

15 June 2006

Tasmanian Freight Subsidy Arrangements Inquiry
Productivity Commission
PO Box 80
Belconnen ACT 2616

Attention: Andrew Irwin

Dear Sir,

Re: Tasmanian Freight Subsidy Arrangements Inquiry

Collex Pty Limited (trading as Veolia Environmental Services) operates a Resource Recovery business in Tasmania that avails itself of the assistance provided under the Tasmanian Freight Equalisation Scheme (TFES).

We are pleased to offer herein some broad comments on the current operation of the scheme and what it means for our business, and look forward to providing some more specific feedback once the Productivity Commission has completed its review and distributed the findings.

OVERVIEW OF OPERATIONS

VOLUMES

In the calendar year of 2005, 66% of recyclable material transported by our company went to mainland markets (the balance was exported to South East Asia and China).

The movement to the mainland includes:

- 375 TEUs of cullet (broken glass) shipped in twenty foot containers.
- 1,400 TEUs of mostly waste paper, namely cardboard, newspaper, magazines, office paper and mixed paper shipped in forty foot boxes or on forty foot trailers.

FINANCIAL PERFORMANCE

Our average net (after receiving TFES) mainland freight expense for 2005 was around \$41 per tone.



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The Resource Recovery Division's EBIT (Earnings Before Interest and Tax) for the 2005 calendar year was about 30% less than the assistance received from TFES. It is evident that it would not be a viable business unit without the TFES.

Export freight expense for the same period averaged at \$70 per tonne.

NB: without TFES our mainland freight expense would be \$79 per tonne

EMPLOYMENT

The Veolia Environmental Services- Collex Resource Recovery business unit in Tasmania employs about 70 employees directly. It is estimated that another 40 work to support the division as collection and processing subcontractors.

ENVIRONMENT

Resource Recovery captures valuable resources that can be recycled into other products or the same product and reduces the amount of waste going to landfills.

1998 REVIEW

In the main we are satisfied that the 1998 review delivered an equitable arrangement and we were pleased that our input at that time was given due consideration. Certainly we would appreciate the opportunity to review any proposed changes to the current structure.

We suggest it would be appropriate to review all of the base numbers, including but not limited to:

- \$100 for intermodal transfer
- \$281 Road Freight Equivalent
- Roadleg \$ per kilometre, especially given increases in oil prices.

WHARF TO WHARF COMPONENTS

The current scheme allows for claims to be made using the declared wharf to wharf component of a door to door charge. If this provision is to be retained then some clarity is required on what costs make up the wharf to wharf component. Declarations made to us by freight forwarders have varied significantly for the same transport legs.

FREIGHT COST DISADVANTAGE

Tasmania experiences a distinct freight cost disadvantage because of Bass Strait. Freight forwarders are quoting around \$1.40 per kilometre for roadlegs but we can pay in excess of \$4.00 per kilometre for the shipping leg (i.e.) \$1800 divided by 420km.

CABOTAGE

Bass Strait must be the most expensive stretch of water in the world! As highlighted above, the gross freight expense to the mainland is \$9 per tonne more than the





equivalent expense to our overseas markets. Cabotage protects the Australian shipping industry but may be responsible for the high cost of shipping from Tasmania and increases in the amount of assistance paid under the TFES.

Is it possible for this aspect to be reviewed?

ASSISTANCE FOR EXPORTS

No freight assistance is available for exports from Tasmania to overseas markets. Is it possible for this to be reviewed?

We look forward to your comments.

Yours faithfully

R.E. Ward
Group General Manager -Tasmania

Cc P. Wise

