

28 July 2017

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Dear Sir/Madam,

National Freight and Supply Chain Strategy

Please find attached a submission in regards to the above mentioned inquiry.

Yours sincerely



Claire Wiseman
Chief Executive Officer

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SUBMISSION FOR THE NATIONAL FREIGHT AND SUPPLY CHAIN STRATEGY

The Far North SA Region

The Far North region of South Australia, as per Regional Development Australia Committee boundaries, covers approximately 80% of South Australia. The area has a land mass of just under 800,000km² with a population of ¹28,212 and incorporates the Anangu Pitjantjatjara Yankunytjatjara Lands. The region takes in the iconic Flinders Ranges and Outback region, popular and well visited tourism destinations in the State. The Flinders Ranges is also now recognised as a National Landscape.

The main townships in the region include (but are not limited to) Port Augusta, Quorn, Hawker, Leigh Creek, Copley, Lyndhurst, Marree, Innamincka, William Creek, Oodnadatta, Marla, Mintabie, Coober Pedy, Glendambo, Pimba, Woomera and Roxby Downs. Some of these remote townships are between 800 - 1,000 kilometres from Port Augusta, the largest city in the region (population of ¹13,985).

Port Augusta is known as the Crossroads of Australia, it's where Australia wide transport connects from north to south and east to west. The main access corridor is via the Joy Baluch AM Bridge which crosses the waters of the Spencer Gulf. Approximately ²700 heavy vehicles cross this bridge each day, which is approximately 7% of the average annual daily traffic. An alternative route for overwidth vehicles is via Yorkeys Crossing, which is a mainly unsealed bypass route around Port Augusta and is approximately 20km in length. Approximately 95 heavy vehicles use this alternative route per day, based on the average annual daily traffic count, which is 12% of the total vehicles.

A region's comparative advantage can stem from various resources, such as its geographical location, availability of natural resources, the existence of industry clusters, access to infrastructure or the skill profile of the local population. These underlying attributes influence the types of economic activity that are likely to be successful. They also have implications for development initiatives, which are generally more effective where they build on an existing strength.

The worth of regions'

According to the Regional Australia Institute ³regional Australia accounts for around 40% of national economic output and employs around one third of Australia's workforce. This is a significant contribution from sometimes very remote and sparsely populated areas. The regions house some of the largest contributors to that economy, those being mining and construction industries.

The challenge regional areas face is that often with economic data for Gross State Product/Gross Regional Product it is counted in the area it where it was sold/shipped or final value added, not always in the region where it was originally produced. This is a challenge which frustrates many regional areas and regional researchers alike. Therefore, gauging the correct value add of regions to these end results is skewed and hard to accurately calculate.

Industry Output and Value-Added

The estimated value of regional exports in the Far North SA region is as follows:

¹ ABS Census Data, 2011

² Heavy Vehicle Traffic Estimates, 24 hour two-way flows and (percentages of AADT), Produced by Department for Planning, Transport and Infrastructure, Road Asset Management Section, 15 September 2015.

³ The Economic Contribution of Regions to Australia's Prosperity, Regional Australia Institute, Talking Point

- ☐ Outback Communities Authority - \$3.6b (84% of the region's economic output) with mining the largest contributor with 85% of total export value compared to 72% for the wider Far North region.
- ☐ Roxby Downs - \$927.5m (77% of the region's economic output) with mining the largest contributor with 89% of total export value compared to 72% for the wider Far North region.
- ☐ The Flinders Ranges Council - \$42.3m (42% of the region's total economic output) with accommodation and food services, agriculture and transport generate over 70% of those exports.

There are many opportunities emerging in the region, particularly in the field of renewable energy generation, defence and intermodal transport hubs. Now is the time to build on and support these as best we can to ensure the long term viability of the regional economy, which in turn feeds into the State and Commonwealth economies.

Regional Infrastructure Plans

The ⁴SA Infrastructure plan outlines the transport priorities for the Upper Spencer Gulf and Outback region as follows:

⁴ Strategic Infrastructure Plan for South Australia Regional Overview, Department for Planning, Transport and Infrastructure, 2005/06 – 2014/15

Transport



Roads

The Stuart Highway is the major road route to the Northern Territory and the Eyre Highway connects eastern and western Australia. The Lincoln Highway connects Whyalla to the rest of the Eyre Peninsula.

Highway One is the primary connection between Adelaide and Upper Spencer Gulf, while Main North Road is an important tourism route, connecting the region via the Clare Valley and southern Flinders Ranges.

The Birdsville and Strzelecki tracks are major interstate tourist and road train routes. Numerous other roads in the Outback serve mining operations, pastoralists, the community and tourists.

The Adelaide to Port Augusta corridor forms part of the major road and rail freight network carrying freight between the Eyre Peninsula, Far North, eastern and western states and the Northern Territory. It is estimated that 15.3 million tonnes of freight are carried on this route each year.

Mining at Olympic Dam and in the Gawler Craton could see production more than double in five to 10 years, which may result in an additional 2.8 million tonnes per annum of gold, copper and associated products being transported through the region.

Intersection treatments for the major access roads into Port Pirie need to be improved, as well as the access to the port area for heavy commercial vehicles.

Yorkeys Crossing is important for the freight industry in the region.

Rail

The standard-gauge rail line servicing the region is part of the national network. The region is at the intersection of the Sydney–Perth and Adelaide–Darwin transcontinental rail lines. The extension of the standard-gauge railway from Alice Springs to Darwin has created new opportunities linked to trade through the Port of Darwin.

Approximately 80 rail services per week move through Upper Spencer Gulf. Increases in freight haulage of 50% could be accommodated. Major rail maintenance facilities located in Port Augusta create opportunities for further investment in rail servicing and freight enterprises.

