Tasmanian Shipping Freight Inquiry

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Submission – Tasmanian Shipping and Freight Inquiry

John Barker and Associates is a Government Relations and Lobbyist consultancy, on this occasion, representing clients adversely impacted by the lack of a direct international shipping service to and from Tasmania, the high costs associated with Bass Strait sea freight and also some associated issues relating to the Tasmanian Freight Equalisation Scheme.

Clients include Veolia Environmental Services, Cuthbertson Bros Pty Ltd, Roberts Ltd. and I also communicate regularly with representatives of smaller exporters. I have been working on these matters for the last 18 months.

Emphasis is on Tasmanian exports which contribute significantly to the Tasmanian economy, employment and investment.

The range of export goods I have direct interest in include;

waste products for recycling

skins and hides

wool

fruit

timber

hops; and

vegetable and flower seeds

My clients and I welcome the Productivity Commission Inquiry into Tasmanian Shipping and freight.

I look forward to the release of the Commissions interim comments and expanding on the following as the Productivity Commission wishes. I am available to meet, if required.

Direct International Shipping Service

The previous direct international shipping service operated by AAA through Bell Bay port ceased in April 2011.

This created immediate difficulties for exporters who had been utilising the service. Particularly in maintaining markets.

The lack of a direct service was soon followed freight rate increases imposed by the Bass Strait shipping providers. Incidentally both Toll/ANL and Sea Road have increased freight rates in close proximity to each other on a semi regular basis since.

These freight rates impacted exporters to the extent, for example, one clients Bass Strait freight component added approximately $1 million annually to its costs and $250,000 annually to another.

These costs had the effect of deterring some Tasmanian producers from exporting any produce. At a time when the Australian dollar was high the extent of these sea freight rates across Bass Strait was too much for some to bear.

It is likely some small exporters, while now encouraged by the potential longer term reduction in the value of the Australian dollar, will still consider high Bass Strait costs as a major inhibitor. Relaxation of costs through a direct international service and easing of the $A has the distinct potential to increase export freight volumes. It is recognised container volume and freight rates were the major contributors to the demise of the previous direct international service.

The resulting economic impact has been such that many exporters now more readily recognise the significance of a service, the need for its reintroduction and its patronage.

Of course any new international operator, and there are at least three interested parties, will need to provide competitive rates to ensure patronage.

The Tasmanian Liberal Opposition's proposal to provide assistance of up to $11 million for three years to a new direct international shipping service provider is supported. At this stage it seems the only clear commitment that may be a catalyst to attracting a future service.

One point that is clear is some exporters cannot continue to experienced the current freight regime.

High Costs of Bass Strait Shipping Freight

An urgent extensive examination of the contributing factors to Bass Strait freight costs is required.

There are currently only three shipping operators on Bass Strait, Toll/ANL, Sea Road and TT Line (a Tasmanian Government Business Enterprise). It is recognised that Tasmania is a relatively small market but its investment and growth is being restricted due to the non competitiveness of Bass Strait services. One matter requiring close scrutiny, which if relaxed, could ensure the viability of a direct international shipping service, is the regulatory regime around Cabotage. (This is also an inhibitor to passenger services).

The Fair Work Act 2009 restrictions require amendment to provide adequate sustainable Tasmanian shipping services. The Maritime Union of Australia's unreleased submission to the State Government's FLCT examination would be of interest.

The Commission will have access to freight rate charges and increases and other cost influences. I can provide details if required.

Tasmanian Ports

The recommended restriction by the Tasmanian Governments Freight Logistics Co-ordination Team, limiting the use of Bell Bay as a bulk port only is not supported. Why would a commercially viable container service be discouraged to use Bell Bay or indeed any other Tasmanian Port?

Unfortunately Tasmania, very small in size, has many parochial and self interest influences. Tasmanian shipping and freight are fine examples.

The FLCT recommendation that Burnie Port should be the State's largest container port is not surprising, it already is. Why should exporters have to pay significant additional road freight costs sending containers to Burnie when Bell Bay is much closer?

Tasmanian Freight Equalisation Scheme (TFES)

The TFES was subject to a review by the Commission in 2006.

On that occasion the Commissions recommendations reflected the usual Canberra bureaucratic view that a freight equalisation subsidy to Tasmania is not warranted. Wisely the Government of the day did not support that view.

I contend that while there is still sympathy to remove the TFES within the Canberra bureaucracy and by some Federal politicians the impact withdrawal of the TFES would have on the Tasmanian economy, at this time of economic hardship, eg ABS figures showing the State was in recession during the June quarter of the last financial year and current unemployment hovering around 8%, is unquestioned.

An objective of this Inquiry, as I understand it, is to consider issues that are impacting State growth. The retention of the TFES is paramount. Unfortunately the TFES is open to some abuse. This has been even more evident since the cessation of the international shipping service.

To reduce sea freight costs imposts on goods destined for export some exporters are deliberately having their goods/produce value added in some form on the Australian mainland thus attracting TFES subsidy.

Tasmanian export businesses employing Tasmanians, investing in Tasmania and compliant with the TFES requirements do not attract a TFES subsidy thus they are at a disadvantage in the market place.

Why is it that Victorian businesses can benefit from this loophole? This outcome was not intended when TFES was devised and introduced.

It is suggested that the Ministerial Directions which detail the eligibility, compliance and operations of the TFES be reviewed to more appropriately reflect current needs.

In this regard I suggest that exports of skins/hides and wool be examined. I am confident other examples will become evident.

Thank you for the opportunity to provide input into the Inquiry.

John Barker

Principal

John Barker & Associates

18 December 2013