



5th February 2014

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

Dear Sir/Madam

I wish to make a submission to the public enquiry into the Tasmanian Shipping and Freight costs.

Tasmanian Flour Mills is the only commercial flour mill operating in Tasmania and has been operating successfully since 1860. The mill in Launceston currently employs 16 people and processes approximately 18,000 tonnes of wheat per year. This wheat is sourced entirely from mainland states and is shipped to Tasmania in containers. The purchase of the wheat from the mainland is a necessity as Tasmania does not have the suitable growing conditions to produce hard wheat of a satisfactory quality for flour milling, at least not on the commercial scale that we require.

The majority of our flour is sold in bulk to the three major bakeries in Tasmania. These bakeries are designed to handle flour in bulk as it is a far more efficient and cost effective method than handling bagged flour. The remainder is sold to smaller bakeries, which account for approximately 85% of the bakeries in Tasmania. As these are smaller bakeries, they are unable to cope with bulk flour so are supplied with bagged flour.

I would like to focus on a number of issues raised in the report.

Removal of the TWFS

While the rationale behind the recommendation to remove this subsidy is understandable as it has not been claimed since 2009, the potential loss of the south bound TFES would make the TWFS our only option to use. If this subsidy is removed, this will also potentially end any possible future bulk shipments of wheat into the state.

Proposed changes to southbound freight in existing TFES

Ideally any reduction to the existing southbound TFES subsidy is going to have to be passed on as a cost to our consumers. But in reality our major customers would be unable to bare this cost. They are currently under price pressure from major supermarket chains that are producing low priced bread. If Tasmanian Flour Mills is forced to absorb this loss into our business, it would seriously jeopardise the long term viability and financial profitability.

The proposed changes are a serious concern to us as we are unable to claim any northbound subsidies. We have no other option but to purchase our grain from interstate. The quality of locally produced wheat is too variable to represent an economically viable alternative to importing hard wheat from the mainland. Therefore, Tasmanian Flour Mills does not have the flexibility to substitute imported wheat with local wheat if the southbound TFES subsidy was reduced or removed.

We understand the concern that some firms are double dipping, i.e. claiming southbound and then northbound subsidies and agree that this is a distortion of the intent of the scheme. But as stated above our company would be potentially unable to recover the cost financially.

Tasmanian Flour Mills understands the need for reviews and reforms of the TFES, but the removal of the southbound subsidy, would most likely result in job losses for our company, the loss of the Tasmanian Flour Mills icon, and increased costs to consumers for one of their staple products, bread.

The TFES is critical to the continued success of Tasmanian Flour Mills.

Please do not hesitate to contact me if I can offer any further information

Yours sincerely

Darren Lee

General Manager