EXPRESSIONS OF INTEREST - Scoping Document

To undertake a capability study into freight and logistics and its supporting infrastructure for the Orana region

Background

Australia’s freight task is forecast to increase significantly in the coming decades, with the Bureau of Infrastructure, Transport and Regional Economics (BITRE) predicting almost a doubling of the 2010 task by 2030. The enormity of the increase will place immense pressure on infrastructure, the environment, safety, congestion, and amenity.

Freight productivity affects all Australians. The costs of goods and services, from the price of bread and milk at the local supermarket to the minerals and agricultural products exported through our ports, are directly impacted by the cost and efficiency of transport. Improved efficiency and productivity of freight operations reduces costs thus benefiting the nation.

The enhancement of freight productivity is critical to maintaining Australia’s economy and standards of living. This is particularly so within a slowing global economy where profit margins are reduced and where waste and inefficiency become significant factors in business sustainability.

Industry and Government at all levels have recognised the need for improvements and investment into regional infrastructure, especially in relation to freight and logistics requirements.

ACIL Allen has made an estimate of the true size and impact of Logistics in Australia. It estimated that the logistics sector employs 1.2 million people and added $131.6 billion dollars to Australia’s economy in 2013. This represents 8.6 per cent of the nation’s GDP in 2013.

The National Transport Commission (NTC) Australia has conducted numerous studies, prepared discussion papers and written policy that affects the freight network nationally and highlights the need for infrastructure investment. Included in this is the construction of the Inland Railway which will travel through the Orana region.

The productivity of freight rail has been an area of concern for governments and the rail sector for the past 30 years (Productivity Commission 1999) and discussions around the role that Government has in investing in rail is well documented.
Priority 4 in the NSW Government Regional Action Plan, Orana relates to improving regional infrastructure. It specifies actions such as developing a NSW Freight and Port Strategy; improving regional roads and bridges; and providing funding to local councils to improve local infrastructure.

The role of freight and logistics in the continued and expanded economic viability and prosperity of the region provides the impetus for this study. A report of this nature will potentially:
- reduce the duplication of future studies and ad hoc requests for funding;
- maintain stability to industry, communities and the region; and
- increase regional investment and funding from government and from industry; and
- enhance regional productivity.

The Orana region

The Orana region comprises around 25% of the total state of NSW, and is home to approximately 123,000 people. It encompasses thirteen local government areas, and corresponds approximately with the Australian Bureau of Statistics North Western Statistical Division. A map of the region showing the location of the region within NSW, each of the local government areas, the main population centres and main roads is provided at the end of this document.

Three major industry sectors – mining, agriculture and public, health and community services collectively contribute over 28% of Orana’s estimated $7 billion Gross Regional Product and over 32% of Full Time Equivalent employment.

Mining is the highest value industry, adding $2,226 million to the Orana Gross Regional Product (GRP) in 2015. Mid-Western Local Government Area (LGA) contributed about $1,280 million and Cobar LGA contributed $758 million to this total.

However, agriculture is the dominant industry in the region, utilising 86% of the area (27% of the total agricultural land in NSW). The output equals approximately $1 billion or 11.7% of the state’s agricultural production. Agricultural industry jobs provide over 20 percent of the employment in the region.

Within the region, the largest contributors to agricultural GRP are the Local Government Areas of Warren ($158 million), Mid-Western ($145 million), and Walgett ($114 million), with Coonamble, Gilgandra and Wellington contributing an average of $80 million each.

Manufacturing and value-added products (eg. Steel and wine), contributed $610 million to Orana’s GRP, with Dubbo LGA adding $416 million and Mid-Western LGA adding $241 million.

Freight volumes, consistency and movements in the Orana region are related to seasonal conditions. For example, variable agricultural production per season and manipulation of mining production to accommodate market prices and demands, create challenges to consistency in achieving economies of scale. These uncertainties are exacerbated by the vast distances to market or ports.

Project proponents

This project is an initiative of the Orana office of Regional Development Australia (RDA Orana), in partnership with Beef Innovations Australia (BIA).
Purpose of EOI

The capability study resulting from this project will provide a thorough understanding of the freight and logistics needs of the Orana NSW region. As a minimum, it will:

- ask the pertinent questions that are relevant to the Orana region (Study Area);
- explore potential market accessibility, including export;
- provide a comprehensive understanding of the supply chains in the Study Area, the users and the infrastructure requirements to support future growth;
- identify impediments and opportunities to increase productivity and profitability; and
- consider emerging national and global trends and their impact for the Study Area.

The capability study will effectively combine results from other studies, research and papers with data, comments and anecdotal evidence from key stakeholders, users and providers. This will provide a compelling document that may be used to:

- influence policy;
- request suitable government and industry funds and investment; and
- assist in improved efficient and effective use of resources.