A separate standard-gauge rail line links the Leigh Creek coal mines with the Northern and Playford power stations at Port Augusta. OneSteel owns (and Australian Southern Railway, ASR, operates) a private narrow-gauge rail system from its iron ore mines in the Iron Knob area to its steelmaking facility in Whyalla. In addition, the steel works is connected to Port Augusta by a public railway.

Sea Ports

The port at Whyalla is an indentured port giving OneSteel exclusive use. Port Bonython handles the export of petroleum products. The State Government has contributed to the construction of the new commercial fishing harbour at Fitzgerald Bay.

The Port Pirie harbour handles grain, fertiliser, metal ores and concentrates, and has some capacity to handle containerised cargo. Indications from the grain industry are that grain storage will be reduced at Port Pirie due to the limitations of the port for handling larger vessels.

A major challenge for the aquaculture industry will be to meet the burgeoning demand for new facilities.

Airports

Airports receiving scheduled airline services are located at Port Augusta, Whyalla, Roxby Downs and Coober Pedy. Flights between Coober Pedy and Alice Springs/Uluru are being investigated to bolster tourism to both regions.

Port Augusta is a smaller regional airport with a sealed runway and is the operational base for the Royal Flying Doctor Service (RFDS). The upgrade of the Port Augusta airport is being considered by local government. Port Pirie has a sealed runway and is a base for recreational and charter services. Port Pirie does not support a regular commercial service.

With the potential for expanded defence activity in the region, consideration may need to be given to upgrade local airport facilities (at either Whyalla or Port Augusta) to accommodate the larger defence aircraft. This will be dependent upon decisions of the Australian Government.

The Outback has numerous airstrips that are suitable for tourism and charter services as well as emergency strips used by the RFDS.

Land

Whyalla, Port Pirie and Port Augusta have all identified a need for serviced industrial parks and intermodal sites, situated away from residential development and where infrastructure can be easily and cost-effectively augmented for future industrial development.

Whyalla, Port Pirie and Port Augusta have also identified a need to develop waterfront areas for both community and economic development purposes.

Project	Priority	2005/6– 2009/10	2010/11– 2014/15	SASP Targets
Transport				
Capacity of Fitzgerald Bay fishing harbour ■ Construct new commercial fishing harbour at Fitzgerald Bay Lead – private sector, local government	U/way	✱		1.5
Transport services to support Olympic Dam expansion ■ Evaluate options to augment transport services for expanded operations at Olympic Dam Lead – private sector, State Government	1	✱	✱	1.12
Export facilities to support OneSteel's Project Magnet ■ Facilitate the upgrading of the export facilities at Whyalla to enable the shipping of haematite Lead – private sector	1	✱		1.12
Upgrade of Yorkeys Crossing ■ Consider the upgrade of Yorkeys Crossing bypass Lead – State Government	2	✱	✱	5.11
Airport capacity to service needs in the Upper Spencer Gulf ■ Assess the need for an upgrade to the airport facilities at Whyalla and Port Augusta Lead – Upper Spencer Gulf Common Purpose Group	2	✱		5.11
Growth in freight movement through Port Augusta ■ Consider an intermodal facility as part of a state-wide intermodal strategy to improve efficiency of freight movement Lead – private sector	2	✱		1.6
Expansion of transport infrastructure to support mining developments in the Gawler Craton ■ Facilitate provision of infrastructure to support mining developments in the region on a case-by-case basis Lead – private sector	2	✱	✱	1.12
Land				
Residential land regeneration ■ Continue investment in residential land regeneration at Risdon Grove (Port Pirie) and Myall Place (Whyalla) Lead – State Government	U/way	✱		6.4 6.5 6.7
Industrial land ■ Develop industrial estates at Whyalla, Port Pirie and Port Augusta Lead – private sector, local government	2	✱		1.6 5.11

This document supports the priorities that RDAFN has outlined in relation to heavy vehicle access, e.g. Yorkeys Crossing, intermodal facility in Port Augusta and transport infrastructure to support mining development in the Gawler Craton mineral province.

The ⁵Australian Infrastructure Plan outlines the priority projects for the region as follows:

Priority Projects (Priority Projects are potential infrastructure solutions for which a full business case has been completed and been positively assessed by the Infrastructure Australia Board. A Priority Project addresses a nationally-significant problem or opportunity.)

Adelaide – Tarcoola Rail Upgrade Acceleration - SA Rail reliability and axle loadings on the interstate rail network
- Timeline: Near term - National Connectivity

Priority Initiatives (Priority Initiatives are potential infrastructure solutions for which a business case has not yet been completed. A Priority Initiative seeks to address a problem or opportunity of national significance.)

Strzelecki Track upgrade and mobile coverage – Access to Cooper Basin (South Australia) – Timeline: Near term - National Connectivity - Business case development

South Australian regional mineral port development - South Australia bulk port capacity - Timeline: Medium term - National Connectivity - Business case development

Gawler Craton rail access - SA Freight rail connection to Gawler Craton mineral province - Timeline: Longer term - National Connectivity Options - assessment

The ⁶RDAFN Regional Roadmap, infrastructure priorities appendix has the following relevant projects listed (note: these priorities are discussed and agreed to by all Local Government partners):

- ☐ Security of National Transport Links to Perth and Darwin (Yorkeys Crossing) – Realign and seal wide load bypass road to ensure all weather access.
- ☐ Spencer Junction Relocation – relocation of rail yards allowing for urban development of vacated site.
- ☐ Flinders Ranges and Outback roads ‘black spot program’ – undertake a carefully prioritised program of upgrading key stretches of the vast outback and Flinders Ranges road system which pose the worse impediments to growth.
- ☐ Second Spencer Gulf Bridge Crossing – Provision of a second all-purpose/all-weather crossing of the Spencer Gulf

Regional Infrastructure Priorities

Strzelecki Track

The Strzelecki Track is some 472km long and spans from Lyndhurst to Innamincka in the far north of SA. It is mainly an unsealed road with six sealed overtaking lanes which are 7km long and 8m wide which allow vehicles the opportunity to overtake slower moving vehicles without the hazards of reduced visibility associated with dust and loose road surfaces. It is a major transport route for not only access to the Moomba Gas and Oil Fields but also a key tourism link between Queensland and South Australia.

