to the Australian Government to:
  - secure the long-term continuation of existing TFES arrangements, including to transhipped freight
  - maximise service choice to Tasmanian shippers as a result of any changes to the Australian Government's coastal trading framework
- Support intermodal competition from air freight by working with targeted international airlines to develop a business case for one or more direct flights per week from Hobart to a key Asian hub.

Chapter 2 – Efficient freight gateways

By volume, 99 per cent of freight into and out of Tasmania is moved by sea, making ports a central point for the exchange of goods, and the focus for land freight connections.

As fixed, long-term assets, ports are expensive to provide, but maintenance and operational costs are comparatively low.

- Port charges influence sea freight costs.
- Port location affects transport distances to and from production and manufacturing centres and markets.
- Channel depth and tides influence ship size and access.
- Port infrastructure, services and landside space affect the efficiency of freight movements and the type of activities a port can support.

Tasmania has four major publicly-owned ports at Burnie, Devonport, Bell Bay and Hobart. Container and bulk freight activity is focused on the three northern ports, with freight volumes highest at Burnie Port. With the exception of the Brighton Hub, all Tasmania's major intermodal facilities are located at a port.

In 2006, Tasmania's ports were amalgamated under the state-owned company, TasPorts.

Key observations

- In 2013-14, 12.6 million tonnes of freight moved through Tasmania's publicly-owned ports, with an additional 2.4 million tonnes per annum moved through the privately owned Port Latta.
- Bulk freight accounts for almost two thirds of total port volumes, and containers just over a third.
- Total bulk freight tonnages are highest at Bell Bay.
- The state's major bulk freight sectors are mining, mineral processing and forestry.
- Burnie is Tasmania's largest port, handling over 4 million tonnes of freight, including the largest container volumes at 54 per cent of total TEU.
- Burnie and Devonport are Tasmania's main container ports, moving 242 136 and 199 146 TEU in 2013-14, respectively.
- Future growth in port throughput is forecast to be manageable, with TasPorts forecasting long-term freight volumes to be only slightly above a 2008 peak, by 2043.

2.1 Targeting greater aggregation and a more efficient use of port assets

Tasmania's port throughput is distributed across four major ports. Volumes are focused on the three northern ports, and are highest for both container and bulk freight at Burnie and Devonport ports.

Tasmania's ports were historically developed to support individual regions and key industrial customers. This has led to some duplication of infrastructure across ports, and to the development of specialised functions at individual ports. Despite some calls for port rationalisation, investments by shipping companies and customer supply chains built around existing infrastructure is significant.

However, reducing duplication where possible is important. Between 2010 and 2020, TasPorts estimated $300 million in capital and maintenance would be required across Tasmania's four major ports.

To date, capital and maintenance expenditure since 2010 has been over $120 million. Annual port maintenance and renewal expenditure increased from $4 million in 2007 to around $10 million in 2010 and increased further to $17 million in 2013 due to funding of a five year community asset maintenance program.

Freight volumes are a key driver of port efficiency. They also support economies of scale in infrastructure provision. In some cases, freight activities are not transferable or easily aggregated at a single port; for others, opportunities exist.

Across Tasmania's port system, the Tasmanian Government will:

- identify opportunities to aggregate freight volumes and activities in a way that maximises each port's comparative advantages
- maximise use of existing port infrastructure
- evaluate the role of key port assets in the context of forecast freight growth and customer needs.

TasPorts recently released its 30-year plan for Tasmania's ports system. This plan will form the framework to move forward on a range of key port initiatives for Tasmania.

2.2 Future arrangements to support Tasmania's domestic container task

In 2013-14, Tasmania's total container throughput was 451 304 TEU, with forecast growth of around 3 per cent per year. Burnie and Devonport ports account for 92 per cent of all container movements.

Container freight services are provided under long-term lease arrangements at Burnie Port by Toll-ANL (market share around 55 per cent) and at Devonport Port by SeaRoad Shipping (market share around 25 per cent) and TT-Line (market share around 20 per cent).

Container volumes at Burnie and Devonport ports have increased over the past decade, largely at the expense of volumes through Bell Bay.

This trend reflects a range of factors.

- Shipping service options. Three operators provide high frequency services out of Burnie and Devonport, including TT-Line's passenger ferries whose services are particularly suited to the movement of time-sensitive freight.
- Changing freight demand. Container-based and time-sensitive freight (for example, agriculture) is focused in the north-west. Agricultural produce from the north-east travels to the north-west for processing. The majority of inbound retail freight is destined for Launceston and Hobart.
- Market decisions, including the freight contracts and decisions of individual freight users.
- Long-term legacy tenancy arrangements have incentivised individual domestic shipping lines to operate out of Burnie and Devonport ports.
- Burnie and Devonport ports have a shorter sailing time to the Port of Melbourne.
- The introduction of TT-Line's Spirit of Tasmania vessels in 2002, which saw a market-shift to Devonport based on overnight, trailer-based freight.

2.2.1 Container capacity at Tasmania's major ports

Container terminals require sufficient landside space for storage, loading and unloading. Access for larger ships may also be required over the longer term. Container capacity at Burnie and Devonport ports will be 590 000 TEU per annum at the conclusion of the Burnie Port Optimisation project in 2015. Based on forecast growth of 3 per cent per annum, this capacity will be reached in around 2022.

There is currently sufficient landside container capacity in the northern ports to accommodate growth close to 780 000 TEU per annum.

Catering for future container volumes beyond this point will require larger-scale investment in port development. Where and how this investment is provided has been the subject of debate.

Additional landside space is available at Burnie and Devonport ports for increased terminal capacity, at a relatively low cost. Burnie and Devonport ports are located in close proximity to each other.

Based on existing freight flows and supply chains, it is unlikely that a shift in container activity from one port to the other would have an impact on land transport networks or significantly add to the cost and complexity of connecting supply chains.

Additional capacity also exists at Bell Bay.

2.2.2 A primary domestic container port

The Freight Logistics Coordination Team identified Burnie Port as the preferred location for long-term consolidation of Tasmania's domestic container task, based on potential for deep water expansion, ability to develop at comparatively lower cost and alignment with land transport networks. $12 million is currently being invested at the Port to improve container capacity and efficiency. Long-term, staged upgrades can accommodate 750 000 TEU, which would meet Tasmania's total container demand for the next thirty years.

In contrast, the port of Devonport has river basin constraints that limit the size and number of larger ships the port can accommodate. Rail access is limited to the western side, with container terminals located on the eastern side.

The Government recognises the need to provide long-term clarity on future planning for Tasmania's domestic container task. It accepts Burnie Port as the logical location for Tasmania's primary container port, and will now work closely with TasPorts, shipping operators and shippers to investigate this as an option, post-2025.

In moving toward a primary domestic container port over the medium-term, the Government will have an overriding focus on the impact any change will have on market competition and costs, for both shippers and operators.

The Government will be guided by the following key considerations.

- Market competition and cost. The existing number of service providers across Bass Strait is the minimum required to deliver competitive tension into the market. Any investment must maintain at least this level of competition. Providing space for a second domestic container operator at Burnie and reviewing, over the medium term, existing lease arrangements at both ports to ensure market-based competition can be maintained at a single port, are key issues.
- Infrastructure outcomes. Considering savings to government associated with moving to a single container port; the ability of the Government to deliver a higher standard infrastructure response at a single location; and land transport outcomes.
- Transparent identification of infrastructure costs and constraints at Burnie and Devonport ports. Burnie Port has adequate space for expansion, through reconfiguration and small-scale reclamation. Devonport Port is constrained by adjacent urban development but has additional landside space within the existing port footprint to support additional development for containers. The river's turning basin, which limits the number of larger ships the port can support, is the more significant impediment.
- A long-term, staged and demand-driven approach that incrementally responds to higher container volumes.

In taking this approach, the Tasmanian Government will target investment at other major ports to meet specific freight needs over general freight growth, avoiding further public investment in duplicated functions.

2.3 Planning for the needs of bulk freight customers

Approximately 9 million tonnes of bulk freight passes through Tasmanian ports each year, accounting for around two thirds of total port throughput. Major commodities include mineral concentrates and ores, cement, petroleum, logs and woodchips.

