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7 February 2013

Tasmanian Shipping Inquiry
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2601

Email: tasmanian.shipping@pc.gov.au

Tasmanian Shipping and Freight Inquiry
Submission to the Draft Productivity Commission Report - January 2014

Key response from Flinders Council:

With reference to the Overview points 4 and 5.
TFES: payment rates should be reviewed regularly and reflect the disparity between the cost of sea freight and road freight. The shipping cost of 24 head of cattle from Lady Barron, Flinders Island to Bridport, Tasmania, net of the TFES rebate is $964 whereas the road freight from Bridport to Smithton for the same cattle is $792. As the distance between Bridport and Smithton is substantially more than the shipping leg between Lady Barron and Bridport it is obvious the current subsidy rate does not equalize the cost of shipping cattle to that of road freighting the same animal.

For the Furneaux Group, added to the direct shipping cost is the attached cost of Commission at 5.5% to Roberts Limited whose agents organise and carry out the loading of the *Mathew Flinders III*. Livestock are carried in open pens on the deck of this vessel. The livestock carrying capacity is in busy times increased by the addition of a top deck for livestock movements. (**Reference document 2 contains the details of the *Matthew Flinders III* and reference document 3 is the pen layout on the deck of the vessel.)**

With the nature of the King Island shipping service, King Island farmers can sell direct to the abattoirs Greenham and Swift; as can mainland Tasmanian Farmers, avoiding a commission payment to livestock agents. Whilst both abattoirs will purchase direct from Flinders Island farmers, the logistics of shipping, should farmers sell direct, and then have to each separately access the TasPorts livestock facility and each load their livestock onto the Vessel, into designated pens, and make sure the transport trucks at the Bridport end picked up their livestock, would make the system of shipping livestock from Flinders unworkable and detrimental to the economic growth of the island.

Currently the Livestock Agents, all certified to work within the Port area, arrange the right number of livestock to be delivered to the TasPorts livestock holding yards at the Lady Barron Port. They then organise the livestock into a loading order to fill the

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available pens on the vessel and for systematic unloading onto trucks at Bridport depending on the final destination of each farmers livestock. Livestock can be loaded onto the *Matthew Flinders III* at any time of night or day as the vessel works back to the tidal port of Bridport and sailings are timed around having the livestock at sea for the shortest possible time.

The Roberts Livestock Agents play an integral part in the efficient shipping movement of livestock through the Lady Barron Port and a substantial portion of the commission charged to farmers is expended on this task and should be included as a shipping cost when determining the rebate value, a cost that is not incurred in the shipping of King Island livestock.

The economic sustainability and growth of the islands, Flinders and King, relies on both the port and the shipping operators providing infrastructure and services that enable livestock producers to meet the MSA requirements for handling of livestock up to and during delivery to the abattoirs. There is a price premium for the supply of MSA eligible animals. The MSA guidelines include fresh water availability in holding yards, no mixing of livestock mobs and time of travel. **(Refer to reference document 1**)

Reference to Key Point 7 on page 2.
Private operation and ownership of freight infrastructure assets only improves efficiency when the scale of the task is large enough to allow competition to drive the efficiency. Monopolistic, privately owned shipping has the very high potential of providing a service that does not encourage economic growth of the community it services beyond that which the private company is comfortable servicing. An even worse scenario is when the management of the private company, in a monopolistic position is such that it is an impediment to good economic management.

This is extremely likely in reference to shipping to the Furneaux Group and King Island where the freight task is relatively small and specialised.

Five years ago the Furneaux Group was serviced by Southern Shipping. This company went bankrupt, but prior to doing so refused to supply a vessel to move livestock from Flinders Island for approximately eight weeks. This was during a very dry period and falling livestock prices. The estimated cost to island farmers was 1.6 million dollars, in lost revenue from deferred sales, lower prices and lower quality livestock, and feed cost.

Page 168 of the report states "By virtue of their size, population density and remoteness, the specific economic geography of the Bass Strait islands has been raised in submissions. Their economic sustainability is critically dependent on access to larger processing and end-product markets. In the area of transport logistics, they are clearly

more exposed compared to the main island due to smaller volumes, high seasonality and very limited choice in transport services.