Sealing the Strzelecki Track has been identified within the Economic Growth and Investment Strategies for Roxby Downs⁷ region, The Flinders Ranges Council⁸ region and the Outback Communities Authority⁹ as a priority across

⁵ Australian Infrastructure Plan, Infrastructure Australia, February 2006

⁶ Regional Development Australia Far North, Regional Roadmap, 2014

⁷ [Roxby Downs region Economic Growth and Investment Strategy 2016](#)

⁸ [Flinders Ranges Council Economic Growth and Investment Strategy 2016](#)

all three sub regions as well as being identified as a top priority within the Outback Communities Authority's oneOutback Prospectus¹⁰. Previous work has been undertaken on this project with a positive cost benefit ratio, however, it only focus on the minerals and resources sector. RDA Far North has been working with the Outback Communities Authority and have both committed to broadening the scope of work already undertaken to include aspects such as tourism, community, emergency services, economic opportunities, freight and any other areas worth considering, which will add further merit to the case for sealing and increase opportunities in seeking support for the project.

Also attached (attachment 1) is the infrastructure brief from ¹¹Infrastructure Australia for the Strzelecki Track which outlines the costings and benefit cost ratio as of 2015.

Yorkeys Crossing

Yorkeys Crossing is a mainly unsealed bypass route around Port Augusta and is approximately 20km in length. It is an alternative route for overwidth vehicles and for all vehicles should the Joy Baluch AM Bridge be closed or access restricted. The route is unsuitable to cater for both wide and heavy loads as well as local traffic, however it is impassable after just 6mm of rain.

Increased mining development in the region has placed more pressure on roads and transport infrastructure including an increase in the number of large mining machinery which pass through the area. A majority of these wide and large loads need to utilise Yorkeys Crossing, and whilst the road presents issues due to its sometimes deteriorating condition, it also adds extra time to already tight transportation timelines.

Spelling Facilities

In May 2017 it was announced that the intersection of the Stuart Highway and Yorkeys Crossing would be upgraded and a "pod" system by which to safely transfer cattle from truck to truck would also be constructed. This is a positive move forward for a much needed facility such as this.

However, the broader issue of there being no infrastructure to allow transport companies to unload and 'rest' animals still remains. RDAFN is once again working with the Outback Communities Authority to invest in undertaking a business case for multispecies livestock transshipping hub. RDAFN is also working with pastoralists in the far north of SA to assist with this project and to look at viable options.

Information in relation to the Terms of Reference and Discussion Paper

Decentralisation and redistribution of the population into regional centres

RDAFN recently forwarded a submission into the operation, effectiveness, and consequences of the Public Governance, Performance and Accountability (Location of Corporate Commonwealth Entities) Order 2016, see attachment 2.

This document shows our support for the decentralization of services for the Commonwealth, however, the same goes for other entities. Increases in populations as a result of the relocation of entities into regional areas and townships in turn puts pressure on major infrastructure such as roads and transport routes.

⁹ [Outback Communities Authority Economic Growth and Investment Strategy 2016](#)

¹⁰ oneOutback Prospectus 2017

¹¹ http://infrastructureaustralia.gov.au/projects/files/SA_Strzelecki_Track_assessment_brief2015.pdf

Discussion Paper – Inquiry into National Freight and Supply Chain Priorities

In reading the discussion paper the first thing that came to mind was the clear lack of reference to regional freight chains and priorities, the document was very city and urban centric. This is very disappointing.

Regional Australia provides the electricity to power cities and urban areas, it's where the food is grown and sourced and it's where the greatest wealth comes from in terms of major industries such as mining. Mining is undoubtedly the Far North region's dominant industry with ¹²11 operating mines in South Australia, seven of which are located in the Far North region and of the 34 developing projects, 18 of these are in the Far North region. The movement of massive machinery and vehicles by mining companies through our region, and utilisation of the main transport routes, is a very common sight.

As previously mentioned, some of our key priorities are referred to in the Australian Infrastructure Plan and national key freight routes map e.g. Strzelecki Track. In fact, the national key freight routes shows all routes with the major ones running mainly through regional and remote Australia. Whilst the main distribution areas are based in capital cities or urban areas, transport routes need to travel through our regions to meet their destinations.

To investigate regional needs it is recommended that a separate dot point within the discussion paper be considered for further discussion, with that being *Regional Growth Pressures*. This can look at similar factors such as *3.1 Urban Growth Pressures*, for example:

- ☐ The key issues for freight in Australia's regional areas are substandard road surfaces, major regional links being inaccessible e.g. if the Joy Baluch bridge is closed or speed restricted and wet weather also closes the alternative route, Yorkeys Crossing, then effectively east to west movements stop, (as a side note due to pedestrian access not being available via the Great Western Bridge in Port Augusta, Joy Baluch AM Bridge is currently restricted to 40km/h, this has placed pressure on heavy vehicles with some now using the alternative Yorkeys Crossing, however, when wet weather is experienced this road also closes due to the unsealed surface which effectively means that trucks are unable to use this and therefore it then puts increased pressure on the Joy Baluch AM Bridge), redistribution of funding for regional areas, lack of cross loading and spelling facilities in the Far North SA region, major transport routes still being unsealed roads etc.

Summary

RDAFN will continue to lobby for the infrastructure priorities as outlined in this submission, for example:

- ☐ Sealing of the Strzelecki Track from Lyndhurst to Innamincka
- ☐ Sealing of Yorkeys Crossing bypass route
- ☐ Duplication of the Joy Baluch AM Bridge
- ☐ Construction of multispecies livestock transshipping hub

More emphasis and recognition of the value of regional areas and regional major transport corridors in high profile documents and for consideration in this inquiry as well as infrastructure within the major regional city centres to support this needs to be incorporated.