Bulk facilities operate at Bell Bay, Burnie, Devonport, Hobart and Port Latta. Bell Bay is Tasmania's largest public bulk freight port. Together, the privately owned facilities at Port Latta and Risdon move around 3.6 million tonnes a year, which is just over one third of the state's total bulk task.

Commodity-based specialisation is a feature of Tasmania's ports, and this has largely been driven by bulk freight. Bulk freight accounts for a high proportion of throughput at individual ports.

- Around 61 per cent of throughput at Bell Bay Port has an origin or destination in the adjacent Bell Bay Industrial Estate. A further 30 per cent of throughput is forestry freight associated with adjacent processing facilities.
- Cement from Railton accounts for just over a third of throughput at Devonport Port.
- Around 72 per cent of throughput at Hobart Port is freight moved over Nyrstar's private wharf at Lutana.

Bulk freight tends to be high tonnage, unpackaged and requires point-to-point transport (for example, from mine or processing plant to port). Bulk shipping services are often provided by direct charter, on a longer service rotation. Dedicated bulk shipping services in Tasmania include mineral exports from Burnie, cement via Devonport, and petroleum products into Self's Point (Hobart), Bell Bay and Devonport.

2.3.1 Critical infrastructure – options to replace Tasmania's bulk shiploader

Tasmania's only minerals concentrate shiploader is located at Burnie Port. The facility is owned by TasRail, and includes a loader, wagon tippler, conveyance system and storage shed. The shiploader handles up to 500 000 tonnes of mineral concentrates a year and primarily serves bulk mineral customers from the West Coast.

As the only multi-user asset of its kind in the state, the shiploader is a critical part of mining supply chains. The existing shiploader is close to life-expired and requires replacement over the short-term. As part of the *Western Tasmania Export Corridor Plan*, the Tasmanian Government will work with TasPorts and TasRail to investigate future arrangements to replace this key piece of freight infrastructure.

Individual ports have developed as natural gateways for specific bulk freight tasks, with significant investment made to support long-established bulk freight activities. Planning for the needs of bulk freight users must recognise existing port synergies, and support an appropriate level of port specialisation.

Opportunities for aggregation of like activities across ports remains important, and reducing duplication where possible. A review of shiploading infrastructure across all major ports, together with product storage needs and ship access considerations, would also form part of a bulk port prioritisation plan.

2.3.2 Supporting access for larger vessels at Burnie Port

The Tasmanian Government is currently developing a *Western Tasmania Export Corridor Plan*. The Plan will consider freight demand, supply chain and infrastructure issues and opportunities, and system wide improvements to support key bulk export tasks from Western Tasmania.

As the Region's key export port, port infrastructure and shipping services at Burnie Port is a focus of the Plan. Existing and future arrangements to support freight demand will inform recommendations on final options at the port.

The bulk freight task associated with the extraction and transport of the state's rich mineral deposits on the North West and West Coasts also raises issues of scale and capacity. There is the potential need for significant dredging work at Burnie Port to allow for greater capacity bulk ships to efficiently transport ore from the state to export markets. The size of vessels necessary to achieve this improved efficiency, are presently not capable of accessing the Port. This type of major port infrastructure work provides opportunities for strategic co-investment with commercial customers.

2.4 Commercial frameworks are a key part of port planning

Ports operate under detailed commercial frameworks, which regulate the cost of using and accessing port infrastructure and services. For example, leases over terminals and infrastructure, and activity-based charges levied by port authorities.

TasPorts publishes an annual schedule of port charges. Aurecon identified port charges as a small proportion of a business' total costs in moving freight across Bass Strait. Despite this, a small number of Tasmanian businesses have identified port charges as high compared to other Australian ports.

Private companies own or have long-term leases over land and infrastructure at each of Tasmania's major ports. This includes private wharves owned by Bell Bay Aluminium and Forico at Bell Bay, and Nyrstar in Hobart, and major container terminal leases exist at Devonport and Burnie ports.

The commercial arrangements governing a port can significantly influence long-term planning, service competition, costs to users and the location of activities.

The Tasmanian Government will work with TasPorts and key stakeholders to align commercial arrangements with long-term port outcomes.

2.5 Understanding the implications of a second container port in Victoria

The Port of Melbourne is Australia's largest maritime hub for containerised, automotive and general cargo. It is a critical link in the supply chain of Tasmanian businesses, with around 98 per cent of Tasmania's inbound and outbound container freight processed through the Port.

Tasmania represents around 25 per cent of total freight demand through the Port of Melbourne.

Capacity constraints, and an expectation that Victorian ports will in the future need to cater for larger ships, are driving plans to develop a second container port near Melbourne.

However, the timing and location for development of the second port have not yet been determined. Previous locations have included the existing deep water port at Hastings, and a new port at Bay West. The Victorian Government has now indicated it will seek advice on the preferred timing and future location of the second port from Infrastructure Victoria.

Depending on the future location of a second port, land freight costs for some Tasmanian shippers will increase. A container logistics study undertaken by the Port of Melbourne Corporation suggests that 86 per cent of Tasmanian imports to Victoria are destined for locations spread across metropolitan Melbourne, with relatively active areas both east and west of the central business district.

In the more immediate term, the Victorian Government is proceeding with plans to privatise operations at the existing Port of Melbourne under a medium-term (50-70 year) lease arrangement. The port lease will be offered to the market in late 2015 or early 2016, subject to the successful passage this year of supporting legislation by the Victorian Parliament.

The Tasmanian Government has been engaging with the Victorian Government at the highest levels to ensure the interests of Tasmanian businesses are protected as part of the privatisation process.

Port users and other stakeholders have raised serious concerns that privatisation will result in higher costs. Of particular concern for Tasmanian shippers is that both Toll and SeaRoad Shipping's existing leases at the Port expire in 2017, and will shortly be subject to renegotiation.

As part of the privatisation process, the Victorian Government intends to introduce a broad economic regulatory framework for port tariffs, which will include capped price increases of no greater than CPI for 15 years, starting from 2016.

Currently, there are no plans to directly regulate the rents that the new port operator can charge its tenants. However, the Victorian Government has indicated that the Victorian Essential Services Commission will undertake periodic reviews to ensure that the new operator is not misusing its market power in setting rents.

The Victorian Government has also announced that the operator will be required to offer market standard rent reviews to its tenants, which will include independent arbitration provisions. The Tasmanian Government continues to closely monitor the implementation of regulatory measures to ensure Tasmania's interests are adequately protected.

Strategic response

In delivering an improved port system, the following are key policy recommendations and actions.

Policy positions

2.1 Burnie Port is the logical location for prioritising long-term public sector investment for domestic container growth, but further work is needed to understand commercial and market benefits.

2.2 Individual ports have developed as natural gateways for specific bulk freight tasks, supporting investment by shipping companies and Tasmanian businesses. Reducing duplication where possible is important.

2.3 Access to the Port of Melbourne at fair and reasonable prices is critical for Tasmanian shippers. The location of Victoria's second container port is important, land freight costs for some Tasmanian shippers may increase. Private sector participation in port investment, where practical, is encouraged.

Actions the Tasmanian Government will undertake

- Assess the benefits of a single domestic container port at Burnie, examining supply chain, commercial and market outcomes for shippers, operators and the port manager.
- Develop a bulk freight port investment prioritisation plan.
- Development of a *Western Tasmanian Export Corridor Plan* to improve supply chain efficiency and productivity for key export sectors.
- Finalise a minerals concentrate shiploader replacement option as part of the *Western Tasmania Export Corridor Plan*.
- Continue to engage with the Victorian Government on port privatisation and future port planning in Victoria to ensure Tasmania's interests are fully considered.

Chapter 3 – High standard, responsive land freight connections

Tasmania's land transport network facilitates freight movement to and from key export and intermodal points, industrial and population centres, and regions. The network is extensive, with nearly all major freight corridors operating as parallel road and rail networks. The cost of maintaining this infrastructure, much of which is ageing and substitutable, is high for Tasmania.

Current and future freight volumes are forecast to remain highest on the road network, and focused on the Burnie to Hobart corridor. Based on freight volumes and strategic linkages, this corridor is the state's premier freight corridor.