In many respects, the economic and social challenges (including high transport costs) of residents and businesses on King Island and the Furneaux Group of islands are more magnified versions of the challenges faced by residents and businesses of mainland Tasmania. "

Flinders agrees with the sentiment that we are far more exposed than our Tasmanian counterparts and a specific "place based approach" is required to support the movement of freight from the islands. The commission goes on to state that there is a Partnership Agreement between Flinders Council and the State Government. No such agreement exists however the Flinders Council does liaise closely with the State Government to promote economic activity within the Furneaux Group. The partnership agreement between the State Government and King Island has seen the provision of a freight subsidy to producers to transport stock to Tasmania. Flinders Island does not receive the same subsidy or support. For the Commission to effectively say that this is simply an issue for the State Government is exceptionally disappointing.

The major economic driver of the Flinders Municipality is primary industry, in particular, agriculture in the form of grazing Cattle and Sheep. It is estimated that 20,000 head of cattle and 50,000 head of sheep are shipped from Flinders annually.

A small, mixed species abattoir is driving demand for Flinders Island lamb and wallaby, but the economic success of the abattoir relies heavily on having the ability to move product off Flinders in a timely fashion, to preserve shelf life and meet agreed delivery times, and at an economic rate.

There is no regular shipping service from Flinders Island to mainland Australia where the best economic return on product is achievable. The cost of flying product, fresh meat or fish to Melbourne is around $2.50 per Kg, or more if it is not a full load. Currently the majority of product is shipped out of Lady Barron, per Furneaux Freight and then forwarded to mainland Australia. This is far from ideal if high value markets are to be accessed and does little to encourage on island value adding or jobs growth. The inability to access subsidies on air freight is a major impediment to the growth of high value product and employment on the islands.

Livestock Breeders on Flinders have an economic restriction in supplying to the export market, for example the export of heifers to Russia, as the inability to receive a freight rebate on animals shipped for export makes the sale uneconomical. Flinders producers would like to see the TFES extended to the transport of produce for export.

The restriction of the rebate being paid on bulk goods, forces uneconomical practices, such as the transporting of blue metal in tonne bags as opposed to transporting in bulk

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and a change to a percentage based rebate as referred to by Mr GA Cossar in his submission to the draft report seems to simplify the rebate scheme and enable goods to be shipped in the most efficient manner.

We also support Mr Cossar's comments about fuel prices impacting negatively on the Bass Strait Islands.

On page 166: The draft states that to Launceston "Launceston Airport has argued that the TFES itself, by subsidising the cost of sea freight, is acting as a barrier to greater private investment in air freight capacity and improved air services, including in relation to air connections to King Island and the Furneaux Group of islands." Flinders in its original submission also stated that air freight was a critical consideration and this position still stands.

Finally, Flinders gave very careful consideration to its original submission to the Productivity Commission on this matter and resubmits the following:

1) *A simple, fair and effective system with measurable costs and benefits.*
That a comprehensive review of the TFES be undertaken to consider how it could be restructured to provide a simpler, fairer and more effective system that encourages the movement of both sea and air freight (for the Bass Strait Islands) at a reasonable cost. This should include an assessment of the social and economic impacts, both cost and benefits, of any policy recommendations or revisions that might be proposed during the Commission's inquiry.

2) *A place based system that is cognisant of the competitive disadvantages faced by a remote Island community.*
That it be recognised that while freight from Tasmania requires a level of Federal support, air and sea freight from the Furneaux Islands requires a very specific and place based approach that may well be very different to that of the main island of Tasmania. The Furneaux Islands are specifically and materially at a greater level of disadvantage than Tasmania and this should be reflected in any policy recommendations.

3) *Increased recognition and consideration of the role of air freight in developing the Flinders Island community and economy*.
The current exclusion of airfreight from any subsidised support mechanisms does little to encourage on island value adding or employment growth in niche product development. From a productivity and value perspective, consideration to policy and support mechanisms that encourage on island processing of base primary products into high value added goods for air freighting direct into mainland or Tasmanian markets should be considered.