The focus on decentralisation of government and private entities is a very positive outcomes for regional areas, however, the increased populations and traffic movements does put extra strain on our infrastructure systems.

¹² http://www.minerals.statedevelopment.sa.gov.au/mining/mines_and_quarries

The growing mining industry in the Far North SA region and the increased movement of heavy mining machinery and equipment through the region places a large strain on the current infrastructure.

We invite and would welcome the expert panel to hold a hearing within the Far North SA region in order to highlight the value of regional areas and to undertake a tour to provide an opportunity for further input via presentation to this submission.

2015-2016 Assessment Brief

Recommended rating:	Early Stage
Current rating:	New submission
Initiative Name:	Strzelecki Track Upgrade and Sealing
Geography:	South Australia
Proponent:	Government of South Australia Department of Planning, Transport and Infrastructure
Project description:	<p>The project involves sealing and upgrading 426 kilometres of the Strzelecki Track between Lyndhurst and Innamincka, and the upgrade and sealing of an additional 26 kilometres (the currently unsealed Nappa Merrie Access Road) between Innamincka and the Queensland border, connecting to Adventure Way. Once completed, it would form a sealed east-west land freight transport road link between Adelaide and Brisbane.</p> <p>The upgrade will provide an essential transport corridor to the expanding oil and gas industry in the Cooper Eromanga Basins and the pastoral industry in North East South Australia, increasing freight productivity and facilitating greater opportunities for trade and economic growth.</p> <p>The Strzelecki Track was identified in the Australian Infrastructure Audit as a key freight route. The project was also identified as a priority initiative for Regional South Australia, including in South Australia's Integrated Transport and Land Use Plan and the Roadmap for Unconventional Gas Projects in South Australia.</p> <p>Project objectives include:</p> <p>The objectives identified by the proponent for the Strzelecki Track upgrade and sealing project in South Australia (SA) include:</p> <ol style="list-style-type: none"> 1. Reducing travel times and vehicle operating costs (including fuel, emissions and maintenance costs), particularly for heavy vehicles accessing the Santos oil and gas processing facility in Moomba from Port Augusta, as well as existing mining and onshore gas exploration in the Cooper Basin; 2. Improving travel time reliability for freight (including gas, beef and cattle), tourists and people in remote communities by reducing the frequency/duration of road closures and providing safer opportunities for overtaking slower moving vehicles; 3. Reducing the frequency and severity of crashes associated with overtaking, fatigue and the uneven road surface; and 4. Improving access for high productivity freight vehicles. <p>Problems the project seeks to address:</p> <p>Outside of the Strzelecki Track, there is no alternative land route available between Adelaide and the Cooper Basin. Currently, the problems identified by the proponent for the unsealed Strzelecki Track include:</p> <ol style="list-style-type: none"> 1. The existing road condition and configuration has deficiencies that reduce travel speed (e.g. roughness, potholes and corrugations) and increase vehicle damage; 2. The lack of drainage and an all-weather surface make travel times unpredictable, with the road frequently inaccessible or closed due to flooding, wet conditions and incidents; 3. The road is not sufficiently wide/delineated for the safe operation of the most productive heavy vehicles, such as Performance Based Standard Level 4 (triple road trains and similar); and 4. The condition, alignment, configuration and remoteness of the road contributes to higher road crashes and trauma.

The national significance of the project is linked to growth in the emerging onshore oil and gas industry (including the scale of planned investments, volume of resources, potential employment growth, and forecast growth in gas exports).

South Australian Government consultation with industry has suggested that the current condition of the Track is having a significant impact on petroleum and freight companies operating in the Cooper Basin, potentially limiting investment. These impacts include: higher transport operating costs, damage to time sensitive freight, and delays due to road condition and closures.

Traffic in the study area is forecast to grow from 237 vpd in 2014 (49% heavy vehicles) to 724 vpd (60% heavy vehicles) by 2048 (including traffic around Moomba).

The South Australian Government has recently committed to invest in an airstrip at Innamincka (currently in the procurement phase) to support the movement of personnel to and within the Cooper Eromanga Basin. This is considered a complementary project and has not been explicitly modelled in the economic appraisal as it is not expected to have a material impact on projected growth in traffic on the Strzelecki Track.

Project solution:

The preferred solution proposes to upgrade and seal 426 km of the (currently unsealed) outback Strzelecki Track between Lyndhurst and Innamincka in outback north eastern South Australia, and an additional 26km (the unsealed Nappa Merrie Access road) which connects to the Adventure Way at the QLD / SA border. The scope of works includes:

- Earthworks, drainage and causeway works;
- Pavement construction and sealing to deliver a two lane two way road (3.5m lane width with 1.0m sealed shoulders); and
- Minor realignments and traffic management devices.

Capital Cost of Initiative by Proponent (\$ millions, nominal, undiscounted):	\$450 million
Contribution sought by Proponent including requests for project development funding (\$ millions, nominal, undiscounted):	100%
Other funding (source/amount/cash flow) (\$ millions, nominal, undiscounted):	Under investigation
High level development and implementation program (month/year):	Construction: 2014/15-2017/18
BCR stated by proponent:	4.9:1

Strategic alignment summary

Alignment with Infrastructure Australia's Strategic Priorities:

The Strzelecki Track Upgrade and Sealing Project aligns with a number of Infrastructure Australia's Strategic Priorities by increasing the productivity of the freight task for the oil, gas and pastoral sectors operating in the Cooper and Eromanga Basin, by improving connectivity in the region by creating a sealed freight route between Brisbane and Adelaide and by improving social equity and quality of life through the provision of better access to remote and isolated communities/tourist businesses near Innamincka.