Rail is important in meeting the needs of key bulk customers, but also carries an intermodal task.

From a user's perspective, Tasmania's road and rail networks are efficient, with few capacity or travel time constraints. The rail network offers a commercially competitive alternative to road, particularly for bulk and higher-volume tasks where there is efficient proximity to a railhead. This is evidenced by the contract to transport bauxite from Conara to Bell Bay.

Future upgrades to Tasmania's land transport network will require higher-standard infrastructure that meets changing vehicle productivity, user and safety requirements. At the same time, public funding for transport infrastructure will become more constrained and competitive.

Key observations

- In 2011-12, Tasmania's total land freight task was 23 million tonnes.
- Road carries the highest volumes at 20 million tonnes or 82 per cent net tonne kilometres, compared to just over 2.3 million tonnes or 18 per cent of net tonne kilometres for rail.
- Key commodities include construction inputs, agriculture, cement, forestry and consumer goods.
- Tasmania's land freight task is forecast to increase to 38 million tonnes by 2035. The agricultural sector is a key driver of future freight growth.
- The National Land Transport Network carries the highest freight volumes, with freight volumes highest between Burnie and Hobart.
- By 2035, the Bass Highway, between Launceston and Devonport, is forecast to carry the highest freight volumes of any land transport section.

3.1 Providing certainty on future freight investment across Tasmania's land freight network

The majority of Tasmania's land freight task is carried on road. Total and proportional freight volumes on rail are lower, but vary across lines.

Tasmania has a parallel road and rail connection between Burnie and Hobart, partially to Devonport Port (western side) and to Bell Bay. It also has parallel networks, where rail serves a specific freight task, on the West Coast and to Fingal.

Decisions on how road and rail should develop or interact affect investment and funding. Infrastructure Australia has sought clarification on the Tasmanian Government's objectives for its parallel road and rail networks, particularly between Burnie and Hobart. The Freight Logistics Coordination Team also identified this as a key issue in its final advisory report.

Road is the preferred mode for freight transport in Tasmania, where movements are generally over short distances. Road is also the preferred mode for time-critical freight. Point-to-point bulk freight movements for which rail has an advantage are limited in Tasmania.

Road freight networks operate under a system of user pays from heavy vehicles, and contributions are regularly reviewed at a national level. Nationally, road transport is moving toward even higher productivity vehicles, which will require major road upgrades over the long term.

Tasmania's rail network operates under an open access framework, which regulates the cost of access to the rail network for train service operators. TasRail charges for the provision of train services and for some specific infrastructure upgrades.

The Australian and Tasmanian Governments provide the majority of funding for land transport infrastructure, particularly for major capital projects. The cost of delivering and maintaining this infrastructure is high. For example, the replacement value of the state road network is just under seven billion dollars. Capital investment in renewal of this asset has exceeded depreciation in only two of the last ten years.

Clarifying future investment priorities across road and rail, including on the key Burnie to Hobart freight corridor, is a priority for government.

3.2 Delivering a single, high-standard, contestable interstate freight corridor

By tonnage, traffic volumes, and strategic land use connections, the road and rail networks between Burnie and Hobart are Tasmania's most significant freight corridor. The corridor connects major ports at Burnie and Devonport, key population and industrial centres, and major intermodal hubs at Brighton and Burnie Port.

65 per cent of Tasmania's land freight task travels on this corridor for at least part of its journey, and most major freight origins and destinations are located within 30 kilometres of the corridor. It is Tasmania's key corridor for the movement of containerized freight.

The Burnie to Hobart freight corridor is listed as an early stage project on Infrastructure Australia's *Infrastructure Priority List*. Infrastructure Australia is currently updating this list, and the Tasmanian Government is seeking retention of the corridor as part of this process.

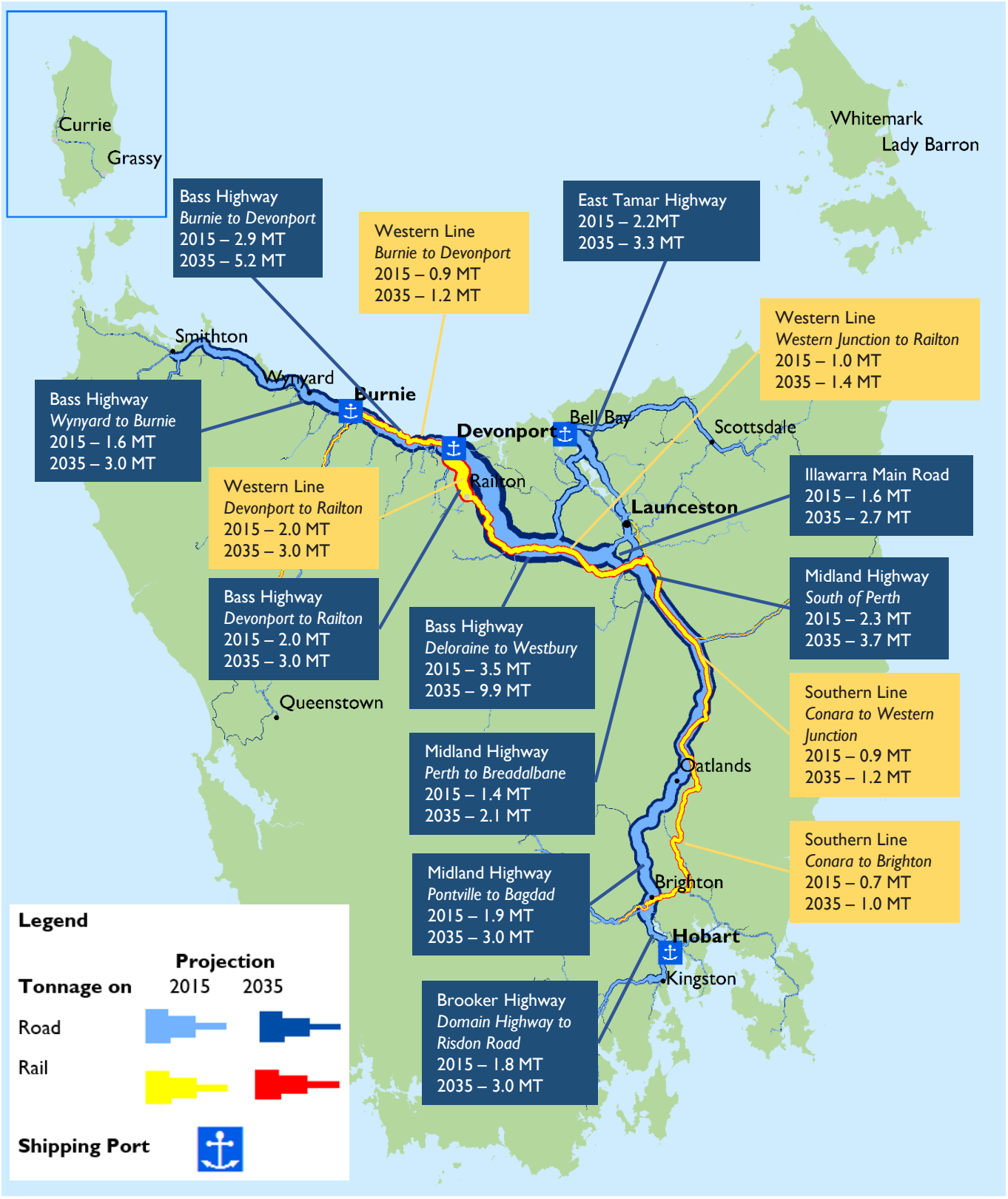
The Burnie to Hobart freight corridor operates as a parallel road and rail route. Significant public investment has been made in both networks to improve both efficiency and safety, with further investment required.

3.2.1 Land transport freight growth and contestability

Over the long term, freight volumes will continue to increase and remain highest on this corridor (Figure 3), with the highest volumes on road.

Rail freight across the corridor includes both bulk and intermodal, and includes – as with the road network – tasks that use only part of the corridor. The highest volume rail task on the corridor is the bulk cement task between Devonport and Railton, which operates as a closed loop system from factory to port. Two customers account for 60 per cent of rail's intermodal task.

