



# Productivity Commission Inquiry into Tasmania's Shipping Costs and Competitiveness of Tasmania's Freight Industry



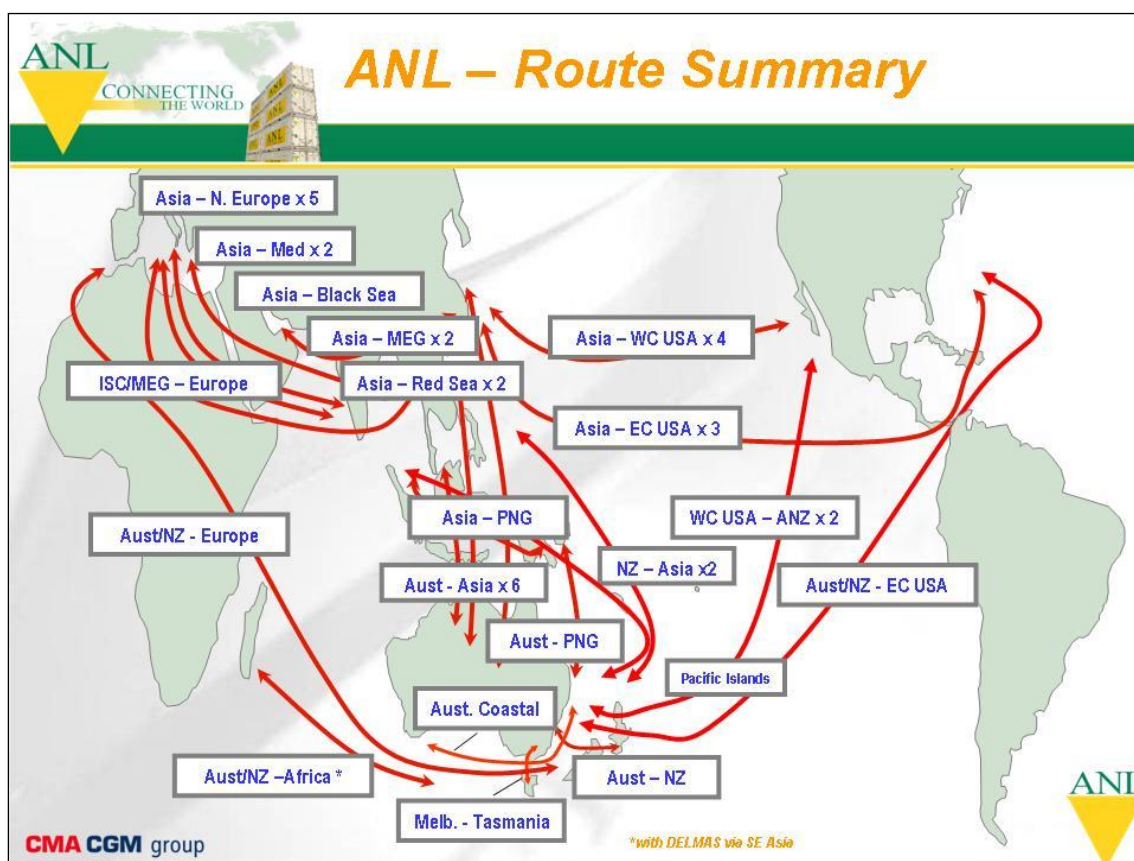
Submission by:  
ANL Container Line Pty Ltd  
13<sup>th</sup> December 2013

ANL is pleased to offer the following comments in relation to the Productivity Commission Inquiry into Tasmania's Shipping Costs and Competitiveness of Tasmania's Freight Industry.

ANL has a long history in Australian shipping being the Australian Government owned line involved in overseas and domestic shipping up until 1998 when bought by CMA CGM, now the world's 3<sup>rd</sup> largest container line in the world. ANL remains headquartered in Melbourne and is the largest carrier to/from and around Australia.

ANL is in a unique position to comment on the provision of shipping services to Tasmania as we have been both an operator of international vessels calling direct in Tasmania and a domestic vessel operator calling direct in Tasmania.

ANL is the biggest carrier of containerised export cargo from Tasmania connecting via Melbourne on the Toll/ANL service across Bass Strait. This provides a daily service in each direction 6 days a week from/to Burnie with connection to ANL's 10 services a week calling Melbourne. These ANL services from Melbourne offer fast and frequent connections to over 400 ports worldwide under the cover of a through Bill of Lading.