The Australian Infrastructure Audit identifies the Strzelecki Track as a key freight route, on the basis that the economic contribution of the Cooper Eromanga Basin to the oil and gas industry may be significant.

Alignment with State Strategic Priorities:

Sealing the Strzelecki Track is identified as a priority for regional South Australia in South Australia's Integrated Transport and Land Use Plan and the Regional Mining and Infrastructure Plan, aligning with the goals of a strong, diverse economy and connected communities. Improvements to the Strzelecki Track are identified in the SA Government's Roadmap for Unconventional Gas Projects in South Australia. The initiative also aligns with the South Australian Government's Strategic Priority of 'realising the benefits of the mining boom for all South Australians'.

Problem assessment summary

The Strzelecki Track between Lyndhurst and Innamincka is currently unsealed and is the only access from the National Land Transport Network near Port Augusta to:

- The Santos oil and gas processing facility at Moomba;
- Oil, gas and pastoral sectors operating in the Cooper and Eromanga Basin; and
- Remote and isolated communities/tourist businesses near Innamincka.

The problems related to the unsealed Strzelecki Track are identified by the proponent as:

- The existing road condition and configuration has deficiencies that reduce travel speed and increase vehicle damage;
- The lack of drainage and an all-weather surface make travel times unpredictable, with the road frequently inaccessible or closed due to flooding, wet conditions and incidents;
- The road is not sufficiently wide/delineated for the safe operation of the most productive heavy vehicles, such as Performance Based Standard Level 4 (triple road trains and similar); and
- The condition, alignment, configuration and remoteness of the road contributes to a higher road crash and trauma risk potential.

South Australian Government consultation with industry has suggested that the current condition of the Track is having a significant impact on petroleum and freight companies operating in the Cooper Basin, including reports of higher transport costs, damage to time sensitive freight, delays due to road condition and frequent road closures as a result of flooding.

The proponent through industry consultation has identified a range of potential projects in the emerging unconventional oil and gas industry in South Australia, noting the prospective scale of the industry e.g. potential to create 2,500 jobs and attract hundreds of millions of dollars to the region.

The significance of the project is linked to supporting this development, to the extent that:

- The track is the only land link running north-south in the supply chain sustaining current and future oil and gas exploration in the Cooper Eromanga Basin;

- The upgrade and sealing of the track is a key factor in reducing cost curves in the development of unconventional gas; and
- Equipment such as drill rigs and specialist supplies need to be developed, booked and imported far in advance.

Solution assessment summary

The options considered by the proponent include non-infrastructure solutions (i.e. a reduction in posted speed limits to reduce crash rates) and infrastructure solutions (i.e. a higher road level to retain access during floods, provision of regular overtaking lanes and the proposed road upgrade and sealing).

The options are summarised below:

- Option 1 (Base Case) – Current funding levels maintain existing unsealed road condition;
- Option 2 – Provides slight improvement to existing unsealed road condition with pavement resheeting every 10 years;
- Option 3 – Provides moderate improvement to existing unsealed road condition with engineered pavement formation and resheeting every 10 years; and
- Option 4 (Preferred Option) – Provides major engineered upgrade and surface sealing for the entire unsealed route length.

A Benefit Cost Ratio (BCR) was calculated for Options 2 – 4. Option 4 (the preferred option) produced the highest BCR, as the option provided the greatest improvements to the resilience of the corridor in regards to combatting adverse weather conditions (flooding) and the greatest freight efficiency improvements.

Economic appraisal summary

The stated Benefit Cost Ratio for the project is 4.9:1 (P90 capital costs).

The project's capital cost estimate is at an early (deterministic) stage of development and includes a risk allocation of around 50 per cent. The total level of risk consideration has been determined by assessing specific elements of the project such as project scope, risks, constructability, key dates, technical information and project length. The South Australian Government has advised that work has commenced work on a probabilistic cost estimate as a result of further concept planning work. Although there are some elements of the project that require further more detailed planning, indications are that the strategic estimate remains viable.

The proponent provided evidence to support the traffic forecast increases of 2.6% per annum, as well as evidence to support the increases in traffic related to new oil and gas projects and the proposed 5 year ramp-up period. This evidence included historical traffic growth rates on the Strzelecki Track (between 2005 and 2013), based on actual traffic counts, the traffic forecasts were further supported by the predicted growth in South Australian freight task. The proponent also indicated that industry consultation has taken place supporting the estimated growth in Oil and Gas related vehicle traffic.

The proponent conducted a range of sensitivity tests in relation to the demand assumptions including:

- A low demand scenario, consisting of 1% per annum growth for the Strzelecki track and local traffic around Moomba (reducing the BCR to 4.8:1);
- A 15 year ramp up for traffic related to oil and gas projects, instead of an assumed 5 year ramp up in the core demand scenario (reducing the BCR to 4.0:1); and
- 'Low' and 'high' oil and gas project scenarios, based on the 38 drilling rigs assumed in the medium scenario changing to 15 and 75 drilling rigs respectively (providing a BCR range of 2.5:1 to 8.9:1.).

The project's BCR remains above 1 under all demand sensitivity tests.

The proponent indicates they are exploring the potential for private sector funding for the road upgrading and sealing components of the project. Given the scale of economic benefits that relate to freight industry supply chain savings, results from this investigation should further confirm the economic benefits of the project.

Deliverability summary

The project is at the preliminary concept planning stage and much of the evidence to support the preferred option still needs to be undertaken. The proponent states that, 'project timing will be influenced by considerations such as planning, aboriginal heritage, land acquisition and environmental approvals, design, sourcing of outback road making materials, water and construction issues.'

The Australian Infrastructure Audit recognises the importance of facilitating private sector infrastructure investment. The completion of the project will benefit in most part, private sector mining companies, as a result the proponent should explore alternative funding options including mechanisms designed to extract a private sector contribution. In addition, the ability to attract private sector funding would further illustrate the importance of the emerging oil and gas industry and hence the demand forecasts.