Specifically, this project will support a concurrent study commissioned by RDA Orana into the feasibility of developing an air freight facility in the Orana region.

Scope

The project is a capability study of the freight and logistics of the Study Area and its associated and integral infrastructure. The objectives are to:

a) identify, define and analyse the freight volumes, origins, destination and pathways of the Study Area. This includes those originating/terminating in the region as well as those passing through;

b) segment, define and quantify the current freight methods used over the Study Area;

c) identify existing and possible infrastructure challenges and impediments in the Study Area including alternatives and associated impacts;

d) access existing data contained in numerous studies, reports and papers on the Study Area to establish benchmarks and identify gaps in the project knowledge;

e) provide an information base of freight flows that will support funding applications for initiatives and improvements in the freight and logistics networks in the Study Area

f) assess potential economic benefits of improved freight and logistics in the Study Area; and

g) document the interaction between various freight initiatives in the Study Area, and beyond as necessary.

Leveraging past, present and emerging studies and frameworks

There has already been a considerable investment and effort in undertaking a range of studies across the region by Commonwealth, State and LGA agencies. The project proponents have identified the need to identify the scope and source of any studies that may be relevant to this study. However, it is not envisaged that there is a need to duplicate any relevant prior work but rather to integrate where appropriate.

Identifying economic enablers

RDA Orana is now looking at enablers to support the current and emerging sectors and expand the economic capacity of their region. In addition to the traditional export of bulk agricultural commodities from the region to seaports, export of agricultural food product direct from the Orana region to Asian destinations has been identified as a strong opportunity for expansion and diversification of the agricultural sector. This will bring a
host of auxiliary benefits to other sectors. As such, this study is expected to complement the current study relating to the feasibility of establishing an international air freight terminal in the region.

Tasks and deliverables
The project comprises the following tasks:

- a. define freight and logistics demand related to the Study Area, including opportunities for rail and road freight and the use and opportunities of ports and air, existing and potential;
- b. articulate the effects of improved freight transport and logistics re-organisation;
- c. articulate the impact of infrastructure on freight efficiencies in the Study Area and the potential impact of improvements in identified components;
- d. summarise key stakeholder interactions and consultations relevant to the project, for instance transport providers, users, producers and consumers;
- e. assess the potential impacts of various alternative solutions; and
- f. identify emergent environmental and sustainability matters.

Trends for consideration include:

Cost effectiveness
With an ALC study showing a 1% improvement in productivity in the logistics industry would boost GDP by $2 billion, it is critical that logistics projects that demonstrably improve supply chain efficiency receive equal consideration to other infrastructure projects.

Capital investment
It is universally agreed that Australia faces a massive infrastructure maintenance and investment backlog that includes a shortfall in local government infrastructure. The problem is especially acute in regional, rural and remote local councils. While the exact magnitude of the local government infrastructure shortfall is uncertain, in its 2006 National Financial Sustainability Study of Local Government, PricewaterhouseCoopers calculated the backlog at between $12 billion and $15.3 billion.

Regulations
“A National framework for modular B-triple operations” Policy paper prepared by the National Transport Commission (NTC) calls for a reform for improved long-distance road freight transport. The paper states that although B-triples already operate in all states and territories except ACT and Tasmania, the road networks and operating condition differ vastly across the nation. For example, the limited road network and unpopular operating conditions in NSW not only limit the numbers of B-triples operating in NSW but discourage B-triples wishing to enter from surrounding jurisdictions – the result is stifled opportunities for better national freight movement.

Performance Based Standards (PBS) has been identified by the Council of Australian Governments (COAG) and the Productivity Commission as an important enabler of productivity growth for the road freight sector.

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1 Dollery and Mounter (2010)
2 Infrastructure Working Group (IFWG, 2011, p.5)
3 A national framework for modular B-triple operations, April 2012. Policy paper, NTC Australia
4 Performance Based Standards Scheme Review July 2009. NTC Australia
Regionally, operators are under the constant demand to apply for permits for various irregular configurations that may require approval by several LGAs for each trip, despite these being the norm for the company’s cargo.

**Ports and Containers**

Ports are key players in a wider industry network. Australian ports are well placed to facilitate and influence behavioural change across the whole supply chain. The growth assumptions for the container trade include the projection that exports would grow faster than imports. Container use at ports, use and costs and productivity gains are under review.\(^5\)

**Competition for market share**

Australian Rail Track Corporation (ARTC) announced its intention to aggressively attract more market share to freight rail. In the announcement, CEO John Fullerton outlines the reasons that rail for freight is a better option than road. “Transporting your freight by rail can help prevent, and reduce, road fatalities and road trauma. Over 200 people die every year from heavy vehicle crashes and over 1500 people a year are hospitalised from these incidents. The cost to the Australian economy of heavy vehicle accidents has been estimated to be up to $3 billion every year. The accident cost associated with road freight transport is ten times that for rail freight transport on a per tonne kilometre basis.”\(^6\)