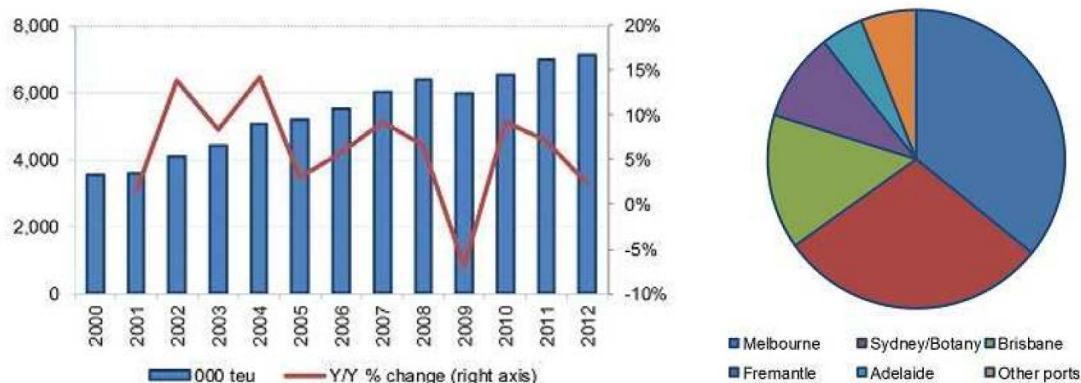


The reduction international vessels calling direct in Tasmania mirrors the trend of smaller ports around the world. Tasmania has a small population driving a certain relatively fixed level of consumption and its manufacturing is widely spread across the state in line with the major population centres of Hobart, Launceston, Burnie and Devonport. It is not surprising that as an island Tasmania has developed port facilities close to these population centres.

## The Australian Container Market

The Australian containerized market has shown a strong and stable growth of an average 6% since 2002. This growth was sustained by the strength of the Australian economy, the natural resources boom associated to the strong Asian demand for raw materials. Melbourne is the largest Australian containerized port representing 36% of the market in 2012.

### Australian container port throughput, 2000-12



Port	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	CAGR
Melbourne	1.27	1.28	1.52	1.60	1.85	1.91	2.00	2.19	2.30	2.09	2.35	2.51	2.55	6.0%
Sydney/Botany	1.02	0.97	1.08	1.20	1.35	1.41	1.53	1.69	1.86	1.79	1.99	2.03	2.09	6.2%
Brisbane	0.45	0.47	0.52	0.57	0.69	0.71	0.80	0.92	0.98	0.88	0.95	1.01	1.04	7.3%
Fremantle	0.30	0.38	0.41	0.44	0.48	0.47	0.46	0.46	0.58	0.57	0.60	0.63	0.68	7.0%
Adelaide	0.13	0.12	0.15	0.15	0.16	0.17	0.16	0.19	0.21	0.20	0.21	0.32	0.33	8.3%
Other ports	0.36	0.38	0.41	0.46	0.51	0.54	0.55	0.56	0.47	0.43	0.40	0.48	0.43	1.4%
<b>Total</b>	<b>3.53</b>	<b>3.59</b>	<b>4.08</b>	<b>4.42</b>	<b>5.05</b>	<b>5.20</b>	<b>5.49</b>	<b>6.00</b>	<b>6.40</b>	<b>5.95</b>	<b>6.50</b>	<b>6.97</b>	<b>7.12</b>	<b>6.0%</b>

