

Response to Productivity Commission Inquiry into Tasmanian Shipping and Freight

Regional Development Australia – Tasmania (RDA Tasmania) are pleased to provide the following responses to the Productivity Commission inquiry into Tasmanian Shipping and Freight.

The responses provided are detailed further in a summary report provided by RDA Tasmania which is an analysis of research papers prepared by various stakeholder groups on the key issues and potential strategies surrounding Tasmanian Shipping and Freight.

RDA Tasmania is mindful in preparing its summary report that the key findings are not recommendations that should be considered, more so a summary of findings and recommendations of the research and findings of key stakeholders who prepared the reports that have been considered.

Productivity Commission - Scope of Inquiry:

1. *Examine shipping costs, competition and shipping industry competitive structures across Bass Strait.*

A key theme that emerged from the comparing of 15 recent reports into Tasmanian Shipping is an **inherent lack of competition** in the marketplace. There are only two commercial shippers who compete on the Bass Strait route with limited influence from the Tasmanian Government operated TT Line.

Furthermore the **duopoly effect** has created a restrictive environment whereby potential new entrants to the market may find it difficult to utilize existing port facilities in key locations. Limited land access may exacerbate this effect with Ports that do not have sufficient land to expand their infrastructure.

Shipping costs have increased in recent times due mainly to the **impost charges imposed by the Port of Melbourne**. Tasmanian exports, both domestic and international, make up approximately **26% of Port of Melbourne's total freight volume** yet no recognition of this has been made in any resulting pricing structure.

2. *Identify the factors inhibiting the provision of international shipping services to Tasmania.*

Tasmania has **low volume and diverse range of export freight** which is shipped from various ports which limits the opportunity to aggregate freight tasks. **Specialization** of the international freight task limits the potential for economies of scale in Tasmanian ports.

Tasmanian freight destined for international markets makes up **less than 12%** of freight transhipped currently through the Port of Melbourne. The additional cost of using the Port of Melbourne adds to the expense incurred by Tasmanian Exporters who cannot access a direct international shipping service.

An increased propensity for shipping lines to **introduce larger ships to export markets** that require minimum loading. This “economies of scale” approach may save cost on shipping movements but will make it harder for some shippers to justify servicing regional ports

The requirements by Maritime Unions to **pay crews on international vessels** (who are operating a **cabotage service** in Australian ports) **Australian award wages**. This can influence the ability for international shippers to operate a viable shipping service to Tasmania.

3. *Examine the competitiveness of Tasmania’s freight industry, economic infrastructure and possible reforms that would assist in enhancing effective competition, investment and productivity growth.*

Tasmania is well positioned with available options to potentially improve the cost effectiveness and efficiency of its shipping services. Some of these options include:

Possible extension of the Tasmanian Freight Equalisations Scheme (TFES) to assist Tasmanian Exporters until a potentially viable international shipping service can be reinstated

Develop a **long term freight strategy** for Tasmania that is supported by all key stakeholders which considers the longer term needs for **Port infrastructure** and **Rail and Road networks**

Improved collaboration between industry sectors to share resource and help develop in house solutions to **aggregate freight tasks, create efficiencies and economies of scale**

More **involvement with port authorities** to help control spiralling costs and ensure **Tasmanian Exporters are insulated from unreasonable cost escalation**

Potential for a **government owned freight shipping service** to provide *specialist* freight shipping, however this option should not be used to distort or influence traditional market determinants on price

4. *Assess the merits and weaknesses of the current arrangements for supporting freight and passenger services between the mainland and Tasmania and provide recommendations on an appropriate future approach and/or arrangements.*

Tasmania is uniquely positioned with a number of strengths that are not easily replicated in other regional areas of Australia. However whilst Tasmania enjoys advantage in areas including its geographical location, island state isolation and the TFES scheme to assist Tasmanian

Exporters, these are countered by some vulnerabilities and weaknesses in other areas including a small diverse freight task that limits freight aggregation and lack of competition in the shipping sector.

Strengths include:

TFES – only state in Australia to have this scheme available which no other Australian state has access to.

Regularity and reliability of service- provided by existing operators which is provided by the three established shipping operators

Access to Port of Melbourne export facilities- within short time frame which allows access to designated domestic and international shipping services

Weaknesses include:

Vulnerability to Port of Melbourne fees and changes in port handling charges which can change without consultation or notice

Ageing Infrastructure at multiple port facilities that are small and specialist. No ability for aggregation of freight task due to the diverse nature of Tasmania's freight task

Small volumes of diverse export goods which can be seasonal and contribute to capacity constraints

Lack of aggregation of freight tasks and inability to maximise freight loads

Empty containers comprise a high proportion of the inbound (20%) and outbound (25%) freight task which is unable to be avoided.

Lack of Competition - currently there are two established freight shippers and one Tasmanian Government ancillary freight shipper which limits favourable movement on shipping price due to lack of supply.

Possible recommendations:

Long term Freight Strategy that will address the needs of Tasmania's diverse freight task

Infrastructure strategy to consider long term freight needs and investment in port facilities

Review of TFES to consider long term support for Tasmanian Exporters including revision of the scheme in line with the changes in the Tasmanian freight task. The introduction of a possible Federal and State Government advisory board comprising key stakeholders to regularly review the TFES to ensure its relevancy.

Collaboration between Tasmanian Exporters, Shippers, Freight Forwarders and Port Authorities to identify and implement long term solutions to aggregate freight tasks, improve efficiencies and secure longer term economies of scale in freight tasks.