



TORRES STRAIT ISLAND REGIONAL COUNCIL

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Committee Secretary
Transport and Public Works Committee
Parliament House
George Street
BRISBANE QLD 4000

Dear Committee,

TORRES STRAIT ISLAND REGIONAL COUNCIL – SUBMISSION – INQUIRY INTO A SUSTAINABLE QUEENSLAND INTRASTATE SHIPPING INDUSTRY

Torres Strait Island Regional Council (TSIRC) wishes to provide the following information for the Committee to take into account as part of the Committee's inquiry into a sustainable Queensland intrastate shipping industry.

About TSIRC

1. TSIRC represents the fifteen communities of Badu, Boigu, Dauan, Erub (Darnley Island), KIRRIRI (Hammond Island), IMA (Yam Island), MABUIAG, Mer (Murray Island), PORUMA (Coconut Island), Saibai, UGAR (Stephen Island), WARRABER (Sue Island) and MASIG (Yorke Island), and Kubin and St Pauls communities on MOA (Banks Island), all located within the outer Torres Strait (**OTSI**).
2. Formed in 2008 as part of the State Government's amalgamation policy, TSIRC is a local council governed under the *Local Government Act 2009* (Qld). Prior to this, the area was under the jurisdiction of the *Community Services (Torres Strait) Act 1984* (Qld) and each community had its own independent Island Council.
3. TSIRC has a mayor who is elected by the whole council region, and 15 councillors who are each elected by their respective electoral communities.
4. TSIRC is responsible for providing a range of services to the 15 communities it represents, including housing, water and sewerage, waste, childcare, planning, environmental health, road, airport and port services.
5. TSIRC owns jetties, wharves and barge ramps across its local government area. It issues permits to commercial users of this infrastructure, including Sea Swift Pty Ltd (**Sea Swift**), which supplies the regular freight service. Like Ports North Corporation, which operates the ports of Horn Island and Thursday Island, TSIRC charges commercial operators fees for use of its jetties, wharves and barge ramps.

6. There is no ordinary freehold title (private land ownership) in TSIRC’s local government area. TSIRC communities are currently exempt from paying general rates. TSIRC is therefore unable to raise revenue through a rates base and is reliant on State and Federal Government funding to allow TSIRC to maintain essential services and deliver improvements to the OTSI.
7. The cost of maintaining infrastructure, including marine landings, in this remote region is astronomical compared to urban and regional centres. Upgrading just one wharf, for example, costs around \$2.5 million, and TSIRC services 15 island communities. The snowball effect of chronic underfunding means that marine and other transport facilities are not being renewed and replaced in a timely manner to keep up with asset maintenance and disability access upgrade requirements.
8. The recently completed Hammond Island wharf project, funded by the Queensland and Commonwealth Governments and TSIRC, cost over \$6m. This project provided a community wharf suitable for public transport for the entire Hammond Island community, to meet the requirements of the *Disability Discrimination Act 1992* (Cth).

Demographics of the outer Torres Strait

9. The most recent population statistics available per community for the outer Torres Strait Islands are from the 2016 ABS Census, as follows:

COMMUNITY	POPULATION
Iama	319
Masig	270
Poruma	167
Erub	328
Mer	453
Boigu	271
Dauan	191
Hammond	268
Ugar	85
Saibai	465
Badu	813
Mabuiag	210
Kubin	198
St Pauls	248
Warraber	245
TOTAL	4,531

10. The communities of the OTSI are Indigenous communities that continue to observe traditional law and custom (Ailan Lore and Kastom). Due to their geographic isolation, OTSI communities face socio-economic challenges such as high unemployment, restricted access to healthcare and vocational and higher education, limited retail choices, high cost of living, high rates of lifestyle diseases, and lower life expectancy.
11. Native title determinations apply to all islands in TSIRC’s jurisdiction apart from Hammond Island, which is subject to a current native title claim. Most residents in OTSI live in social housing managed by TSIRC.
12. OTSI communities are reliant on regular sea freight deliveries for almost all their supplies, including both essential supplies and discretionary items. Most food consumed

in the communities has to be imported as there is very limited agriculture on the islands and the climate limits the ability to grow many common foods. Air freight is too expensive for all but the smallest items of freight.