Source: Drewry Maritime Research

### Tasmania's Share of Container Volumes

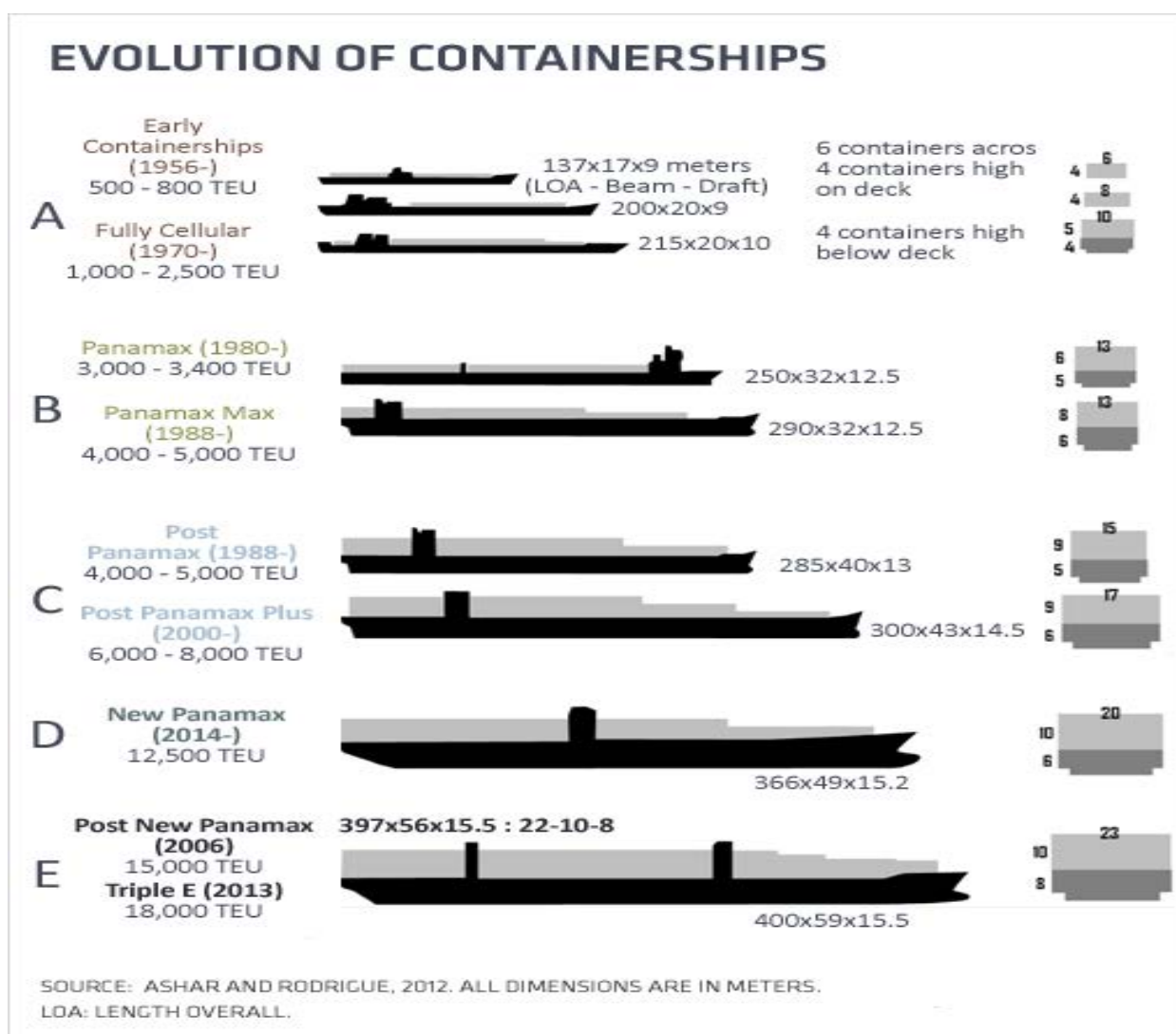
	2011/2012 - Container Volumes (TEU)								
	Imports			Exports			Total		
	Full	Empty	Total	Full	Empty	Total	Full	Empty	Total
Melbourne Port Corporation	1,167,137	131,335	1,298,472	885,146	395,479	1,280,625	2,052,283	526,814	2,579,097
Sydney Ports Corporation	1,017,051	10,394	1,027,445	455,359	553,338	1,008,697	1,472,410	563,732	2,036,142
Port of Brisbane Pty Ltd	449,815	56,792	506,607	313,622	185,653	499,275	763,437	242,445	1,005,882
Fremantle Ports	329,999	14,454	344,453	160,758	151,701	312,459	490,757	166,155	656,912
Port Adelaide (Flinders)	117,790	41,491	159,281	137,452	27,099	164,551	255,242	68,590	323,832
Burnie (TasPorts)	79,527	30,114	109,641	84,960	23,528	108,488	164,487	53,642	218,129
Devonport (TasPorts)	40,951	7,458	48,409	16,831	31,198	48,029	57,782	38,656	96,438
Townsville (Townsville)	12,988	12,674	25,662	19,294	4,606	23,900	32,282	17,280	49,562
Esperance Ports	0	14,210	14,210	12,944	0	12,944	12,944	14,210	27,154
Newcastle Port Corporation	362	6,375	6,737	8,251	234	8,485	8,613	6,609	15,222
Port Kembla Port Corporation	1,901	5,072	6,973	7,148	1,042	8,190	9,049	6,114	15,163
Cairns (Ports North)	1,306	5,377	6,683	6,737	36	6,773	8,043	5,413	13,456
Darwin Port Corporation	4,988	584	5,572	932	2,378	3,310	5,920	2,962	8,882
Bell Bay (TasPorts)	1,852	564	2,416	2,102	1,367	3,469	3,954	1,931	5,885
Gladstone (Gladstone Ports)	99	1,918	2,017	1,908	29	1,937	2,007	1,947	3,954
Broome Port Authority	366	855	1,221	1,129	54	1,183	1,495	909	2,404
Port Alma (Rockhampton) (Gladstone Ports)	694	0	694	451	0	451	1,145	0	1,145
Port Hedland Port Authority	489	308	797	86	2	88	575	310	885
Bunbury Port Authority	12	0	12	0	0	0	12	0	12
Eden (Sydney Ports)	2	2	4	11	0	11	13	2	15
<b>Total</b>	<b>3,227,329</b>	<b>339,977</b>	<b>3,567,306</b>	<b>2,115,127</b>	<b>1,377,744</b>	<b>3,492,871</b>	<b>5,342,456</b>	<b>1,717,721</b>	<b>7,060,177</b>
<b>Tasmania %</b>	<b>3.8%</b>	<b>11.2%</b>	<b>4.5%</b>	<b>4.9%</b>	<b>4.1%</b>	<b>4.6%</b>	<b>4.2%</b>	<b>5.5%</b>	<b>4.5%</b>