Figure 3. Forecast freight volumes, Tasmanian land transport network



Source: Tasmanian Freight Survey 2012, Department of State Growth

Under general freight growth, an analysis of freight volumes across commodities indicates around 1.1 million tonnes of the current intermodal road freight task on this corridor could be contestable by rail (Figure 4). This figure does not consider emerging, and potentially significant bulk freight tasks, or the feasibility or desirability of a switch to rail for individual businesses.

It is noted that TasRail recently released a report on the role of rail, which considers both statewide freight contestability and the broader benefits of rail as a transport mode. This report is based on a different freight contestability methodology and considers future growth to 2019 only.

3.2.2 Long-term corridor planning

The Burnie to Hobart rail corridor has formed the focus of rail investment, with significant funding committed to track and rolling stock upgrades. Under certain circumstances, deferred investment or maintenance can be an outcome of a parallel network.

This means the proportion of freight carried on one mode increases to a point where investment or maintenance in the second mode, can be reduced or postponed.

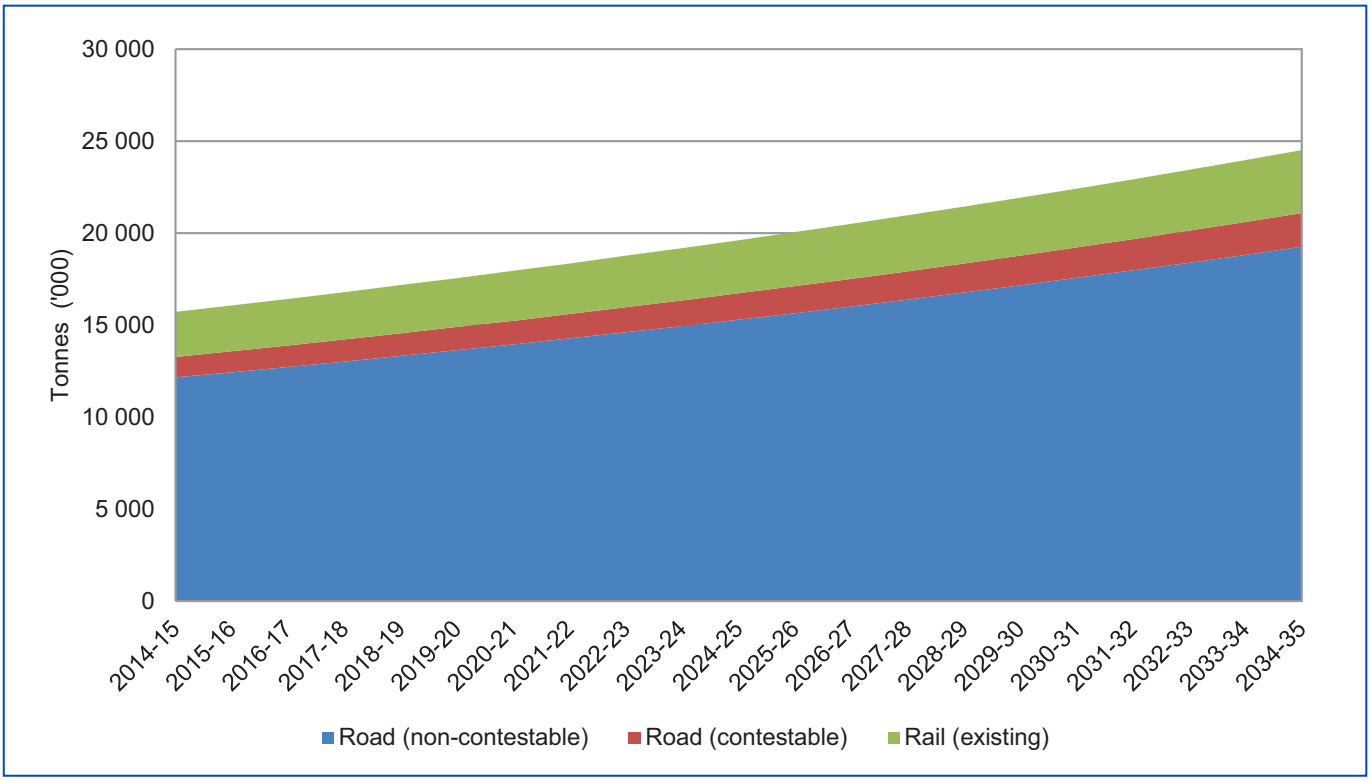
Along the Burnie to Hobart corridor, current and forecast freight and general traffic volumes on road are high, with the volume of freight carried on rail unlikely to have a significant impact on required road funding.

The Tasmanian Government has identified Burnie to Hobart as Tasmania's premier freight corridor, and will develop this corridor to deliver the highest standard freight infrastructure and service levels.

Future planning on the Burnie to Hobart corridor will be demand-driven, mode-neutral and outcome-based. Investment will be made in the context of an integrated freight corridor.

The Government will deliver a *Burnie to Hobart Freight Corridor Strategy* to guide future planning and investment.

Figure 4. Forecast and contestable freight tonnages, Burnie to Hobart, 2014-15 to 2034-35



Source: Department of State Growth, TasRail

The Strategy will:

- identify a single, integrated package of investment priorities for road and rail based on freight demand, corridor and system outcomes
- prioritise major freight-related investment in support of general freight growth
- confirm required road and rail infrastructure standards and service levels
- plan for the highest road freight infrastructure standards across the State Road Network, including in support of major step changes in heavy vehicle productivity
- focus rail investment to support a safe, reliable and sustainable rail network
- consider broader and alternative mechanisms to support freight users to meet their supply chain needs.

3.3 Providing direction on the future role of rail

Rail has attracted significant attention over the past decade, moving from a privately-owned business characterised by under-investment, to a Tasmanian Government-owned entity that has attracted higher levels of funding to deliver renewed infrastructure and rolling stock. A current Legislative Council inquiry into the financial sustainability of TasRail is a recent example of interest in the performance and future funding of rail.

Rail's share of Tasmania's land freight task is around 22 per cent of net tonne kilometres. This is higher on some individual lines. The existing customer base is small, with a few large bulk freight customers accounting for a high proportion of total volumes.

3.3.1 Rail task and investment

Tasmania's rail task is spread across three corridors – Burnie to Hobart, Melba Flats to Burnie, and Fingal to Conara. The section of railway between Devonport and Railton carries high volumes for a single customer, and comprises around 50 per cent of rail's total freight volumes. The Bell Bay line is currently used for a mining task and forestry trial.

A future increase in tonnages on this line is expected as a result of the redevelopment of the George Town railhead, together with opportunities associated with the reintroduction of international shipping services to Bell Bay.

Tasmania's rail network is managed by TasRail, which operates as a vertically integrated 'above rail' (train services) and 'below rail' (rail network) business. Under this business model, TasRail as the network operator charges users of the network for services provided. In 2014-15 network access fees of around $3.3 million were paid by TasRail's above rail business for the use of rail infrastructure.

Both the Australian and Tasmanian Governments have made major investments in the rail network to improve reliability and safety. $205 million was committed by the Australian Government to below rail projects as part of the Rail Rescue Package and 2007 election infrastructure commitments.

A further $120 million has been committed as part of the new Infrastructure Investment Program. The Tasmanian Government also makes regular contributions to rail network maintenance through annual operating grants. A combined investment of $96.5 million has been made on new locomotives and wagon fleets.

3.3.2 Future rail investment and supporting pricing framework

Investment in Tasmania's rail infrastructure and rolling stock has significantly improved safety and reliability across the network. As part of an integrated freight system, the ability of rail to provide a commercially competitive alternative to road, including for key bulk tasks, is a key objective and one that is now possible as a result of the major improvements made to the network and services.

Following significant investment, it is now appropriate to evaluate the broader competitive and system outcomes associated with this investment to clearly inform the role rail can play in Tasmania's freight system. As Tasmania's premier freight corridor, the focus of this evaluation will be the Burnie to Hobart corridor, with future investment in rail considered as part of long-term planning on this corridor.