4) *Secure and sustainable shipping and freight that underpins private sector business confidence, planning and growth*.
A pure market based approach to the provision of freight services to our

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remote islands whereby efficiencies and low costs may be expected/encouraged from multiple service providers, without any State or Federal Government support, would have the potential to severely disadvantage our existing service providers, producers and community. Simply put, the very seasonal nature of our primary freight profile and small general freight levels are not to an economy of scale that could support multiple service providers over the long term. Secure, timely, consistent services and confidence are critical to the producers of the island and those that seek to invest. That Government support at a financial and policy level to ensure freight by both sea and air are provided with confidence to our community is a key consideration. The timely and quality transport of targeted numbers of livestock to Tasmanian abattoirs enables livestock producers to value add through quality assurance programs. Policy and support mechanisms that add to the viability of the islands' service providers while supporting the efficient and cost effective movement of freight are key outcomes requiring consideration and policy support. Enabling or maintaining timely freight movements at reasonable cost that lets producers target the highest return for product boosts the productivity and thus the economy of the islands. Increased productivity is targeted as a method of increasing island population to a more sustainable level for service providers to more efficiently supply services to the islands.

5) *Recognition that some freight services require direct subsidisation from Government to ensure the service is maintained.*

The provision of some shipping services to the Furneaux Islands are uneconomic and do require either State or Federal Government subsidies to ensure communities are provided with even the most basic level of service to move freight and goods. Cape Barren Island in particular relies on funding support for the delivery of a service for general freight and during quite times of the year for livestock. Flinders Island may also require funding support to ensure the provision of general freight services.

6) *Cost effective and reliable fuel supplies.*

Over 2.5 million litres of fuel (majority of which is diesel) are transported to Flinders Island (and Cape Barren Island) by ship from mainland Tasmania every year, with around one third of this volume being used for energy generation in Hydro Tasmania owned and operated diesel generators. Fuel costs in the Furneaux Islands are consistently some of the highest in Australia. In the Tasmanian context fuel on Flinders Island is typically 35-40 cents/litre more than mainland Tasmania prices. In reviewing the Flinders Island situation and development of recommendations the Commission is encouraged to give consideration to bulk goods importation, such as fuel, and to ensure that proposed interventions do not worsen and drive fuel costs even higher.

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Flinders Council trusts that the information provided in this submission will be of some value to the deliberations as they take place.

All enquiries in relation to this submission should be forwarded to the address above.

Yours sincerely

Carol Cox
Mayor

Reference Documents:
1. MSA Livestock handling requirements
2. Details of the Matthew Flinders – Furneaux Freight webpage.
3. Schematic Layout of livestock pens on the Matthew Flinders – Trading Vessel

mla
MEAT & LIVESTOCK AUSTRALIA

tips&tools

MEAT STANDARDS AUSTRALIA

MSA03

MSA requirements for handling cattle

How you handle your cattle affects their eating quality

An important element contributing to predictable eating quality performance is the management of cattle on-farm or in the feedlot prior to slaughter. For this reason MSA has produced guidelines to optimise the eating quality potential of the animal.

The long period of care and investment in producing an animal with high eating quality potential is most at risk in the two weeks pre-slaughter and the first few hours post slaughter. The best meat cuts can be reduced to a low quality, unacceptable product by inappropriate action in this period.

The damage is caused by changes in muscle glycogen (blood sugar) levels. Glycogen is in essence the energy reserve of the muscle. The glycogen level in muscle is increased by feeding (a process taking days) and rapidly reduced by stress (which may only take minutes) or activity in the live animal. At the point of slaughter, the glycogen in muscle is converted to lactic acid that steadily decreases the pH of the muscle.

Mustering and good feed is important

The production of MSA graded product is consequently a partnership between the producer and the abattoir. An abattoir cannot rectify poor cattle handling practices or nutritional problems. Cattle should be mustered as quietly as possible, as it takes at least 4–5 days for the muscle glycogen levels to be restored, once they have been used. To maximise eating quality, it is recommended that cattle are supplementary-fed good quality feed for at least 30 days prior to dispatch, to maximise the eating quality potential of the animal.

Key points

Cattle dispatched for slaughter must meet with the following requirements:

- All cattle must reside on the property of dispatch for a minimum of 30 days prior to dispatch.
- Do not consign male cattle exhibiting secondary sexual characteristics
- Do not consign any cattle of poor temperament or with signs of severe stress.
- Do not consign cattle that have been severely sick or injured.
- Direct consignment cattle to be processed within 48 hours from dispatch to slaughter, with a maximum of 36 hours in road transport, which can also include a rest period of up to 12 hours.
- Cattle transported by sea or rail are processed no later than day after dispatch.
- Cattle sold through an MSA accredited saleyard to be processed within 36 hours of dispatch from farm.

