

We respond to the call for public submissions into Tasmanian Shipping and Freight. We comment on the timelines of the call for initial submissions noting that the Australian Government has created this by the necessity of the presentation of the final report by 7th March 2014. From our perspective with both of our businesses at this time of the year and we believe many others the timing has created difficulties in formulating comprehensive input.

Viewbanks Pty Ltd has been operational on the North West Coast of Tasmania in the first instance in the Rural Industry for 43 years and for the last 15 years expanding into the retail and wholesale of furniture under the banner of Midway Furniture. We have also expanded into manufacturing first in Malaysia and now Indonesia with the production of Sofas.

**RURAL** With the loss of McCains and the significant downsizing of Simplot the future pathway for agriculture particularly in the cropping industry will be in marketing into Asia. Clearly the pockets of agricultural capacity around Australia means growth in the Australian market from Tasmanian products is limited and it is our belief any significant growth will be by quick time shipping into the growing Asian Market. Only the high end/small load products commanding high prices can afford the air freight costs. Without a regular reliable International Shipper from a centralized port such as Bell Bay whose infrastructure is set up but under utilised can the rural sector survive and grow. With much of the produce seasonal the challenge will be to manage the issues created by this seasonality where at certain times of the year the capacity need is high and at others significantly lower. We are aware of work done by Tasmanian Institute of Agriculture Research whereby low grade products (in the instance of research carrots) can be powdered and shipped bulk to be reconstituted into juices at the buyer end similar to oranges out of California powdered and exported into Australia. Undoubtedly there are other examples of produce with the capacity of being part processed and then take up the out of season load. Whether the new Irrigation Schemes being set up across Tasmania will assist in spreading both the product range and the times of harvest is yet to be proven

**IMPORTING** The loss of direct reliable international shipping into Bell Bay has seen significant freighting cost increases in our business. This has several effects. The first is the extraordinary increase in costs by the increase in handling by offload in Melbourne and reload into Burnie. This cost has to be equated in the final cost to the customer. This creates the issue of the consumer on many occasions, especially considering the economic climate of Tasmania, reconsidering their capacity to purchase. The other aspect is the timeline issue for orders where the double handling in Melbourne and wait for space on shipping into Burnie creates an inability for the business to give reasonable expectations of timeline of delivery. A container can be transferred efficiently from ship to ship or sit in Melbourne for several days. Our furniture containers come from Vietnam, Malaysia and Indonesia and pass through double handling on all occasions through Singapore but the cost and efficiency far surpasses the costs of double handling within Australian Ports. I list below the costs pre and post International capacity into Bell Bay.

PRE LOSS OF BELL BAY 40ft CONTAINER EX VIETNAM MALAYSIA INDONESIA \$1500 USD

POST LOSS OF BELL BAY 40FT CONTAINER EX VIETNAM MASLAYSIA INDONESIA \$2950USD

The cost component across Bass Strait equates to \$1450+, making these charges comparable with the longer Asia/Melbourne haul. Tasmanian business cannot afford the component cost of the Bass Strait haul.

**SOLUTIONS** There has been some media reporting on potential subsidisation of shipping services to Tasmania. It is our opinion that if there is to be any financial assistance to international shipping it should be by underwriting. This ensures that when the ships load is at peak no Australian Taxpayer assistance is required but at low season to ensure reliability, assistance could be given. On off season times the ship may be required to backload empty containers to ensure supply in peak periods. Wharf storage or arrangement with a shipping agent or transport company would have to be negotiated. Financial Experts could work out at what stage in a yearly cycle monetary assistance may be necessary. The second issue is to ensure due diligence is done on any potential shipper. When a major Tasmanian Company announced a contract with an International shipper to move their product we made enquiries whilst in Asia in consideration of perhaps being able to backload along with other importers. Our enquiries during our due diligence gave us no confidence in the reliability of the reported shipping company. Investigations into the viability of leasing a ship and crew under contract to deliver an International Service into Tasmania should take place. Companies such as ANL and OCCL often lease space between one another to ensure their long term contracts are honoured and undoubtedly could be a source of utilisation for some guaranteed base load. Whatever the solutions recommended by the Productivity Commission the principles of reliability and cost efficiency must be paramount for the users of International Shipping within Tasmania. If the only option is through another Australian Port the cost differential between direct and indirect should be considered. To ensure efficiency and not set up more Government Mega Departments, the GST reporting process could be utilised by business to claim the differential quarterly in much the same manner as the diesel rebate for rural use is accounted for through GST Reporting at this time.

We thank the Commission in expectation our comments will receive consideration

Wayne R Smith Director

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