The Government will also update the existing *Tasmanian Rail Access Framework*, which expires in December 2016, and formalise transparent arrangements for private sector contributions for specific rail investments.

3.4 Supporting freight growth and access on regional freight routes

Many businesses rely on regional freight networks to move product to / from processing centres and export points. Regional networks are particularly important to the agricultural, forestry, mining and construction sectors.

Over the long-term, regional freight volumes are forecast to remain highest on the East Tamar Highway, north of the Batman Bridge and the Bass Highway west of Burnie. These roads are the priority for future freight-related regional road investment.

3.4.1 Regional road and rail access needs

Many parts of Tasmania's road network have restricted access or at risk of reduced access in the near future for high productivity (including Higher Mass Limit) and oversize and overmass (OSOM) vehicles, based largely on deficient bridge structures. An inability to access, or easily access, the road network impacts both general freight productivity, and increases the regulatory complexity of land development.

Many infrastructure improvements beneficial to heavy vehicles, including improved pavement strength and extended shoulder and lane width, can be delivered cost-effectively and efficiently through routine maintenance supported by small-scale upgrades.

The Government will work with the Department of State Growth to ensure freight improvements are built into capital programs, developing infrastructure to a uniform standard, consistent with transparent service levels.

Access for higher productivity vehicles will be considered as part of a state framework, supported by some flexibility at the corridor level to meet local and task-based needs.

Allocation of resources will respond to statewide economic growth priorities.

Rail infrastructure improvements on regional lines will focus on reliability and safety. Under current volumes and customer profiles, there is no identifiable need to invest for travel time savings.

3.4.2 Supporting regional economic development

The Tasmanian Government recognises the relationship between regional freight networks and regional economic development. A number of mines proposed across Tasmania, for example, will rely on regional road and rail connections to move product to market. The agricultural and aquaculture sectors also have a strong reliance on regional roads.

For major or specific, new freight tasks, the Government will work with businesses to understand their freight needs, and maximise alignment between these needs and existing freight infrastructure networks.

Investment in support of a new freight task, outside the National Land Freight Network, should consider broader statewide and regional economic development outcomes, and the potential to partner with industry to deliver any additional investment.

3.5 Achieving greater alignment between transport hubs, industrial areas and major freight routes

Industrial areas are major generators of freight. For example, the Bell Bay Industrial Estate and Glenorchy industrial areas account for 60 per cent and 40 per cent of freight originating in or destined for their respective regions.

Across all three regions, industrial areas account for a high proportion of the freight task

- Bell Bay Industrial Estate has a number of high tonnage industries and is the largest freight generating industrial area in the state. Around 1 million tonnes of the state task originates within Bell Bay and a further 1.8 million tonnes travels to the area. Another 1.5 million tonnes is handled within Bell Bay, moving between port and industry sites without using the land freight network.
- Glenorchy is a focus for manufacturing and processing in the south of the state with just under 0.6 million tonnes travelling to the area and around 0.9 million moving out. Further significant tonnages move through industries adjacent to Nyrstar's wharf at Lutana.
- Several locations are dominated by single, large freight-generating industries. For example, Norske Skog at Boyer, and Cement Australia at Railton.

The Brighton Hub is a purpose-built road-rail hub located on the Burnie to Hobart freight corridor. It has played a key role in opening up large areas of industrial land, close to Hobart, with direct access to high-standard road and rail networks.

The co-location of intermodal hubs with major industrial or freight-generating activities has the potential to support localised freight aggregation and maximise access to, and use of, key freight corridors and modes.

With the exception of the Brighton Hub, all of Tasmania's intermodal hubs are located at a port – Burnie, Devonport and Bell Bay ports.

Figure 5 shows the location of major industrial and freight-generating areas in relation to the Burnie to Hobart freight corridor.

The Government will work with local government and the private sector to encourage consolidation of industrial and freight-generating activities in locations with good access to the strategic freight network, particularly the Burnie to Hobart freight corridor.

The Tasmanian Government will also work with local government to ensure planning frameworks support and reinforce key freight networks and assets. It is anticipated that this will include a uniform zoning approach to major freight corridors.

3.6 An agreed statewide land freight network, delivering planning and investment certainty

The Tasmanian Government has developed a Tasmanian Land Freight Network (Table 2 and Figure 6), based primarily on current and forecast freight demand, and network function. The Network identifies target freight outcomes across corridors, and infrastructure standards that are appropriate to the freight task.

Tasmanian Land Freight Network – key elements

- **Burnie to Hobart as Tasmania's premier interstate freight corridor**. This corridor is the priority for freight investment, including major capital upgrades. Short to medium-term investment will be focused on addressing deficiencies on the road network, reflecting freight volumes carried. The road corridor will be developed to Tasmania's highest freight infrastructure standards, including incremental upgrades to meet long-term, step-changes in vehicle productivity in Tasmania.
- **Principal freight routes**. These recognise the Bass Highway (west of Burnie) and East Tamar Highway as strategic freight corridors, forecast to carry the highest freight volumes outside the Burnie to Hobart corridor. The routes connect to major freight-generating areas between Smithon and Burnie, where agriculture is a major driver of future freight growth, and the Bell Bay Industrial Estate, a key bulk freight hub.
- **Key regional freight connections**, supporting the movement of freight from regional areas to processing and export ports. Generally, these corridors carry specific bulk freight tasks, including mining and forestry. The focus is on incremental upgrade of existing infrastructure to deliver improved freight access, productivity and safety outcomes over time.
- **Industrial and last mile access roads**, providing key local connections to major ports, industrial, processing and distribution centres. These roads are often local-government owned.

The Network is linked to the Government's freight investment priorities. The Network will be reviewed every five years, as well as in response to major changes in the freight system affecting freight volumes on individual links, to ensure the Network remains contemporary.

It is supported by specific modal planning undertaken by both the Department of State Growth and TasRail, including in relation to infrastructure standards and service levels for users.