**Technology infrastructure**

The use of technology to share information, for example, in European ports, has resulted in greater efficiencies in the movement of goods along the entire supply chain, from less time at Customs and terminal gates, to faster truck trips and turnaround times within terminals. Relationships between stakeholders are also more open as they now share a single, common information platform that puts them all on the same page at the same time, eliminating errors from manual data transfers.\(^7\)

Other technology may also have a positive impact on productivity. For example: Cooperative Intelligent Transport Systems (C-ITS) are an emerging technology that enable vehicles and surrounding infrastructure to exchange information about the location, speed and direction of other road users and infrastructure also using C-ITS.\(^8\)

It is anticipated that other trends and possibilities will emerge and be subject to consideration in the project. An overarching threat analysis to the construction and maintenance of efficient freight and logistics infrastructure in the Orana region will be required to ensure a balanced approach to the finished report.

The project will be delivered in two formats: a written report and an oral presentation.

1. The written report will be supplied as a single comb-bound hard copy, and a USB containing the pdf and Word versions of the document.
2. An oral presentation will be made at a location in the Orana region to members of Executive and Board of RDA Orana and BIA, and any other stakeholders deemed appropriate by the proponents and the tenderer.

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\(^{5}\) Analysis of landside costs and the potential for container productivity gains, April 2010 Infrastructure Australia and the National Transport Commission (NTC)

\(^{6}\) ARTC CEO John Fullerton: www.inanewlight.com.au

\(^{7}\) International ports and supply chain observations, NTC. Comments on European port practices

\(^{8}\) Cooperative Intelligent Transport Systems Final policy Paper, December 2013, NTC Australia
Sub-Contracting or Partnered Approach

The proponents will support arrangements whereby the lead consultant requires additional services or specific expertise in a certain field and procures those services via sub-contracting arrangements or through a partnered approach. The sub-contracting or partner arrangements are, however, the full responsibility of the lead contractor.

Stakeholder engagement

The proponents expect that the successful tenderer will undertake extensive consultation with stakeholders via various methods; for example, open forums, discussion panels, surveys and feedback. While the most appropriate methods will vary according to stakeholder group, face to face interaction is preferred.

Stakeholders will include but not be limited to government agencies, other relevant RDA regions, industry sectors, private operators, investors, operators and consumers. Table A provides a list of significant organisations that should be included in the stakeholder engagement activities. The successful tenderer will be responsible for identifying additional stakeholders as required, however the proponents will facilitate introductions to certain international interests for the successful tenderer.

Table A: Significant organisations (not exclusive)

<table>
<thead>
<tr>
<th>Orana Local Government Area</th>
<th>Major centre</th>
<th>Notes</th>
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<tbody>
<tr>
<td>Bogan Shire Council</td>
<td>Nyngan</td>
<td></td>
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<tr>
<td>Bourke Shire Council</td>
<td>Bourke</td>
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<tr>
<td>Brewarrina Shire Council</td>
<td>Brewarrina</td>
<td></td>
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<tr>
<td>Cobar Shire Council</td>
<td>Cobar</td>
<td></td>
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<tr>
<td>Coonamble Shire Council</td>
<td>Coonamble</td>
<td></td>
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<tr>
<td>Dubbo City Council</td>
<td>Dubbo</td>
<td></td>
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<tr>
<td>Gilgandra Shire Council</td>
<td>Gilgandra</td>
<td></td>
</tr>
<tr>
<td>Mid-Western Regional Council</td>
<td>Mudgee</td>
<td>Not a member of OROC group</td>
</tr>
<tr>
<td>Narrumine Shire Council</td>
<td>Narrumine</td>
<td></td>
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<tr>
<td>Walgett Shire Council</td>
<td>Walgett</td>
<td></td>
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<tr>
<td>Warren Shire Council</td>
<td>Warren</td>
<td></td>
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<tr>
<td>Warrumbungle Shire Council</td>
<td>Coonabarabran</td>
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<tr>
<td>Wellington Shire Council</td>
<td>Wellington</td>
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<thead>
<tr>
<th>Organisations</th>
<th>Office</th>
<th>Notes</th>
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<tbody>
<tr>
<td>Orana Region of Councils (OROC)</td>
<td></td>
<td>Includes 12 LGAs of the RDA Orana footprint</td>
</tr>
<tr>
<td>RDA Orana, NSW</td>
<td>Dubbo</td>
<td>Includes 13 LGAs / 25% of NSW</td>
</tr>
<tr>
<td>Port of Newcastle</td>
<td>Newcastle</td>
<td>Infrastructure / market growth</td>
</tr>
<tr>
<td>Transport of NSW</td>
<td>Sydney</td>
<td>Infrastructure / studies / data</td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td></td>
<td>Federal Government</td>
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<tr>
<td>Australian Logistics Council</td>
<td></td>
<td>Peak body</td>
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<tr>
<td>Department of Industry &amp; Investment</td>
<td></td>
<td>State Government</td>
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<tr>
<td>NSW Roads and Maritime</td>
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</tr>
<tr>
<td>NATROAD, GrainCorp, QUBE, ARTC</td>
<td></td>
<td>Data / industry / stakeholder</td>
</tr>
</tbody>
</table>
Project timing

The following timetable (Table 1) is proposed as a guide to tenderers with the intention that the substantive draft will be completed by mid-August 2016, and the final report by early September 2016.