13. At present, there are no government freight subsidies available to residents of the outer Torres Strait Islands.
14. The communities of Ugar and Dauan are even more reliant on sea freight because there is no airstrip on those islands: air travel to Ugar and Dauan is limited to helicopter charter, which is even more expensive than the light plane charters that service the other OTSI. The communities of Hammond Island and St Pauls also have no airstrip and rely on air-based freight delivered at neighbouring community airstrips, with associated additional costs of land- or sea- based transport to their resident community.
15. Biosecurity clearance is required to send freight from the “Torres Strait Protected Zone” (OTSI) and the “Torres Strait permanent biosecurity monitoring zone” (inner islands area) to mainland Australia. This adds to the already high cost of freight, and can make the cost of removing waste materials from the Torres Strait Islands prohibitive.

TSIRC’s marine freight requirements

16. TSIRC utilises sea freight services for the delivery of Council freight to all of the 15 communities within its local government area. During FY17/18, TSIRC’s total spend on freight was \$2,334,391.
17. As part of its Engineering Services function, TSIRC operates a civil works team which moves from island to island performing road and remedial works on Council infrastructure; all equipment for these works is transported via sea.
18. TSIRC requires a regular barge service to transport goods that it purchases on a recurring basis, such as fuel, food, building materials, and general plant and equipment necessary for essential community services. The regular barge service may also carry larger, ad hoc Council purchases such as bulldozers, trailers and small boats (commonly referred to as tinnies).
19. Charter services are not a suitable alternative for scheduled services for TSIRC. TSIRC’s regular freight requirements are not sufficient to fill a whole barge, and are often time sensitive so it is usually not feasible for TSIRC to hold back items until it had sufficient freight volumes to justify the charter of a barge.
20. Charter services are generally used by TSIRC for shipment of larger or bulk goods, which are unlikely to fit on the scheduled service and are of sufficient volume that it is economical to charter a whole barge. For example, TSIRC operates a building department that builds new houses and maintains and performs upgrade works to Council-owned housing assets for which it requires shipment of bulk building supplies. Major construction projects in the region include construction of new housing, seawalls and erosion protection works.

Fuel supply and delivery

21. TSIRC purchases all its fuel supplies from Sea Swift. Sea Swift both sells and delivers the fuel to TSIRC in intermediate bulk containers (IBCs), at a total price that includes delivery. TSIRC also purchase gas bottles from Sea Swift for resale to community residents, and empty bottles are collected by Sea Swift for return freight.
22. Unleaded fuel is acquired primarily for resale to community residents but also for TSIRC’s internal use in light vehicles and boats. Diesel fuel is sold by TSIRC and also used internally for vehicles and heavy machinery.
23. For seven communities within the region, TSIRC is the sole supplier of unleaded fuel. For all communities except Badu, TSIRC is the sole supplier of diesel fuel.

24. Fuel is a very substantial cost to TSIRC and being able to reduce fuel costs would be of great benefit to TSIRC and the communities because the cost savings would enable TSIRC to direct more funds into other projects, such as community infrastructure. While it would be possible for TSIRC to purchase fuel from other suppliers (for example, Reliance Fuels), those suppliers still rely on Sea Swift to deliver that fuel to the purchaser. In the past there have been significant problems with engaging Sea Swift to deliver fuel sold by other suppliers. At present, TSIRC is directly subsidising the cost of fuel for residents at Ugar and Mer while we work to upgrade the fuel facilities in these two communities.

Freight providers and the benefits of competition

25. The only regular scheduled freight service for the outer Torres Strait Islands is provided by Sea Swift. TSIRC has used Weipa Hire Pty Ltd Trading as Carpentaria Contracting for charter freight services.
26. In the past, there has been more than one freight provider operating a regular scheduled service in the OTSI.
27. When Toll Marine Pty Ltd (**Toll Marine**) started providing services to the OTSI in 2014, Sea Swift and Toll Marine competed vigorously for customers' business. This provided benefits to both the communities and the businesses operating within the region. TSIRC was able to achieve significant cost savings for charter freight services by seeking competitive quotes from Sea Swift and Toll Marine.
28. The competition between Sea Swift and Toll Marine also provided the option of having access to another regular freight service. The total number of services from Cairns to Horn Island increased from two services per week to three and service from Horn Island to the OTSI (except Ugar) increased from one service per week to two. This improved flexibility. Due to the additional deck space available (because of the increased number of services operating), TSIRC could move freight from Cairns more quickly. Customers were also less likely to have to wait for weeks to ship large items such as a car: when there were fewer services such items were less likely to fit on the barge.
29. Competition between Toll Marine and Sea Swift led to benefits to TSIRC (lower fuel prices and more frequent freight services), directly resulting in better services being provided to TSIRC's local government area. By having two scheduled freight operators in the OTSI, community members and Council experienced service levels that were missing from the Torres Strait for many years.
30. Another benefit was that TSIRC becomes more sustainable into the future. TSIRC operates on funding primarily from the State and Federal Governments. The revenues that TSIRC is able to generate itself are low, due to the low socio-economic status of the majority of the population in the OTSI. The cost savings or efficiencies created through competition were beneficial to the region and the communities residing within them by making freight services more frequent and affordable.
31. Sea Swift acquired Toll Marine in 2016 with authorisation from (and on conditions set by) the ACCC tribunal.
32. In 2016, MIPEC Pty Ltd (**MIPEC**) started operating in the OTSI. TSIRC engaged both Sea Swift and MIPEC as preferred suppliers. In September 2017, MIPEC assigned its contract to a new company, Arafura Blue Marine Pty Ltd (**Arafura Blue**). TSIRC procured freight and fuel from Arafura Blue from September 2017 until November 2017, when TSIRC resolved to appoint Sea Swift as its sole supplier. Arafura Blue has since gone into liquidation.

