

Department of State Growth

Salamanca Building, Parliament Square
4 Salamanca Place, Hobart TAS 7000
GPO Box 536, Hobart TAS 7001 Australia
Phone 1800 030 688 Fax (03) 6173 0287
Email info@stategrowth.tas.gov.au Web www.stategrowth.tas.gov.au
Our Ref: D21/93604



Productivity Commission Inquiry into Vulnerable Supply Chains

By online submission

Thank you for the opportunity to comment on the interim report of the Productivity Commission's Inquiry into Vulnerable Supply Chains.

The interim report takes an economy-wide view of supply chain vulnerability, focusing on national supply chains which are vulnerable as a result of international market linkages and trade dependencies. The COVID-19 pandemic has highlighted that the issue of supply chain vulnerability is more extensive, particularly in relation to transport. Service reliability, capacity and cost continue to remain significant challenges for Australian exporters and importers operating at a local, regional, national or international scale.

In Tasmania, as an island state with a strong trade and export focus, business is both reliant on efficient and cost-effective freight supply chains, and highly vulnerable to any changes to these supply chains. The need to first move freight across Bass Strait provides an added complexity and vulnerability to Tasmania's freight supply chains, which is not part of supply chains in other Australian jurisdictions.

Over 99 per cent of Tasmania's freight by volume is moved by sea. Bass Strait freight shipping services are a direct or indirect part of nearly all Tasmanian supply chains and are proportionally the single largest transport cost in delivering products to market. The cost of these services – for both business and operators – and the type of services offered, directly influences business costs and the ability of businesses to access new or expanded markets.

Any disruption to services across Bass Strait - for example, industrial action at the Port of Melbourne, limitations on container availability, and peak period demand for services - can have significant flow-on impacts for businesses.

While Tasmania has a single international container services, businesses remain reliant on more reliable transshipment through interstate ports, primarily the Port of Melbourne. Escalating international shipping costs and limited space, driven by increased demand under COVID-19, have impacted the impact the ability of Tasmanian businesses to reliably move product and to import final products and supply chain inputs.

Air freight out of Tasmania is closely aligned to the time sensitive freight market, with products including seafood, flowers and fruit carried as under-floor cargo on passenger services to international markets. Prior to COVID-19, the majority of this freight was carried by regular passenger air services. The reduction in domestic passenger services and cessation of Australia's international air passenger network, under COVID-19, has subsequently presented significant challenges for exporters. Air freight assistance schemes were critical in supporting businesses to access international markets, through domestic and/or direct international air services, and in delivering vital medical supplies, medicines and equipment.

The availability of international freight capacity from mainland ports has flow on impacts for Tasmanian businesses. While recognising the international freight challenges arising from COVID-19 have been felt nationally, Tasmania's reliance on freight hubs outside of Tasmania creates an additional risk which businesses often cannot influence.

The recent planned withdrawal of Australia Post's StarTrack delivery service highlighted the vulnerability of Tasmanian businesses to external factors affecting service options. The removal of this service would have seen producers manage longer supply chains (overnight by sea as opposed to air), additional supply chain legs (from Port of Melbourne to warehousing or direct to consumer) and multiple freight forwarders (secondary or tertiary contractors to move product from the Port of Melbourne to final destination), impacting on costs, ecommerce sales and the ability of business to access new or expanded markets.

The Bass Strait container freight market is characterised by high frequency services that are now built into most Tasmanian supply chains. These services support just-in-time delivery, which minimises the need for on-island storage and warehousing. This supply chain model carries inherent risks, which have been highlighted during COVID-19. It is understood that some Tasmanian businesses are re-examining this approach, including in relation to sourcing additional warehousing and storage and investigating locally produced or alternative inputs.

Tasmania has inherent supply chain characteristics that increase vulnerability to external changes. These have been highlighted through COVID-19. We encourage the Inquiry to consider the recent experiences of business through the pandemic, particularly in relation to the impacts of disrupted transport networks and services on supply chain costs, efficiency and reliability.

If you require any further information, please contact James Verrier, Director, Transport Systems, Policy and Planning

Yours sincerely

Kim Evans
Secretary

28 April 2021