Tenderers are to review the proposed timetable and present a more comprehensive plan (eg. Gantt chart) showing further detail such as stakeholder engagement and delivery of milestone reports.

Table 1: Indicative project timetable

<table>
<thead>
<tr>
<th>No.</th>
<th>Milestone</th>
<th>Milestone Date</th>
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<tbody>
<tr>
<td>1.</td>
<td>Debriefing consultation with successful tenderer &amp; contract signed</td>
<td>11 April 2016</td>
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<td>2.</td>
<td>All research completed</td>
<td>04 July 2016</td>
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<tr>
<td>3.</td>
<td>Draft report to proponents</td>
<td>25 July 2016</td>
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<tr>
<td>4.</td>
<td>Final report to proponents</td>
<td>22 August 2016</td>
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EOI Selection Criteria

The EOI will be assessed against the following selection criteria. It is expected that the successful tenderer will address each of the criteria by effectively demonstrating their ability to:

<table>
<thead>
<tr>
<th></th>
<th>RESEARCH AND ANALYSIS (Weighted Criterion 15%)</th>
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<tbody>
<tr>
<td>1</td>
<td>Conduct relevant research, via literature review and consultation, to obtain data that accurately reflects the freight and logistics capabilities and needs within the Study Area as described.</td>
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<th></th>
<th>METHODOLOGY (Weighted Criterion 15%)</th>
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<tr>
<td>2</td>
<td>Conduct comprehensive analysis on the collected information to determine the capabilities of existing freight and logistics systems and supporting infrastructure, and priorities for improvements within the Study Area. This will include identifying key priority hard and soft infrastructure projects that will provide the greatest immediate or long-term economic return and improved efficiencies to the Study Area region and state, in terms of economic stimulus, productivity, and social well-being.</td>
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<tr>
<td><strong>DELIVERABLES</strong></td>
<td><strong>(Weighted Criterion 20%)</strong></td>
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<tr>
<td>3. Deliverables</td>
<td>Achieve the deliverables as prescribed to a high standard, and in consultation with the proponents: Achieve the deliverables as prescribed to a high standard and in consultation with RDA Orana: a) Draft project report including: i. research and analysis to define freight and logistics demand and projected opportunity related to the Study Area; ii. stakeholder engagement and consultation on re-organisation; iii. economic and other impacts of various alternative solutions; iv. analysis and costing on environmental and sustainability matters; and b) Final report in bound hard copy and on USB. c) Presentation to proponents and other identified stakeholders.</td>
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<tr>
<th><strong>PREVIOUS EXPERIENCES</strong></th>
<th><strong>(Weighted Criterion 10%)</strong></th>
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<tr>
<td>4. Experience</td>
<td>Provide information on previous project experience and capabilities, and subject knowledge.</td>
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<tr>
<th><strong>VALUE FOR MONEY</strong></th>
<th><strong>(Weighted Criterion 40%)</strong></th>
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<tr>
<td>5. Value for Money</td>
<td>Establish a clear project management plan and demonstrate value for money.</td>
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The EOI process will ensure transparency and integrity in the selection, providing suitably qualified consultants with the opportunity to clearly demonstrate their abilities against set criteria.

Further information on the EOI Selection Criteria is included in the EOI Application Form.

**References**

NOTE: This is not an exhaustive list of relevant reference documents. Some references may be supplied by RDA Orana to the successful Project tenderer.

1. NATROAD Australian Heavy Vehicle Configurations
3. *Orana Hunter Strategic Corridor*, RDA Orana and RDA Hunter, June 2013, Hyder Consulting Pty Ltd
5. *International ports and supply chain observations. Information paper*. June 2013 National Transport Commission (NTC) Australia
10. *Analysis of landside costs and the potential for container productivity gains*, April 2010 Infrastructure Australia and the National Transport Commission
The Orana Region

Bogan Shire Council
Bourke Shire Council
Brewarrina Shire Council
Cobar Shire Council
Coonamble Shire Council
Dubbo City Council
Gilgandra Shire Council
Mid-Western Regional Council
Narromine Shire Council
Walgett Shire Council
Warren Shire Council
Warrumbungle Shire Council
Wellington Council

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