33. Since then, the only regular scheduled freight service for the outer Torres Strait Islands is provided by Sea Swift. Having only one scheduled service provider to the OTSI limits the options available to both TSIRC and the community.
34. Sea Swift currently provides only one barge service per month to Ugar (Stephen Island). Sea Swift provides indicative dates for this service; fixed dates cannot be provided because shipping to Ugar is subject to tides and prevailing weather conditions. With only the monthly service, the people of Ugar wait weeks for fresh food and mail. Sometimes they will receive calls from debt collectors about unpaid bills before they have even received the bill in the mail. TSIRC is investigating options to provide all-tides access to Ugar, subject to funding.

Problems faced by potential new scheduled freight providers

35. To provide the service levels required by TSIRC for scheduled freight services, the key service requirements are:
 - (a) reliability of delivery, which requires the provider to have back up vessels in case one breaks down; and
 - (b) availability of sufficient deck space to facilitate on-time delivery of large and bulk items.
36. From TSIRC's perspective, sea freight service providers in the OTSI must have a knowledge of the geography of the OTSI areas, and an understanding of the tides and seasonal weather conditions that impact delivery schedules and how to organise schedules in order to minimise the impact of these conditions. For example, poorly timed deliveries could result in unfavourable tide conditions resulting in the ability for the vessel to make deliveries but an inability for the vessel to leave an island owing to change in tide conditions. This could cause significant delays in some instances, which would have a domino effect on deliveries required at other communities on the relevant route.
37. The three largest users of freight services to the OTSI are TSIRC, Ergon Energy (power) and IBIS (supermarkets). It would be very difficult for another freight provider to enter the market without formal arrangements being in place with at least one of the three main freight users.
38. Additionally, the high set-up costs in the region may deter other providers from entering the region. A new entrant looking to service the OTSI would likely need several vessels and a large area on Horn Island to break down the freight from Cairns into smaller containers for delivery on smaller barges to the outer islands. Smaller barges are needed to be able to land on some of the ramps on the outer islands.
39. Silentworld, a marine freight provider which operated in FNQ from about 2010 to 2012, only managed to run a scheduled service as far as Horn and Thursday Islands. Rather than running its own vessel from Cairns to Thursday Island, Silentworld paid Toll Marine to carry its customers' freight on Toll Marine's service from Cairns to Weipa (which stopped at Thursday Island).

Compliance issues

40. TSIRC experiences various compliance issues that are attributable to, or exacerbated by, the high cost of freight in the region, including:
 - (a) a lack of secure, designated drop-off areas at each barge landing, resulting in unregulated drop-off procedures, congestion and potential safety issues
 - (b) contractors dumping excess materials on local government-controlled areas to avoid the cost of shipping these materials off the island

- (c) a build-up of car bodies in communities because the cost of shipping vehicles off the island at the end of their useful lives is prohibitive

Conclusion

41. TSIRC supports measures to encourage competition in the freight industry servicing Torres Strait, to increase the options available to both TSIRC and the community.
42. TSIRC continues to advocate the need for freight subsidies to reduce cost-of-living pressures for our constituents and support economic growth for the Torres Strait region.

Should you have any queries in relation to this submission, please contact [REDACTED]
[REDACTED]

Yours faithfully



Bruce Ranga

Chief Executive Officer