Overall Assessment

The Australian Infrastructure Audit identifies the Strzelecki Track as a key freight route. Evidence suggests the Strzelecki Track upgrade will play a key role in supporting the petroleum, freight and agricultural industries in South Australia. In addition the project will increase the connectivity between South Australia and Queensland.

The options assessment considers various infrastructure solutions (i.e. a higher road level to retain access during floods, provision of regular overtaking lanes, pavement resheeting and the proposed road upgrade and sealing) and has conducted an economic appraisal of these options, finding that the full road seal provides the largest economic benefits and BCR.

The net present value of the option was assessed at \$1.3 billion, with a BCR of 4.9:1. The strong BCR has been shown to be robust to several sensitivity tests, but is particularly sensitive to the estimated freight task servicing the Cooper Eromanga Basin (accounting for 62% of the project benefits).

The proponent is yet to clarify alternative funding sources for the project.

To facilitate progression to more advanced stages the proponent should provide independently verified capital cost estimates and further explore a private sector contribution to the project and alternative funding arrangements.

Infrastructure Australia Priority List Recommendation

IA assesses the project as Early Stage on the Infrastructure Priority List.

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SUBMISSION FOR THE OPERATIONS, EFFECTIVENESS, AND CONSEQUENCES OF THE PUBLIC GOVERNANCE, PERFORMANCE AND ACCOUNTABILITY (LOCATION OF CORPORATE COMMONWEALTH ENTITIES) ORDER 2016

The Far North SA Region

The Far North region of South Australia, as per Regional Development Australia Committee boundaries, covers approximately 80% of South Australia. The area has a land mass of just under 800,000km² with a population of ¹28,212 and incorporates the Anangu Pitjantjatjara Yankunytjatjara Lands. The region takes in the iconic Flinders Ranges and Outback region, popular and well visited tourism destinations in the State. The Flinders Ranges is also now recognised as a National Landscape.

The main townships in the region include (but are not limited to) Port Augusta, Quorn, Hawker, Leigh Creek, Copley, Lyndhurst, Marree, Innamincka, William Creek, Oodnadatta, Marla, Mintabie, Coober Pedy, Glendambo, Pimba, Woomera and Roxby Downs. Some of these remote townships are between 800 - 1,000 kilometres from Port Augusta, the largest city in the region (population of ¹13,985).

A region's comparative advantage can stem from various resources, such as its geographical location, availability of natural resources, the existence of industry clusters, access to infrastructure or the skill profile of the local population. These underlying attributes influence the types of economic activity that are likely to be successful. They also have implications for development initiatives, which are generally more effective where they build on an existing strength.

Introduction

It is worth noting that the information contained in this submission is not specific to the Public Governance, Performance and Accountability (Location of Corporate Commonwealth Entities) Order 2016 made by Mathias Cormann, Minister for Finance on 23 November 2016. It is in response to an invitation to submit received from Senator the Honourable Fiona Nash and the Honourable Barnaby Joyce MP. Ms Nash and Mr Joyce sought our submission based on providing regional information on the operation, effectiveness and consequences of relocating corporate Commonwealth entities, as well as the economic, environment and capability implications.

²Commonwealth Entities Currently in the Far North Region

The following Commonwealth Government Departments and Entities have a presence in the Far North region:

Non-corporate Commonwealth entity – commonwealth entity that is not a body corporate

Department of Defence (M, #)

- ☐ Cultana Training Facility

Department of Education and Training (M)

¹ ABS Census Data, 2011

² Australian Government Department of Finance, Public Governance, Performance and Accountability Act 2013 (PGPA Act) Commonwealth entities and companies 1 July 2015. www.finance.gov.au/flipchart

- ³Department for Education and Child Development – 18 schools (not including preschools, child care centres, occasional care centres or after school hours care) with 7,650 students (including School of the Air).

Department of Employment (M)

Australian Electoral Commission (M, #)

Department of Human Services (Centrelink and Medicare) (M)

Department of Infrastructure and Regional Development (M)

- ☐ Regional Development Australia Far North

Department of the Prime Minister and Cabinet (M)

- ☐ Department of Social Services (M)

Commonwealth Company – Corporations Act 2001 company that the Commonwealth Controls

Outback Stores Pty Ltd (^)

- ☐ Mimili, Oak Valley and Yalata

²(M – Material entities (comprising 99% of revenues, expenses, assets and liabilities of the total General Government Sector). All Departments of State are considered material in nature.

- Entities can engage officials under enabling legislation as well as *Public Service Act 1999*. These include Defence under the *Defence Act 1903*, the *Naval Defence Act 1920* and the *Air Force Act 1923*.

^ - Entities that do not engage staff under the *Public Service Act 1999*)

The total employment figures of these Commonwealth entities is unknown, however the contribution of these entities to the overall employment figures for the region is worth noting and taking into consideration.

The worth of the regions'

To understand why Commonwealth entities should be located in and service regional and remote Australia, we must consider the worth and contribution to the economy of these regions.

According to the Regional Australia Institute ⁴regional Australia accounts for around 40% of national economic output and employees around one third of Australia's workforce. This is a significant contribution from sometimes very remote and sparsely populated areas. The regions house some of the largest contributors to that economy, those being mining and construction industries.

The challenge regional areas face is that often with economic data for Gross State Product/Gross Regional Product it is counted in the area it where it was sold/shipped or final value added, not always in the region where it was originally produced. This is a challenge which frustrates many regional areas and regional researchers alike. Therefore, gauging the correct value add of regions to these end results is skewed and hard to accurately calculate.

