



20 December 2013

Tasmanian Shipping and Freight
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Submission JBS Australia Pty Limited.

JBS Australia Pty Limited is Australia's largest meat processor. We have ten meat processing facilities across five Australian States.

In Tasmania we have two processing facilities located at Longford and Devonport employing combined 550 people. The impact of our business reaches across all parts of the Tasmanian economy.

We inject directly into the Tasmanian economy \$65 million per annum through wages and livestock purchases. Each dollar spent by JBS Australia has significant multiplier effects throughout the Tasmanian economy.

Our business in Tasmania is about producing high quality beef and lamb product from both key domestic and international customers.

Longford is Tasmania's largest processing facility. It is the State's only multi-specie facility, processing beef and lamb. Longford has access to all key international markets. This is critical as it provides the Tasmanian producer with access opportunities to the world.

To maintain access to the world requires significant ongoing capital investment in the production operations and a non-negotiable approach to food safety by JBS.

Loss of market access will result in less opportunities and lower returns for the Tasmanian producer.

The Tasmanian beef and lamb product has a strong reputation as a high quality grass fed product. Our business produces a number of brands for both domestic and international customers. These customers expect consistency in the quality and presentation of the JBS Australia product, 52 weeks of the year.

In Australia it is 3 times the cost to process an animal than in Brazil, twice that of the United States and 1.5 times that of New Zealand. Australia is a high cost to operate platform.

Our competitors within the global animal protein market are not other Australian Processors but Brazil, United States, Canada and New Zealand, who we compete with every day of the year.

The challenge for the Australian and Tasmanian Industry is to regain competitiveness through a combination of market access and taking costs out of the supply chain and business. In Tasmania the costs of transport and freight is a key area for improvement.

Tasmania is expensive location to do business, especially for those such as JBS Australia who are servicing international markets and customers. Transport and logistics costs are significantly higher

in Tasmania than for similar distances, product mix and volumes and market destinations from our mainland operations.

The costs of transporting livestock from locations such as King Island and Finders Island to Tasmania for process is expensive and in a cost per kilometre considerably greater than on mainland Australia. The challenges and costs around positioning empty containers in Tasmania and transporting finished product by road and vessel to the mainland for transshipment, is also very expensive in comparison to mainland costs.

The situation in terms of costs are further complicated by have three small competing ports under State Government ownership and no direct international shipping service to transport high quality and time sensitive product such as chilled beef and lamb to the world.

International exports are not eligible for assistance under the Tasmanian Freight Equalisation Scheme (TFES), where domestic product is. This has impact on the competitiveness of export product from Tasmania.

In contrast, under the TFES businesses are incentivised to move product as produced, especially that which is shelf life sensitive. In our view, the TFES rebate impedes the capacity to aggregate volume and to achieve economy of scale and lower costs of transport.

In conclusion, we commend any initiative which seeks to deliver cost to operate benefits for Tasmanian Industry, especially those servicing the highly competitive export markets.

We also see scope for greater investment in infrastructure by the private sector in Tasmania as seen in other mainland states.

We look forward to participating in the public hearing process.

Yours sincerely

 **John K Berry**
Director and Head of Corporate and Regulatory