Source: Ports Australia

So Tasmania has a very small proportion of the total Australian container through put and what there is, is shared across the three northern Tasmanian ports of Bell Bay, Devonport and Burnie.

These container ports are very small by world standards and the dilemma facing small ports the world over is the increasing size of container ships. It is cheaper per container to run big ships versus smaller ones so wherever they get the chance shipping lines will upsize their vessels. The issue for the smaller ports is having enough throughput for a big and more expensive (in overall daily cost) vessel calling direct and having the necessary infrastructure to service them in terms of draft, berths and number of quay cranes.

It is clear the ships calling Australia’s main ports are getting bigger and this trend will continue in line with trend in the rest of the world.



Melbourne is the largest container port in Australia and now sees 5,000 TEU plus vessels calling every week. In a few years this will rise to 6,000 TEU plus vessels. The extensive number of services calling Melbourne every week provides connections to all ports in the world with a seamless transfer.

**The challenge for smaller ports is how to connect with the bigger ports that the large vessels call.**

Tasmania is already very well served with three freight services offering daily sailings between Northern Tasmania and Melbourne; Toll/ANL, Searoad and TT line. These services enable Tasmanian freight in both directions to connect in Melbourne in the same container and with a through Bill of Lading. The real issue remains the cost of these connections and the disadvantage faced by the people of Tasmania compared to those in the mainland states.

### **An Issue Recognised**

The Federal Government's National Highway network has enabled a 'one national economy' as there is easy access between all mainland capital cities and significant regional towns by road and rail.

There can be no land-based highway between Tasmania and the mainland, but why should the Tasmanian economy and ultimately its people suffer economic disadvantage because of the geography of the State.

This issue has been recognised by the Federal Government but is only partially addressed by the Tasmanian Freight Equalisation Scheme (TFES) and the Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES).

If we look at freight scheme TFES, it has some major exclusion as it is basically limited to domestic cargo and completely ignores the extra cost burden for Tasmanian exporters and importers.

The cost burden has increased recently with the introduction of the Carbon tax and revised pricing by the Port of Melbourne relating to Port Licence Fees.

### **Towards a Solution**

If we distil the issue down to the facts;

- Tasmania's people and manufacturing is fragmented across the state.
- Tasmanian ports are small and lack the critical volume to attract international services. This is more and more the case as vessels calling other Australian ports get bigger and bigger. The ports will also lack the physical capacity to handle these larger vessels.
- Tasmania is already well served by three daily services from Northern Tasmania and all three operators are looking to modernise their vessels and increase capacity.
- The Federal Government has already recognised the economic disadvantage faced by the state and its people relative to the mainland states.
- The freight solution in place (TFES) is outdated, not comprehensive enough in the scope of the costs captured and completely ignores a major portion of the cargo moving. This is all to the detriment of Tasmanian exporters and importers and ultimately the prosperity and wellbeing of the state as a whole.

**We recommend that the TFES be reviewed in light of current costs, be enhanced to capture the full cost of Bass Strait movements and be extended to cover export and import cargoes moving across Bass Strait.**

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