VEOLIA
ENVIRONMENTAL SERVICES

STATE OFFICE
TASMANIA

13th December 2013

Tasmanian Shipping Inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

RE: Tasmanian Shipping and Freight: Public Enquiry

1. Examine shipping costs, competition and shipping industry competitive structures across Bass Strait.

Veolia Environmental Services Tasmania is the largest exporter using 40' containers.
Previously with the former AAA direct call we had options to use OOCL, PIL/PAE, MISC and MOL with an abundant supply of empty containers.
MISC and MOL no longer offer containers ex Tasmania. OOCL has a strong presence with minimal offerings from PIL/PAE.

All figures below are from actual ocean freight invoices showing the difference in freight costs since the cessation of AAA direct call service from Bell Bay and our current situation.

AAA Former Service
Bell Bay to Hong Kong - $45 per tonne
Current Service
Devonport to Hong Kong - $74 per tonne

Increase - $29 per tonne (64%) or $696 per 40' container.

AAA Former Service
Bell Bay to Port Kelang Malaysia - $25 per tonne
Current Service
Devonport to Port Kelang Malaysia - $74 per tonne

Increase - $49 per tonne (196%) or $1176 per 40' container.

The figures above highlight the devastating impact of no AAA shipping service from Bell Bay (transhipping via Singapore).

Veolia Environmental Services (Australia) Pty Ltd
PO Box 431 Rosny Park, TAS 7018 -tel +61 (0)3 6244 0050 - fax +61 (0)3 6244 0055
www.veoliaes.com.au ABN 20 051 316 584

A general comparison of national freight rates highlights how highly expensive Bass Strait is and that almost all our additional costs to export from Tasmania is due to the feeder vessel charges across the Strait.
Outlined below is the difference between our current costs to ship to Hong Kong compared to main ports (Melbourne / Brisbane) in other parts of Australia.
Comparing actual invoiced ocean freight rates

- Devonport Port (USD$1350 per container)
- Brisbane Port (USD$500 per container)
- Melbourne Port (USD$450 per container)

All consignments went to Hong Kong.

Recent increase in October to the feeder leg (Devonport to Melbourne) has added another $6 per tonne.

2. Identify the factors inhibiting the provision of international shipping services to Tasmania

The underlying factor inhibiting the provision of international shipping services to Tasmania is volume(s), or lack thereof. This has a direct impact on costs and has been the catalyst for the increase in freight and the decline in shipping lines being able to service and meet our needs.

With federally funded TFES applying to domestic shipments only and not export, Tasmanian exporters are further disadvantaged. Although exporters would enjoy the short term benefits if TFES was extended to exports, this would cost the taxpayer $25m to $30m.

Using the State Oppositions $33m commitment over 3 years to subsidise a vessel would be a better option and at the same time create competition across Bass Strait increasing volumes and driving prices down.

The suggested matrix attached represents how the State Oppositions commitment can be utilised.

At a certain point in the future the increased volumes exports/imports will lower the 'Shipping Line Rate' to equal the 'Required Shippers Rate' (Break even point). If this happens to occur in year 2 for example with the balance of the $33m now $12m, this can then be used for infrastructural development attracting ongoing support thereafter.

3. Examine the competitiveness of Tasmania's freight industry, economic infrastructure and possible reforms that would assist in enhancing effective competition, investment and productivity growth.

Road transport is another issue adding costs to our export shipments
This is because there is a lack of direct imports making the availability of empty containers in Hobart minimal.

Consequently we have the following additional cost imposed.

The cost for a 40'HIC in transport Hobart to Devonport is $364 + GST and only if containers are available ex Hobart. If there are no empty containers in Hobart then we are required to have the transport company take an empty container from Devonport container yard down to Hobart for loading at our facility.
Then return to Devonport for shipping overseas. Cost is $888 + GST per container or an additional $21.50 per tonne.

Having had lengthy discussions with international shipping line another item that is lessening the interest in calling direct to a Tasmanian port is the issue of cabotage. Changing the current Navigation Act requirements for foreign ships is essential and this would remove some of these restrictions that currently inhibit international shipping lines calling directly to Tasmanian.

In summary Veolia would welcome the opportunity to provide more information to the Tasmanian Shipping Inquiry through the Productivity Commission especially with regards the matrix model for funding a direct call international vessel to Tasmania and expanding on any of the above points.

Uelese Mika

Export & Production Manager | Veolia Australia and New Zealand

	PROSPOSED MATRIX: Volume based IMPORTS & EXPORTS								
	State Gov funding $33m ($11m x 3) over 3 years								
2016									
							Breakeven point. SLR = RSR.		
							From this point on residual of		
							the $33m fund can be used to		
							capex port upgrade or alternative		
								SLR +$500	
								RSR =$500	
2015							←	**Diff =zero**	
Year						SLR =$900			
						RSR =$500			
					←	**Diff =$400**			
						At this point $400 per shipment is used up.			
		SLR $1500	At this point $1000 is used up per shipment of the						
		RSR =$500	$11m in the first year						
2014	←	**Diff =$1000**							
	1000	800	600	400	200	0			
				Subsidy per shipment $					
	SLR	Shipping Line Rate							
	RSR	Required Shippers Rate							