To optimise the eating quality of beef, the following recommendations should be observed:

- Cattle should be managed as a single mob for a minimum of 14 days prior to dispatch for slaughter, this includes no mixing or drafting.
- Cattle should be continually grazed or fed rations to a level that is adequate for growth for a minimum of 30 days prior to dispatch.
- Handle and muster animals quietly to reduce stress.
- Cattle to have access to water outside of transport.
- Provide free access to feed until dispatch, other than a minimum period required for preparation through cattle yards.
- Load cattle quietly, preferably with no use of goads and electric prodders.
- Load cattle at the recommended densities set out in the trucking industry code of practice.

MEAT STANDARDS AUSTRALIA GRADED

Temperament is also important

Temperament is also an important issue, with work in the United States by Dr Temple Grandin demonstrating that calm cattle show a reduced incidence of dark cutting in meat. Cattle with poor temperament can lose more glycogen during the period leading up to slaughter. These cattle also have the tendency to stir up other cattle in the pen, which can lead to a higher overall incidence in dark cutting meat and high pH carcases.

This is the reason for the MSA producer requirement that the cattle handling guidelines on the previous page be observed.

Recommended sound practices however are much broader and deserve inclusion in professional property and herd management.

Other stress factors

Other stress factors including weather should be taken into account with mustering and truck timing adjusted to minimise the animal welfare and eating quality risk. Dramatic changes in temperature (such as a cold snap or heavy rain whilst trucking) can cause undue stress to animals.

Damage is irreversible

In carcases the pH fall is irreversible and continues post rigor mortis to a final value, know as ultimate pH, generally within 24 hours of slaughter, depending on the conditions. The optimum pH is below 5.71. MSA consumer eating quality tests show lower scores as ultimate pH rises above 5.70.

Where initial animal glycogen levels are very low at slaughter a higher ultimate pH results, which may be accompanied by a dark, undesirable meat colour. This is referred to as dark cutting and is a major industry problem. Dark cutting carcases tend to be an indicator of stress to the animal pre-slaughter, but can be a result of other factors such as the chilling process and the age of the animal (meat colour gets darker as the animal ages).

Abattoirs have an important role

In addition to ultimate pH, the rate of pH decline (from around 7.10 at slaughter) in relation to muscle temperature, is of critical importance to eating quality. If the temperature fall is rapid and the pH fall slow, carcases will cold shorten, resulting in extremely tough meat. If the pH fall is rapid and the temperature fall slow, heat shortening results. This also creates slightly tougher and less juicy beef with eating quality problems relating to colour changes, excessive drip loss and lack of improvement with ageing. The ageing damage is a result of the enzymes involved being denatured by low pH/high temperature conditions.

The rate of pH decline is also a function of the size of the carcase and the amount of fat cover over the major primals. There are also abattoir conditions affecting this process, such as the time from stunning to the chiller, the temperature of the slaughter floor and the chilling environment, including packing density and the chilling cycle.

All electrical inputs (including electrical stimulation units, immobilisers and hide puller rigidity probes) have an impact on the rate of pH decline and resultant eating quality, and are thus often varied by MSA licensed processors to optimise the processing technique. Processors are required to monitor conditions that impact on the MSA 'pH–temperature window' an maintain an optimum rate of pH and temperature decline.

Processing time requirements

In addition to on-farm responsibilities, there are processing time frames for MSA cattle.

For direct consignment cattle (road transport):

Slaughter within 48 hours from the property of dispatch providing the following requirements are met;

a) The total truck transport time from property dispatch to arrival at the abattoir is not to exceed 36 hours;

b) Up to a 12 hour rest period can occur during this 36-hour period, however, if a 12-hour rest period is taken then the maximum time cattle can spend on a truck is 24 hours; and

c) This pathway allows for up to 12 hours in lairage prior to slaughter.

For direct consignment cattle (sea or rail transport):

Slaughter no later than the day after dispatch from the property

For saleyard cattle:

Slaughter within 36 hours of dispatch from property.