³ Department for Education and Childhood Development, www.decd.sa.gov.au, 2015 site summary statistics

⁴ The Economic Contribution of Regions to Australia's Prosperity, Regional Australia Institute, Talking Point

The Regional Australia Institute also state that ⁵the co-operative development of joint regional level implementation structures has emerged as a preferred method for implementing change. Key examples of this now established preference include:

- ☐ Health and Hospital Networks and Medicare Locals
- ☐ Natural Resource Management Organisations
- ☐ Regional Development Australia Committees
- ☐ Indigenous Coordination Centres and Regional Operations Centres
- ☐ Enterprise Connect
- ☐ Job Service Providers.

However, whilst there has been some reform in the area of creating regional offices for these main Commonwealth Government services, keeping it at this current level will not benefit regions or regional populations in the long term. The provision of these services and more needs to be considered if regions are to continue to grow.

Regional Australia provides the electricity to power cities and urban areas, it's where the food is grown and sourced and its where the greatest wealth comes from in terms of major industries such as mining. Mining is undoubtedly the Far North region's dominant industry with 15 operating mines in South Australia, nine (9) of which are located in the Far North region and of the 34 developing projects, 18 of these are in the Far North region.

Industry Output and Value-Added

Economic modelling undertaken by SC Lennon and Associates in preparation of Economic Growth and Investment Strategies for the Outback Communities Authority and Roxby Downs Council shows the following gross revenue and value-added estimates:

- ☐ Outback Communities Authority – Gross Revenue = \$4.4b with the regions mining sector accounting for over three quarters of economic output. Total value-added estimate = \$1.7b, which is 55% of the total for the whole Far North region. The majority of the Outback Communities Authority region industry value-added is attributable to mining, which accounts for around three quarters (74%) of the regions total value-added.
- ☐ Roxby Downs - Gross Revenue = \$1.2b with the regions mining sector accounting for over two thirds (70%) of economic output. Total value-added estimate = \$400m, which is 13% of the total for the whole Far North region. The majority of the Outback Communities Authority region industry value-added is attributable to mining, which accounts for 60% of the regions total value-added.

⁵ Regional Australia Institute Submission, December 2013 Optimising regional investment: opportunities for reform, innovation and efficiency

The total estimated value of regional exports is as follows:

Outback Communities Authority - \$3.6b (84% of the region's economic output) with mining the largest contributor with 85% of total export value compared to 72% for the wider Far North region.

- □ Roxby Downs - \$927.5m (77% of the region's economic output) with mining the largest contributor with 89% of total export value compared to 72% for the wider Far North region.

There are many opportunities emerging in the region, particularly in the field of renewable energy generation, defence and intermodal transport hubs. Now is the time to build on and support these as best we can to ensure the long term viability of the regional economy, which in turn feeds into the State and Commonwealth economies.

Case Studies

⁶“Accessibility to the APS is one indicator to gauge citizens’ levels of satisfaction. Since the 1977 Coombs Commission, Australian citizens have expressed dissatisfaction with their level of access to Commonwealth public servants, about one-third of whom are based in Canberra. Citizens residing outside state capitals and in remote and rural areas are most likely to report this source of dissatisfaction, and calls to situate public services offices in rural areas are not uncommon.”

In 2003 the Western Australian Government initiated a program to roll all corporate services into one department, with the program being implemented in 2005. The amalgamation was to include 80 of the 150 government agencies corporate services such as payroll, human resources, finance and procurement with health, education and police-related agencies excluded from the program. The basis of this program was to centralise services. It was believed that the implementation of the program would result in \$54 million/year savings, after an initial set-up cost of \$82 million. As of 2011, 58 agencies and 37% of the public sector staff included in the review were transferred. However, due to massive cost blowouts, reported to be in the vicinity of \$401 million, and with only minimal savings achieved the shared services review was decommissioned.

Another example of an unsuccessful attempt at centralising and sharing services was the Queensland Government's health payroll upgrade. With an original budget of \$98 million and due for completion in July 2008, the project was the subject of a royal commission in 2013 and the cost to tax payers was estimated to be \$1.2 billion by 2020.

South Australia also tried its hand at centralising services through a shared services arrangement which had a focus on Adelaide-based centralisation, with the announcement for the program being made in 2006. The original business case estimated that the implementation of the program would save \$130 million over four years, offset by costs of \$60 million over the same years. The 2006 budget promised savings of \$60 million per year. In 2008 the project was already behind on its timeline as were its estimated savings, however, these were considered attainable over a longer period. In the 2009/10 financial year the project had suffered more delays which results in the expected savings being \$43 million less, and an additional \$8.3m required for implementation. At this stage the timeline was still unclear.

⁶ The State of the Australian Public Service – An alternative report, James Whelan, Centre for Policy Development, August 2011

There are several reasons as to why these above examples have ultimately failed. The first could be seen to be that the Government's didn't learn lessons from the start and previously failed reforms and made the same mistakes again. Also, these were conducted at a State level therefore it could be seen that they may not have had the necessary Commonwealth backing and support needed to successfully implement them. There is also the view that as Government agencies tend to work as individual organisations, attempting to bring some services together may highlight issues with them not having the same goals or issues. The reason for doing the reviews may also be an issue e.g. cost savings as the main focus when maybe a focus on service improvement should be considered a driver.

In December 2009, the Department of Human Services (which incorporates Medicare Australia, Centrelink, Child Support Agency, CSR Australia and Australian Hearing Services) looked at improving its service delivery by reforming areas such as the creation of single point access to a wider range of Government services with co-locating offices, taking services directly to Indigenous community and remote Australia through mobile offices and implementing a "tell us once" system. This reform has been successful. Why? It is believed that the reform had strong leadership and committed backing from the Government and its key staff which drove the reform. It also adds benefits to the end customer who now have a multi-agency access point, hence a focus on service improvement and delivery as a key driver, as mentioned above.

Remote Australia Governance

Many studies and research has been undertaken into the past, present, failings and successful governance models for remote or regional Australia.

