

Tasmanian Shipping and Freight

Productivity Commission Public Enquiry, December 2013

Webster Limited would like to present the following submission to the Productivity Commission's Public Enquiry into Tasmanian Shipping and Freight.

Freight assistance for Exporters from Tasmania.

Webster Limited, via its wholly owned subsidiary, Field Fresh Tasmania (FFT), is a major exporter of fresh produce, principally brown onions. This trade has been in existence for approximately 40 years. Approximately 2,500 twenty foot equivalent units (TEUs) or 40,000 tonnes are shipped each year to northern hemisphere destinations between early February and late June. This operation is one of Tasmania's largest horticultural businesses and is highly seasonal in nature which brings with it a raft of supply chain logistical challenges. Gross revenue from the operation is approximately \$25M annually.

To be successful each year, FFT requires a reliable and regular shipping service from Tasmania. Since the AAA International service terminated in late April 2011, FFT has been forced to ship 100% of its export freight via Melbourne which has increased costs markedly, which transfers straight to the bottom line of the business.

Webster is fully supportive of rationalisation of the freight industry to provide a more efficient (less costly), reliable and regular shipping service to and from Tasmania. However this will take considerable time to achieve. Even getting to an agreed pathway for the implementation of such a rationalisation will take considerable time and willing on behalf of all the players in Tasmania's freight industry.

The table below shows the proportionate cost allocation between the Bass Strait leg and the overseas leg for a range of FFT's export destinations for the 2014 export season. It shows that Bass Strait is a very expensive stretch of water, however it only represents a very small (1.5%) percentage of the sailing time to northern European ports. The high cost reflects the business environment in which most businesses operate in Australia today, but particularly where domestic shipping is involved.

Destination	Bass Strait cost %	Overseas cost %
Antwerp, Belgium	34%	66%
Helsingborg, Sweden	30%	70%
Yokohama, Japan	47%	53%
Singapore	53%	47%
Hong Kong	54%	46%

Until equivalent cost-reducing rationalisation is achieved, Webster would like to see the Tasmanian Freight Equalisation Scheme (TFES) extended to exporters from the 2014 export season. The Agricultural Industry has been identified in many studies as an industry which has a bright future in Tasmania. Millions of dollars have been spent in recent times on irrigation projects to drought-proof any future investment in the agricultural and horticultural space. However any industry looking to establish a new operation in Tasmania or to expand an existing operation, would look closely at the cost of transporting their produce to market and ascertaining if they can do this in a viable way. FFT is an existing business and despite serious capital investment to reduce operating costs and the development over many years of the most efficient supply chain logistics given the existing infrastructural constraints, the increasing cost of the Bass Strait freight task could cause Webster and others to review their investment strategies in Tasmania.

TFES

The TFES has not been subject to regular annual CPI increases and has therefore been effectively reduced in real terms over the years. Eligible shippers have experienced increases in their freight task costs, but these have not been matched pro-rata from the TFES. It is recommended that this matter be rectified by adjusting the TFES by the previous year's official inflation percentage.

Cabotage

Webster believes that the Coastal Trading Act should be revisited so that foreign vessels can carry domestic freight (including empty containers) around the coastline of Australia. Whilst this would not help Tasmania immediately as there are no international ships calling to Tasmania (except for a very limited monthly service to Bell Bay), if and when a regular international service was to return to Tasmania, there would be no legal restrictions on the movement of domestic or international cargo. Note that the introduction of restrictions via the Coastal Trading Act is viewed as one of the reasons behind the withdrawal of the AAA international service in April 2011.

Longer Term National Planning

Webster supports a long term approach to the overall freight task for Australia. For example, the relocation of the Melbourne Port's container operations to Hastings would reduce the operational costs for Tasmania freight operators through reduced sailing times and therefore costs for the feeder vessels and also the international vessels, eliminate the expensive land-bridging operation in Melbourne from Webb Dock (the Tasmanian feeder vessel port) to the international terminal and the chance to introduce a fully automated container port system.

A longer term vision for the rationalisation of the overall freight task within Tasmania would also be welcomed.

Thank you for the opportunity to present this submission to the enquiry.

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