



Coles Supermarkets Australia Pty Ltd

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7 February 2014

Karen Chester  
Presiding Commissioner  
Tasmania Shipping & Freight Inquiry  
Productivity Commission  
GPO Box 1428  
CANBERRA ACT 2601

Dear Ms Chester,

Coles operates 16 supermarkets in Tasmania employing 1,600 team members and serving some 300,000 Tasmanian customers every week. We also have significant fresh produce and product sourcing agreements with farmers and food processors across the State.

The cost and efficiency of freight services between the mainland and Tasmania is therefore important for Coles as any changes that would increase the cost of freight services may have consequences for our sourcing agreements and the cost of food which we sell to Tasmanians.

While Coles does not generally support public subsidies, their application by successive governments has encouraged many enterprises to invest in local infrastructure and facilities which benefit employment in the Tasmanian economy as well as helping to minimise the cost of goods being transported into and out of Tasmania.

Any changes to the Tasmanian Freight Equalisation Scheme (TFES) could therefore have unintended consequences on these enterprises' plans, the people they employ and prices for goods generally.

With this in mind Coles reviewed the draft report '*Tasmania Shipping & Freight - January 2014*' and believes changes to the TFES could increase the cost of goods sold (COGS) for our purchases above and beyond the direct effect on freight costs. If the cost of goods increases it would neither be surprising nor unusual for there to be price impacts on the food and groceries we sell.

While we have no specific comment with regard to the draft recommendations, we do have some responses to several information requests, as follows;

**INFORMATION REQUEST 3**

*To what extent does the government-owned TT-Line provide competitive pressure in the Bass Strait shipping market? Would a scenario with only the two commercial shippers provide a more cost-effective outcome?*

Coles often relies upon the TT line to meet freight requirements, especially during peak trading periods such as Christmas. We prefer to see more rather than less alternative freight services.

**INFORMATION REQUEST 6**

*To what extent will the Tasmanian Government and TasPorts' plan for port specialisation enable Tasmanian ports to capture the efficiencies available from greater scale ?*

We would be concerned if plans for port specialisation resulted in increased congestion. We would also be concerned if specialisation was to limit capacity, especially during peak trading periods such as Christmas.

**INFORMATION REQUEST 9**

*How do road freight costs in Tasmania compare with costs of equivalent services on the mainland? Are there any competition issues in the road freight market given the presence of integrated freight logistics businesses?*

Coles experience shows that road freight costs in Tasmania are higher than equivalent road freight services on the mainland.

We trust this information will assist with your inquiry and would be happy to provide commercial in confidence information if required. Should you require further details please do not hesitate to contact me.

Yours sincerely

**Richard Uglow**  
Regulatory Affairs Manager  
Victoria & Tasmania