

RE: Submission to the Productivity Commission inquiry into Tasmanian Shipping and Freight

I, Jarrod Reeman, am current Chair of the King Island Shipping Group, and have prepared the below brief summary of our contribution to the inquiry into Tasmanian Shipping and Freight through the work already commenced in understanding the constraints of our Supply Chain.

The King Island Shipping Group is an advisory committee to the King Island Council and has a membership of all King Island Businesses utilising the Shipping Service as well as State Government (DIER) and Local Council representation.

As highlighted in the recently published report by the Tasmanian Department of Infrastructure Energy and Resources the direct impact of freight costs on the King Island economy is largely double the rest of the state of Tasmania due to the restrictions of our infrastructure and the limitations to access competition in service providers.

We have been engaged in a process of attempting to build resolutions for our immediate and long term shipping needs, whilst addressing the imbalance and significant cost imposts of freight to and from King Island.

Some of the highlighted priorities with regards to concerns we are dealing with are:

Cattle freight

- The removal of the island's abattoir has forced Beef Producers into a mode of delivery to market that many have not been previously set up to deal with. The removal of on island processor means that 100% of cattle produced for off-island sale is required to be shipped live to market, adding an estimated \$4M annually in freight costs to the beef production. This further diminishes the community's collective bottom line, already severely impacted by loss of 12% total jobs on the island due to closure of abattoir.
- The recent introduction of a productivity linked freight assistance, for a maximum 12 month period, will relieve the immediate impact of this sudden impost.

High cost impost on exports

- In order for a business on King Island to access an export market there is a significant discrepancy between that of mainland Tasmania, along with the necessary charges for domestic freight to the terminal a feeder charge is applied to move the container into the Export terminal.

Weight restrictions on Container loads.

- Inbound containerised freight has a weight restriction imposed on it by the current Service Provider effectively doubling the price of fertiliser inbound to the island by eliminating the importers ability to maximise the container utilisation and therefore minimise the cost of importing. This impacts directly on the producers through having to pay higher prices to manage their pastures.

Empty Container freight.

- As highlighted in both the DIER and Tasmanian Freight Logistics Coordination Team reports, the high number of empty containers being transported back and forth across Bass Strait is a major concern regarding freight costs to customers of the service.
- There is no facility on King Island to dehire containers and as such all businesses whether inbound or outbound are required to pay for the empty return reefer in order to move any product or material. This can effectively add roughly \$1000 to any full Container movement.

Consolidated Freight Task

- The King Island Shipping Group has always maintained the position that a consolidated freight task is the only sustainable economic position for the island's business community, which was again supported through the independent analysis conducted through DIER.

Infrastructure

- The most critical factor for King Island is the availability of a suitable vessel, as stated in the DIER report.
- The Current Service provider calls at King Island once a week on the only day available to them which is Sunday. This forces higher costs again onto to the customer, to cover operational overheads such as Labour.
- The restrictions to the capabilities of our existing wharf infrastructure limit the ability for the island to drive competition and freight costs. Currently a vessel restriction of 95 m Maximum, 5 m draft twin screw with bowthrusters is imposed on the wharf access. This prohibits any access to competition from alternative freight providers as these vessels do not exist in the open market and are not economically viable for a service provider to operate.

- The current vessel is 120 m and has an exemption to this ruling as it was in operation prior to the changes to the limits.
- The port itself is not designed to be an all-weather port as it is exposed to the SW swell which is documented to be 90% of our swell direction, this serves to generate days of missed calls into the harbour due to inclement weather and restricts the operational hours of the port. Any 'No Boat' situation has significant cost impacts to businesses on the island requiring extensive use of airfreight to achieve the freight movement demand. The threat of a 'No Boat' occurrence adds the cost of carrying contingency fuel and packaging to the cost of doing business on King Island.
- We have the capability to construct an all-weather 20 m port using the existing breakwater, however this has a current estimated cost of \$55M.

Bass Strait Vehicle Subsidy

- In order for King Islanders to travel interstate with their own vehicles there are significant issues imposed by way of cost impacts.
- If the same vehicle is not brought back, King Islanders cannot use the same space allocation and have an additional cost imposed.
- Vehicle subsidies are attached to the proof of purchase of airline tickets on RPT flights, and this makes private pilots ineligible to claim a subsidy.
- Loaded vehicles incur additional costs as opposed to passengers travelling to Mainland Tasmania.
- Time limit that the vehicle can be off the island.
- The subsidy is not available for King Island to Tasmania travel, despite the high cost of passenger transport, which is limited to air travel.

As per the brief outline above I hope to have conveyed the reality of our current Supply Chain constraints and that the economic sustainability of the King Island Business Community is significantly impacted by the items identified as per the scope of the inquiry.

Please accept this as our submission to the inquiry, we look forward to the opportunity to be involved in further hearings.

Kind Regards

Jarrold Reeman

Chair - King Island Shipping Group

King Island Shipping Group
PO BOX 147
Currie King Island, TAS 7256
Australia

Please consider the environment before printing this e-mail.