Figure 5. Major freight generating areas, Tasmania

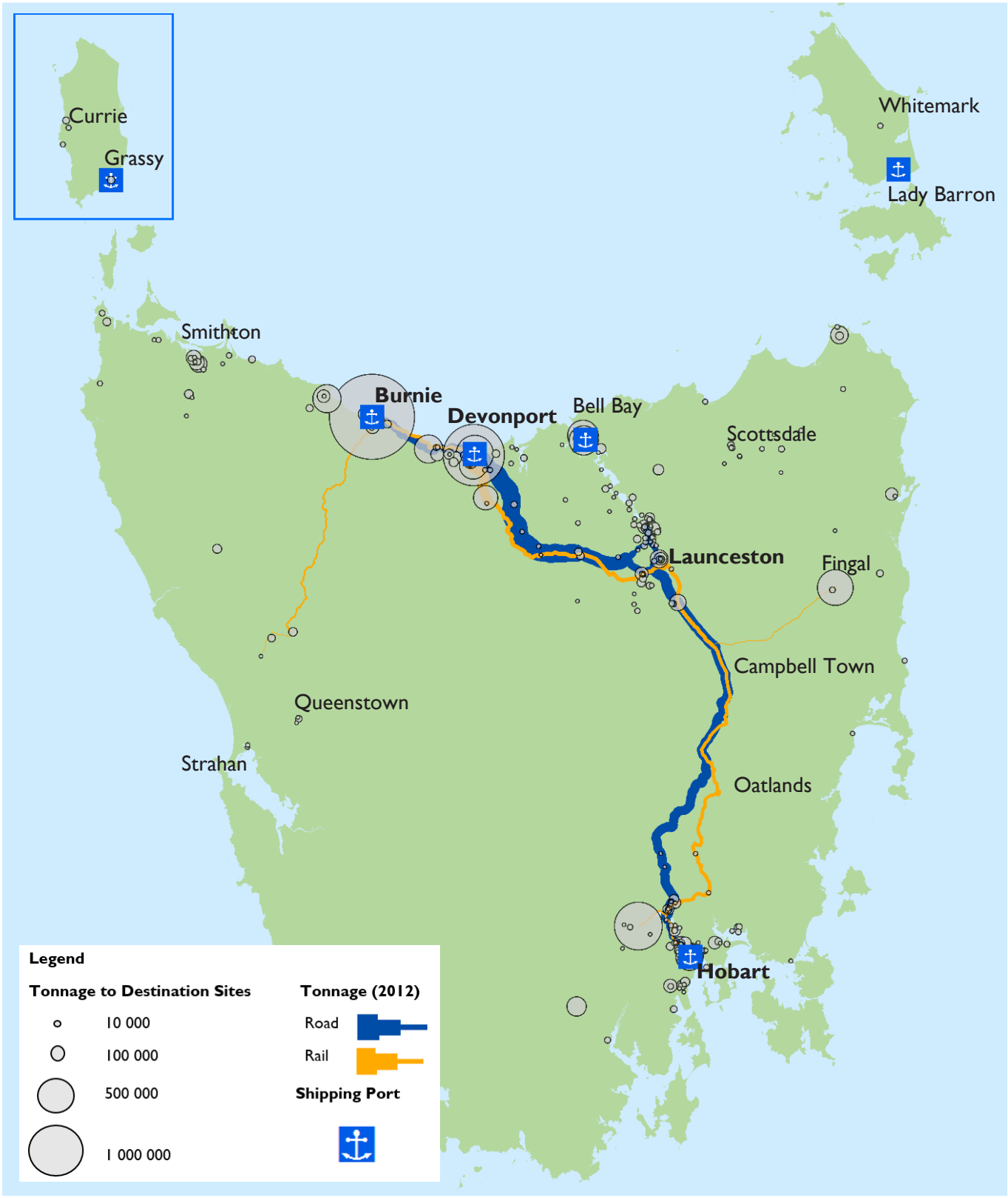
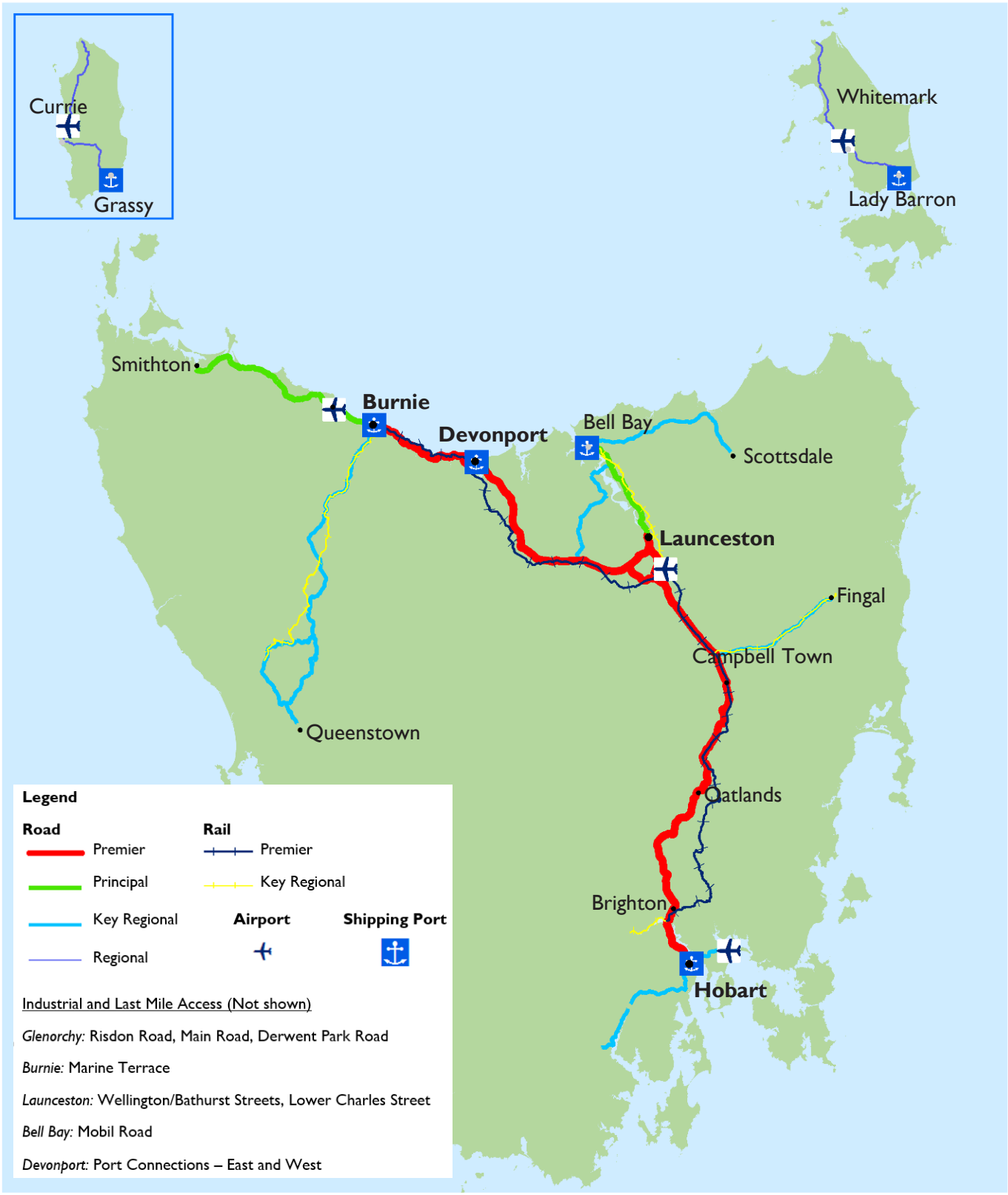


Table 2. Tasmanian Land Freight Network

Freight category	Outcomes	Investment principles
Premier interstate freight corridor Burnie to Hobart freight corridor	Priority for investment to support general freight growth and major step changes in vehicle productivity. Highest standard road freight productivity and efficiency, including: • high level of service in terms of vehicle operating costs • pre-approved higher productivity vehicle routes, supporting more productive freight movements • pre-approved access for specified oversize/over-mass vehicles. Alternative options to meet freight needs examined, across modes. Improved safety and reliability on the rail network.	Road Priority network for investment. Projects that address major freight infrastructure deficiencies. Infrastructure standards that cater for major step changes in heavy vehicle productivity. Upgrades to provide as of right access for specified classes of higher productivity vehicles; retain access controls for others. Delivery of heavy vehicle standards built into capital programs. Rail Target remaining safety and reliability deficiencies. Consolidate investment around current funding. Demand-driven investment, directly assessed against road capacity.
Principal bulk freight routes Bass Highway (west of Burnie) East Tamar Highway	Efficient, high-standard freight connections to export points and the Burnie to Hobart corridor, including: • pre-approved higher productivity vehicle routes, supporting more productive freight movements. • pre-approved access for specified oversize/over-mass vehicles.	Road Priority network for investment after premier interstate corridor. Heavy vehicle standards (B-Double) delivered as part of routine capital and maintenance. Long-term network maintenance in support of a major bulk freight task. Upgrades to provide as of right access for specified classes of higher productivity vehicles; retain access controls for others.

Freight category	Outcomes	Investment principles
Key regional freight connections Frankford-Birralee corridor Murchison-Ridgley Highways Bridport Main Road Huon Highway Esk Main Road Bell Bay, Fingal, Derwent Valley and Melba rail lines	Safe, efficient regional freight networks, including: • general access for standard higher productivity vehicles only; larger vehicles remain subject to access controls • oversize/ over-mass vehicles on gazetted routes with access controls.	Road Prioritise maintenance and small-scale upgrades in support of moderate freight growth. Targeted investment to remove significant constraints. Consider non-infrastructure solutions. Some vehicles prohibited under certain conditions. Rail Demand-driven investment, directly assessed against road capacity.
Industrial and last mile access roads Burnie (Marine Terrace) Devonport (to east and west port) Bell Bay (Mobil Road) Launceston (Bathurst, Wellington, Lower Charles Streets) Glenorchy (Risdon, Main and Derwent Park Roads) Hobart (Davey and Macquarie Streets)	Local freight roads that are planned, protected and developed as part of a statewide freight system.	Appropriate land use planning provisions to protect road function. Prioritisation of local infrastructure investment to these roads.

