

Dear Sir/Madam,

I make the following submission in relation to the draft report in relation to Tasmanian Shipping and Freight.

Cripps is the largest bakery in Tasmania hence the largest user of flour and thus a direct influencer on the volume of wheat brought into the state and milled by Tasmanian Flour mills.

I have read with interest the Draft report specifically focusing on the Tasmanian Freight Equalisation Scheme (TFES) and the Tasmanian Wheat Freight Subsidy (TWFS) and I would now like to focus on three of the recommendations from the report namely:

- a) The removal of the TWFS.
- b) Changes to the existing TFES, specifically focusing on the removal of the south bound component and or capping the subsidy per container to factor only wharf to wharf freight.
- c) Removal of the TWFS and capping the subsidy per container under the TFES to put pressure on stakeholders to utilise more productive means of transporting to the island.

Removal of the TWFS

I and my counterparts understand the commissions reasoning behind recommending removal of the TWFS on the basis that it is a redundant scheme which hasn't been claimed upon since 2009. However there will be substantial consequences for Tasmanian bakers if the replacement scheme namely the TFES as outlined in the report reduces the level of claim afforded per unit of containerised wheat. Our supplier of flour (Tasmanian Flour Mills) has advised that any reduction in subsidy they receive for wheat transportation will result in increased flour cost and ultimately increased bread prices.

This would be a double edged sword for the Tasmanian baking Industry as the market pricing for bread is heavily influenced by retail pricing of bread offered for sale by national chains Woolworths and Coles under their respective house brands. Because of this Tasmanian bakers will find it difficult to pass on the full impact of flour price increases as their products will become un-competitive against the chains housebrands. This will mean that Tasmanian bakers will have to absorb the flour price increases or risk loss of volume if price increases cause a market share shift to the cheaper housebrands. Tasmanian bakers are already margin poor and absorption of any cost increases as a result of changes to the TFES will ultimately lead to loss of employment in the baking sector and or closure of smaller independent bakeries as they struggle to compete.

Changes to the existing TFES in relation to southbound freight

I have read this with some surprise as not all commodities are brought into Tasmania as inputs in a manufacturing process for goods then to be shipped to the mainland or exported overseas. Removal of the south bound component substantially discriminates against Tasmanian manufacturers who only sell their products within Tasmania as we cannot claim northbound TFES on finished goods. I reinforce the point made above that any reduction in the subsidy given to Tasmanian flour mills for wheat transportation will increase the price of flour and thus the price of bread in Tasmania. But more importantly there are many other ingredients that bakers use that have to come from the mainland and any cost increases incurred on these because of freight will need to be passed onto the consumer. This has far reaching effects as currently Tasmanians pay comparative prices to mainland residents for bread which was one of the underlying principles of the TWFS. Tasmania has the highest un-employment rate in the country and the highest number per capita of households in which the main income comes

from government benefits, Tasmanians can ill afford increases in their staple foods as a result of changes in government policy. But for reasons stated above, Tasmanian bakers will find it difficult to pass cost increases onto the market. The commission should consider allowing Tasmanian manufacturers to claim on one leg only rather than abolishing the south bound component this then would create parity with the subsidy assisting those manufacturers who sell their products only in Tasmania as well as those who send them out of the state.

Capping the subsidy afforded containers of wheat under the TFES and or basing it on the lowest cost option of freighting wheat to Tasmania.

Unfortunately Tasmanian millers have no influence over the shippers in relation to how wheat is transported to Tasmania hence this recommendation is passing the cost burden onto the party who is not responsible for the transport model to the island which is totally unfair and ultimately passes the cost forward to Tasmanian consumers which is equally unfair. I reinforce the point that any changes to the TFES in relation to wheat freight needs to afford the same level of subsidy it currently does otherwise, Tasmanian consumers will pay more for flour and bread and it will cost jobs in the milling and baking industries within this state.

Reducing the amount of subsidy will increase the cost of inputs and ultimately effect market pricing and or business viability.