For more information

Visit www.mla.com.au/msa or contact MSA 1800 111 672.

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Matthew Flinders III

Principal Particulars

Type:Roll on / Roll off (Stern Loading Vessel)

Official Number: 855378

Call Sign: VNTE

Flat: AMSA

Classification: USL Class 2B

Year Built: 1995

GRT/NRT:247/500

DWT: 375

Accommodation: 6 Persons

Dimensions

Length overall: 44.67m

Breadth Moulded: 10.8 metres

Depth Moulded: 3.0m

Draft Loaded: 2.1m

Light Draft: 1.1m

High ABV W/L: 0.9m

Capacity

Fuel Oil: 30,000 litres

Fresh Water: 5,000 litres

Performance

Speed Max / Econ: 10 knots / 8.5 knots

Fuel Oil consumption: 120 litres per hours

RPM: 2 x 1800

Machinery and Equipment

Main Engine: 2 x Cummins KTA – 19m

Diesel Engines

Horse Power: 2 x 373kw

Anchor windless: Electric

Propeller: Fixed

Navigation & Communication

Nav. Equipment: Radar, GPS / plotters

Communication: GMDSS, VHF, HF, UHF, SSB, Intercom, Satellite & Mobile Phone

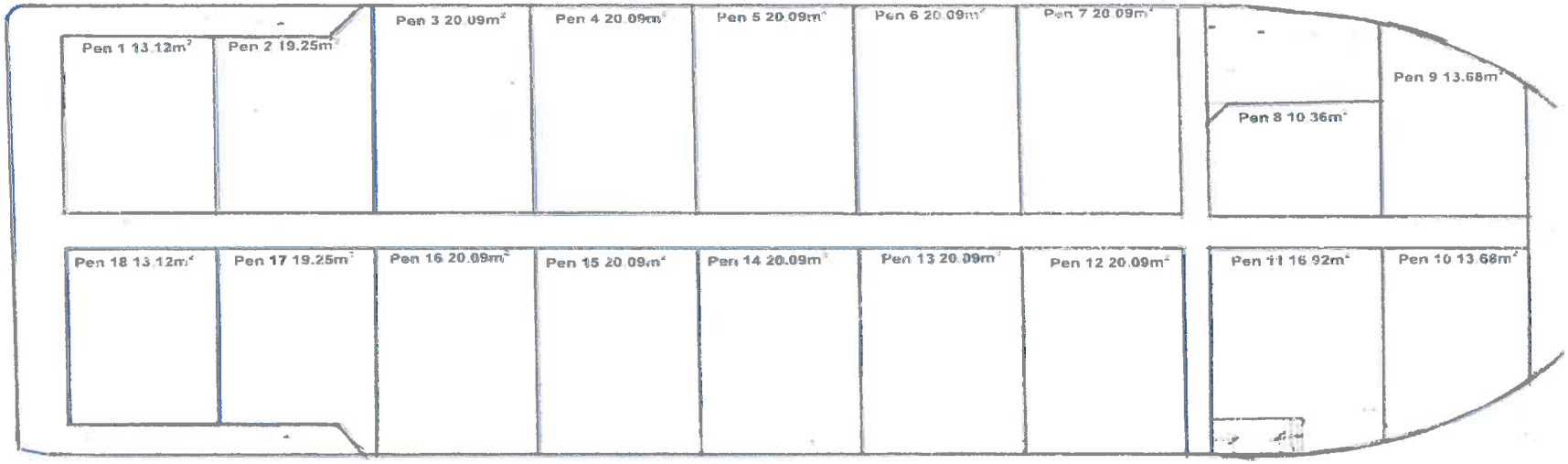
Passengers

12 day accommodation only

Date:.....

Matthew Flinders III
Boat 320.28m² Approx

Voyage No.: .....



Cattle	
Avg Weight	Space m2/head
100	0.31
150	0.42
200	0.53
250	0.77
300	0.86
350	0.98
400	1.05
450	1.13
500	1.23
550	1.34
600	1.47
650	1.63
700	1.79
750	1.95

Sheep	
Avg Weight	Space m2/head
20	0.17
30	0.19
40	0.22
50	0.27
60	0.29