Figure 6. Tasmanian land freight network



Strategic response

In delivering a strategic, responsive and financially sustainable land freight system, the following are key policy recommendations and actions.

Policy positions

3.1. The Tasmanian Government is committed to a defined land freight network. The network will be reviewed every five years, and in response to major changes in demand, to ensure the network remains contemporary.

The Tasmanian Land Freight Network is proposed as follows:

- premier interstate freight corridor – Burnie to Hobart
- principal bulk freight routes – East Tamar Highway, Bass Highway (west of Burnie)
- key regional freight connections – Frankford-Birralee-Batman corridor; Murchison-Ridgley Highways, Esk Main Road, Huon Highway, Bridport Main Road; Bell Bay, Fingal, Derwent Valley and Melba rail lines
- industrial and last mile access roads – Burnie (Marine Tce); Devonport (east and west port connections); Bell Bay (Mobil Road); Launceston (Bathurst, Wellington, Lower Charles Streets); Glenorchy (Risdon, Main and Derwent Park Roads); Hobart (Macquarie and Davey Streets).

3.2 Major freight-related investment will be prioritised in support of general freight growth between Burnie and Hobart, delivering the highest standard freight productivity and efficiency outcomes on this key freight corridor.

3.3 Investment in freight infrastructure will be clearly linked to freight demand and function across all modes and assets, supported by a clear identification of the infrastructure standards required to support the freight task.

3.4 Appropriate partnerships will be sought with the private sector to invest in new freight tasks, particularly where investment is required outside the strategic freight network.

3.5 Work with local government to encourage consolidation of industrial activities in locations with good access to the strategic freight network, particularly the Burnie to Hobart corridor.

Actions the Tasmanian Government will undertake

- Finalise a Tasmanian Land Freight Network.
- Develop a *Burnie to Hobart Freight Corridor Strategy*.
- Deliver a new *Tasmanian Rail Access Framework*.

Chapter 4 – Delivering a single, integrated freight system

Freight infrastructure is expensive to maintain and provide. Investment decisions are long-term and need to be supported by adequate freight demand.

The Tasmanian Government owns the majority of Tasmania's freight networks, and also provides supporting rail and sea freight services. The private sector provides road, sea and air freight and logistics services. Private infrastructure investment exists in niche parts of the freight system.

Tasmania's freight system is used by freight users who make freight transport decisions based on their own business needs – balancing service and cost. Tasmanian freight transport supply chains are typically multi-modal with Bass Strait a key part of the supply chain for most freight users.

While there is broad alignment in the planning and activities of major freight infrastructure providers and users operating within the Tasmanian freight transport system, there is opportunity for further improvement.

Collaboration between freight users, service providers and government is central to effective freight outcomes. This is underpinned by current and accessible information on how Tasmania's freight system is used.

Key observations

- In 2011-12, Tasmania's total land freight task was 23 million tonnes and the sea freight task was 13 million tonnes.
- General freight growth is forecast at 1.7 per cent, with higher growth in the agricultural sector (4 per cent) and in the container market (3 per cent).
- There is a significant uplift in trailerisation as the most effective mode of transport for speed to market, particularly in the fresh/perishable sectors
- Land freight volumes are highest on the road network. Port throughput is focused on the three northern ports.
- The Tasmanian Government owns all major land transport infrastructure, managed through TasPorts, TasRail, and the Department of State Growth (road).
- Infrastructure Tasmania will provide a coordinated approach to the planning and delivery of major infrastructure in Tasmania.
- The Tasmanian Government undertakes a triennial freight survey, providing comprehensive, business-derived freight data across Tasmania's land transport network.

4.1 Aligning objectives, planning and investment across freight infrastructure and service providers

The Tasmanian Government owns nearly all major freight infrastructure in Tasmania, across ports, road and rail as well as providing sea and rail freight services. The Government is committed to retaining ownership of these key public assets.

The Government manages its freight assets through four entities – TasPorts, TT-Line, TasRail and the Department of State Growth – each of which has responsibility to plan and manage specific freight infrastructure and modes.

With the exception of the Department of State Growth (roads), all operate as independent government-owned businesses, with associated strategic planning and public financial reporting responsibilities.

Tasmania's public infrastructure and service providers play a major role in the operation of Tasmania's freight system. The strategic plans of each are a key part of freight system planning, and can significantly influence planning and investment outcomes.

Coordination across the strategic planning activities of these businesses is critical to meeting freight objectives. Customers and key stakeholders must be involved, and relevant business and freight-related information made publicly accessible.

The Tasmanian Government will seek to better coordinate the objectives of its infrastructure and service providers, working to:

- align business objectives, strategic plans and investment strategies with the *Tasmanian Integrated Freight Strategy*
- develop agreed and transparent strategic and project planning processes, based on common freight demand assumptions and a clearly articulated strategic freight network.

4.2 Establishment of Infrastructure Tasmania to lead best practice project evaluation and prioritisation

Infrastructure, and the way it is planned, provided, used and maintained, is one of the key levers the Tasmanian Government has to increase productivity and economic growth and meet its freight policy objectives.

In May 2015, the Government established Infrastructure Tasmania to lead best practice in the planning, evaluation and prioritisation of economic infrastructure in Tasmania.

The creation of Infrastructure Tasmania represents a significant step forward for infrastructure planning in Tasmania, providing for the first time, an independent body to oversight, and advise on, major infrastructure policies, proposals and evaluation methodologies.

Key responsibilities of Infrastructure Tasmania include:

- development of a project pipeline and common project assessment methodology
- coordination of all major funding submissions to the Australian and Tasmanian Governments, including across and within sectors
- provision of independent advice on the benefits or need for specific infrastructure proposals, including the detailed review of major projects.

Infrastructure Tasmania recently released its forward work program for 2015-2016.

Key initiatives include:

- release of a prioritised infrastructure project pipeline and supporting assessment methodology (a Tasmanian Infrastructure Priority List will be delivered by March 2016)
- release of the *Tasmanian Integrated Freight Strategy*
- assessment and review of past reports on a potential Hobart light rail system, with recommendations on priority and future use of the rail corridor
- a detailed assessment and report on the design and funding requirements for a new Bridgewater Bridge
- oversight and monitoring of infrastructure investment on the Midland Highway.

4.2.1 A focus on transparent, coordinated project evaluation

Improving the justification and evaluation of major infrastructure projects has been a focus of recent national infrastructure funding programs.

Infrastructure Australia has led recent thinking on the evaluation of major infrastructure projects, including the development of detailed project assessment templates and supporting economic analysis for use by states.

The Tasmanian Government supports the intent and broad methodology outlined by Infrastructure Australia. It also acknowledges the need for statewide coordination of major funding submissions.

Infrastructure Tasmania will work with infrastructure and service providers to develop a standardised project assessment methodology for publicly-funded freight infrastructure projects, consistent with national standards.

The methodology will:

- include strategic and operational justification for a project
- use common freight data, assumptions and forecasts
- use best practice methodology for the assessment of social and environmental externalities
- be based on a core benefit-cost ratio approach (the extent to which wider economic benefits can be meaningfully quantified will continue to be explored).

The methodology will be used for all major publicly-funded capital upgrade projects over $5 million. All project evaluations and assessments will be made public.

4.3 Providing accessible freight data to inform public and private sector freight planning

Freight planning must be established on a strong evidence base. This is particularly the case as governments and the private sector seek to maximise – and justify – the outcomes of their infrastructure investment. The Freight Logistics Coordination Team highlighted the importance of information to effective freight planning.

Access to up-to-date, publicly accessible freight data and adoption of agreed freight assumptions (for example, container and industry sector growth rates) will ensure government, infrastructure providers, business and the private sector are working off a common freight planning platform.

The Tasmanian Government's Tasmanian Freight Survey[1] has underpinned major capital investment for over a decade, forming a key component of major infrastructure funding bids across road and rail.

The Survey captures detailed freight movements across Tasmania's road and rail networks based on information direct from businesses. Figure 7 provides an example output from the most recent 2011-12 survey, showing freight flows across the north-west region based on volume, route, commodity and vehicle type.

The Tasmanian Government recently commenced its fifth Tasmanian Freight Survey.