In September ⁷2012, Desert Knowledge Australia, through their RemoteFOCUS entity, produced a report entitled *Fixing the hole in Australia's Heartland: How Government needs to work in remote Australia*. Some poignant and relevant findings of this report are as follows:

- ☐ Remote Australia's diverse regions are confronted by common issues: issues globally familiar and presenting complex local challenges. They are common to regions where people reside remotely from centres of economic and political power but are facing rapid social and economic change. Whilst it is important to recognise the limited influence that public policy can have on some aspects of these issues, present governance arrangements which have developed incrementally over 20 years or more are not well attuned to the current circumstances and emerging trends in remote Australia. There are many potential ways of remedying these structural governance problems, but the more promising prospects involve greater degrees – and varying patterns – of community engagement and decentralised governance.
- ☐ The key outcome of the developing of new governance principles should be the creation of locally appropriate institutions that have sufficient authority, legitimacy and effectiveness to fulfil their functions. The current three-tiered system of government fails to do this adequately in remote Australia.

⁷ Fixing the hole in Australia's Heartland: How Government needs to work in remote Australia, Desert Knowledge Australia, RemoteFOCUS, September 2012 Dr Bruce Walker, Dr Douglas J Porter, Professor Ian Marsh

- What is required is an intense regional engagement around issues, needs, objectives, responsibilities and capabilities, and structures to develop new governance arrangements that meet the criteria outlined above. Such engagement across all sectors has to be mandated by political leadership in those sectors.
- A Desert Knowledge Australia remoteFOCUS workshop in November 2010 gathered a large and diverse group of community people and public servants from remote Australia to frame and refine eight key concerns that would have to be addressed in order to judge success of public sector governance reforms across remote Australia:
 - Key Concern 4: Sustained Long Term Investment in Local Communities and Institutions (Civil Society). Remote Australia is characterized by inadequate institutional capacity and governance arrangements that significantly undermine efforts to improve outcomes, deliver meaningful service and improve underlying conditions. Local communities, regions and institutions too often struggle to effectively engage with governments and with the issues that government is trying to tackle. Governments, likewise, too often do not have the capacity, capability, perspective or governance arrangements to effectively engage with the issues and with local communities and institutions.
 - Key Concern 5: Ensuring Continuity and Effectiveness of Public Servants Servicing Remote Australia. Public servants do not have attractive or rewarding career incentives to work in remote Australia. As a result remote Australia suffers from a chronically high turnover of public servants. Consequently little accumulated knowledge is retained in public institutions. There are few incentives to 'see through' specific initiatives and there is weak accountability for achieving tangible outcomes. The result is a fragmented unduly high cost and inconsistent interface between governments and remote citizens in which frustration erodes positive working relationships.
 - Key Concern 6: Closing the Gap between Intentions and Outcomes. Governments contract other institutions to deliver services in remote Australia. This model does not work. The transparency and accountability of the contracting process and the relationship between the service purchaser and provider plays a significant role in the ongoing difficulties in achieving effective service delivery and development of realistic and effective programs that address local needs and conditions. It also skews data and policy development.
 - Key Concern 7: A National Social and Economic Strategy for Remote Australia. There is no strategy, no considered development framework and, despite many successive attempts, little coordination amongst the tiers of government, the various jurisdictions or the people and communities that make up remote Australia.
- We demonstrate that governance arrangements are a threshold cause of policy failure. Centralised protocols and siloed departments undercut local responsiveness. Effective governance can ultimately be achieved with the active involvement of the affected citizens.
- Nonetheless, based on our review of experience of remote Australia, and global trends in how generically similar problems across a wide range of situations are being tackled, we feel that a higher degree of local autonomy – possibly including the creation of new authorities on a regional basis – will be required. If coupled with greater clarity and stability in the assignment of responsibilities amongst local, regional and higher level authorities and, crucially, adequate and predictable financing, this is likely to both improve the quality of outcomes and increase accountability for the achievement of those outcomes.

Whilst the above extracts relate to a study undertaken in 2012, the findings are still relevant to today. The people that know how our regions work, what the issues are, who to connect with regionally etc are based in our regions, not in capital cities. The people that work 'on the ground' have the knowledge and connections. This is evident when government departments that come to the regions to consult with residents and businesses do so through their regional counterparts or organisations, such as Regional Development Australia committees. If you want to know what our regions want....ask us. Only those that live and work in the regions can really tell you what is needed, what works well and what doesn't and what service they would like to see from government.

Regions and remote areas of Australia should have the same standard of service delivery as the metropolitan and urban based residents. In other words, they should be able to talk face to face with a Commonwealth Government/Department employee they require assistance from in the same way you can walk into an office in the city and do so.

There are some 180 Commonwealth entities and companies in total, with only approximately 4% of these having regional offices in the Far North SA region. Whilst the majority of Commonwealth entities and companies can be accessed via telephone or the internet, this in turn poses a problem for many in the remote and regional areas who do not have reliable access to phone lines or the internet. Creating more regional Commonwealth offices in the regions brings more employment options, which in turns lifts housing affordability and supports local small and medium business. It increases the population which also has flow on effects for schools and educational institutes. Whilst regional placement of staff may not save money, it may lead to increased efficiency and effectiveness as there will be a greater understanding of local delivery nuances.

Not only does it have all the economic benefits as mentioned above, but the regions offers safe and clean environments for families, easy access to schools and parks, affordable housing, no traffic jams, quiet and laid back lifestyles and a chance for residents to be part of supportive and thriving communities.

We invite and would welcome the Finance and Public Administration References Committee to visit the Far North Region and undertake a tour to provide an opportunity for further input via presentation to this submission.

⁸There is a critical need for a different governance structure to be implemented for the Outback. A structure that is essentially one of support for the Outback, agreed to by the Australian people with implementation carried out at the regional or local level. This requires a structure that has the authority to focus solely on Outback Australia, to provide regional coordination and address the current imbalance at a cross jurisdictional level.

⁸ Gavin, J. (2015) Outback Policy Paper. *The Future of Outback Australia*. Remarkable NRM