The Freight Logistics Coordination Team identified gaps in publicly available information about Tasmania's freight system.

It recommended the development of 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.

1. www.stategrowth.tas.gov.au/infrastructure/freight/survey

Figure 7. Example freight flow map, Tasmanian Freight Survey 2011-12

Source: Tasmanian Freight Survey 2012, Department of State Growth

As a starting point, the Tasmanian Government will develop a dedicated web-based presence for freight, providing transparent information and data to industry and the public.

A wide range of information will be provided in one location, and is expected to include:

- general information on Tasmania's freight system, its development and use
- investment commitments, project assessment and prioritisation
- project assessments and analysis
- strategic plans of public infrastructure providers.

4.4 Working with industry to meet Tasmania's freight challenges

The effective delivery of the *Tasmanian Integrated Freight Strategy* requires a partnership approach between business and government. Each has a significant stake in Tasmania's freight system and can significantly influence outcomes.

The Tasmanian Government will continue to work with industry, including major Tasmanian freight users to better understand the issues facing Tasmania's freight system and opportunities for improvement. In engaging with industry, the Government will focus on:

- progressing delivery of the *Tasmanian Integrated Freight Strategy*
- sharing information affecting Tasmania's freight system
- identifying opportunities to strengthen the role of lower volume shippers in the market, and to reduce the volume of empty containers crossing Bass Strait
- providing advice on relevant freight information and data, including industry-related data, to support an improved understanding of the operation of Tasmania's freight system.

Strategic response

In responding to these key issues, the following are key policy recommendations and actions.

Policy positions

4.1 Strategic thinking, planning and evaluation of Tasmania's economic infrastructure will be led by, and coordinated through, Infrastructure Tasmania.

4.2 The strategic plans and investment strategies of TasPorts, TasRail, TT-Line and the Department of State Growth (road delivery agency) will align to the *Tasmanian Integrated Freight Strategy*.

4.3 Large-scale privatisation of publicly-owned freight infrastructure is not supported by the Tasmanian Government. However, the Government will work with the private sector to identify investment opportunities in specific freight assets, services or in support of discrete freight tasks.

Actions the Tasmanian Government will undertake

- Develop a standard project evaluation methodology for major publicly-funded freight infrastructure investment, through Infrastructure Tasmania.
- Undertake a fifth *Tasmanian Freight Survey*.
- Develop a web-based presence for freight, providing information on key freight policy initiatives, major system upgrades and the general operation of the freight system.
- Undertake regular, structured consultation with industry on the key issues and opportunities facing Tasmania's freight system.

Appendix 1. Key recommendations, *Draft Tasmanian Integrated Freight Strategy*

1. Support service choice and competition across Bass Strait

Policy positions

1.1 Private sector solutions to shipping capacity and service needs are the first and preferred response to capacity needs on Bass Strait. The Government supports planned investment in larger vessels by the two existing private operators.

1.2 Service competition within the Bass Strait container market is critical. The Government supports a no-lessening of Bass Strait shipping competition that seeks to maintain at least two major private sector domestic container operators.

1.3 The Government has established a tourism strategy for TT-Line that will maintain existing freight capacity. Opportunities to strengthen alignment with the time-sensitive market will be explored.

1.4 The long-term continuation of existing TFES arrangements, including the recent extension of the TFES to goods destined for international markets is essential to reducing the freight rate of eligible shippers.

1.5 The Government supports balanced reforms to coastal trading regulations that will deliver cost competitive and expanded service choice to Tasmanian shippers.

Actions the Government will undertake

- Facilitate market-based solutions to Bass Strait container shipping needs, including the provision of transparent information to the market on shipping needs; identification of capacity and service gaps; and continued advocacy for regulatory changes that expand service choice for Tasmanian shippers.
- Monitor container volumes with and across commodity sectors, to inform overall capacity and specific service needs.
- Assess opportunities to reduce the volume of empty containers crossing Bass Strait.
- Continued advocacy to the Australian Government to:
  - secure the long-term continuation of existing TFES arrangements, including to transhipped freight
  - maximise service choice to Tasmanian shippers as a result of any changes to the Australian Government's coastal trading framework.
- Support intermodal competition from air freight by working with targeted international airlines to develop a business case for one or more direct flights per week from Hobart to a key Asian hub.

2. Promote efficient freight gateways

Policy positions

2.1 Burnie Port is the logical location for prioritising long-term public sector investment for domestic container growth, but further work is needed to understand commercial and market benefits.

2.2 Individual ports have developed as natural gateways for specific bulk freight tasks, supporting investment by shipping companies and Tasmanian businesses. Reducing duplication where possible is important.

2.3 Access to the Port of Melbourne at fair and reasonable prices is critical for Tasmanian shippers. The location of Victoria's second container port is important, land freight costs for some Tasmanian shippers may increase. Private sector participation in port investment, where practical, is encouraged.

Actions the Government will undertake

- Assess the benefits of a primary domestic container port at Burnie, examining supply chain, commercial and market outcomes for shippers, operators and the port manager.
- Develop a bulk freight port investment prioritisation plan.
- Finalise a minerals concentrate ship-loader replacement option as part of the *Western Tasmania Export Corridor Plan*.
- Development of a *Western Tasmanian Export Corridor Plan* to improve supply chain efficiency and productivity for key export sectors.
- Continue to engage with the Victorian Government on port privatisation and future port planning in Victoria to ensure Tasmania's interests are fully considered.

3. Enhance existing high-standard, responsive land freight connections

Policy positions

3.1 The Government is committed to a defined land freight network. The network will be reviewed every five years, and in response to major changes in demand, to ensure the network remains contemporary. The Tasmanian Land Freight Network is proposed as follows:

- premier interstate freight corridor – Burnie to Hobart
- principal bulk freight routes – East Tamar Highway, Bass Highway (west of Burnie)
- key regional freight connections – Frankford-Birralee-Batman corridor; Murchison-Ridgley Highways, Esk Main Road, Huon Highway, Bridport Main Road; Bell Bay, Fingal, Derwent Valley and Melba rail lines
- industrial and last mile access roads – Burnie (Marine Terrace); Devonport (east and west port connections); Bell Bay (Mobil Road); Launceston (Bathurst, Wellington, Lower Charles Streets); Glenorchy (Risdon, Main, and Derwent Park Roads); Hobart (Macquarie and Davey Streets).

3.2 Major freight-related investment will be prioritised in support of general freight growth between Burnie and Hobart, delivering the highest standard freight productivity and efficiency outcomes on this key freight corridor.

3.3 Investment in freight infrastructure will be clearly linked to freight demand and function across all modes and assets, supported by a clear identification of the infrastructure standards required to support the freight task.

3.4 Appropriate partnerships will be sought with the private sector to invest in new freight tasks, particularly where investment is required outside the strategic freight network

3.5 Work with local government to encourage consolidation of industrial activities in locations with good access to the strategic freight network, particularly the Burnie to Hobart corridor.

Actions the Government will undertake

- Finalise a Tasmanian Land Freight Network.
- Develop a *Burnie to Hobart Corridor Strategy*.
- Deliver a new *Tasmanian Rail Access Framework*.

4. Deliver a single, integrated freight system

Policy positions

4.1 Strategic thinking, planning and evaluation of Tasmania's economic infrastructure will be led by, and coordinated through, Infrastructure Tasmania.

4.2 The strategic plans and investment strategies of TasPorts, TasRail, TT-Line and the Department of State Growth (road delivery agency) will align to the *Tasmanian Integrated Freight Strategy*.

4.3 Large-scale privatisation of publicly-owned freight infrastructure is not supported by the Tasmanian Government. However, the Government will work with the private sector to identify investment opportunities in specific freight assets, services or in support of discrete freight tasks.

Actions the Government will undertake

- Develop a standard project evaluation methodology for major publicly-funded freight infrastructure investment, through Infrastructure Tasmania.
- Undertake a fifth *Tasmanian Freight Survey*.
- Develop a web-based presence for freight, providing information on key freight policy initiatives, major system upgrades and the general operation of the freight system.
- Undertake regular, structured consultation with industry on the key issues and opportunities facing Tasmania's freight system.

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