



**CUTHBERTSON BROS. PTY. LTD.**

A.B.N. 50 009 493 627

Postal Address: PO Box 316 Moonah Tas. 7009

## **Cuthbertson Brothers Pty Ltd**

# **Response to Productivity Commissions Draft Report – Tasmanian Shipping and Freight Inquiry**

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**Head Office:** 88 Gormanston Road Moonah Hobart Tas. 7009  
**Devonport:** 4 Cockers Creek Road Spreyton Tas. 7310  
**Launceston:** 94 St Leonards Road St Leonards Tas. 7250

Phone: (03) 6271 2200  
Phone: (03) 6427 2339  
Phone: (03) 6339 1107

Fax: (03) 6272 3921  
Fax: (03) 6427 2649  
Fax: (03) 6339 1686

## **Introduction Cuthbertson Bros**

Thank you for the opportunity to appear. Unfortunately Managing Director of Cuthbertson Bros Pty Ltd is absent overseas and extends his apologies to the Commission.

Cuthbertson Bros Pty Ltd is represented by Mr Wayne Jones, Tasmanian Manager.

## **Contents:**

- 1. Executive Summary**
- 2. Response to Productivity Commission Draft Recommendations**
- 3. Response to Productivity Commission Information Requests**

## **Executive Summary**

Cuthbertson Bros Pty Ltd presented an initial submission to the Productivity Commission on 16 December 2013. The submission primarily addressed the Tasmanian Freight Equalisation Scheme, the urgent need for a direct call international shipping service and Bass Strait shipping costs and competition.

All matters have been considered by the Commission, some in more detail than others.

Cuthbertson Bros welcome the Australian Government's view the Commission's recommendations for the ACCC to review coastal shipping regulation and requests that this be commenced as a matter of urgency.

The company is confident that this will assist in reducing Bass Strait costs. Cuthbertson Bros is worried that contrary to the Australian Government and the current Federal Oppositions repeated intention not to scrap the Tasmanian Freight Equalisation Scheme, the Commission is pursuing a course of examining changes to the scheme that will significantly reduce payments to current eligible businesses and at the same time advancing a proposition to include all goods shipped through the Port of Melbourne effectively including exports in the Scheme.

The robbing Peter to pay Paul principle in the case is fraught with danger. Has the Commission been instructed by the Australian Government to achieve a cost neutral outcome?

A key concern of Cuthbertson Bros Pty Ltd for some years has been a flaw in the TFES which effectively discourages employment and capital investment in Tasmania to the benefit of Victoria, in particular by enabling business in Victoria to process and repack goods ex Tasmania for example before they are exported. Since the cessation of the direct call international shipping service 34 months ago it is obvious this practice has increased.

The Commission's option to include exports, on the one hand, has the potential to encourage more Tasmanian business to process off-shore and will have the effect of diminishing the opportunity for the recommencement of a direct call international service for Tasmania.

This creates somewhat of a dilemma however while Cuthbertson Bros supports both options it retains a preference for a direct call international shipping service which will attract financial support from State Liberals if elected.

This Inquiry has heard of shipping companies serious interest in providing a direct international service to Tasmania.

Cuthbertson Bros contended in its submission that there is no real competition at Burnie port as Toll/ANL has a lease on the port until 2028. The Productivity Commission draft reports Information Request 3 posed the question 'Would a scenario with only the two commercial shippers provide a more cost-effective outcome?' The answer is No. Both Toll and Sea Road regularly increase their freight rates (as does the Port of Melbourne charges).

The company emphasises the inclusion of export goods into the TFES should not be at the expense of the cessation of the Southbound component of the scheme and diminished payments.

The cost of Bass Strait is a significant economic burden. Cuthbertson Bros has particularly felt the pain since it was forced to use this very expensive stretch of water since the international service finished.

The company's original submission highlighted the increase in shipping costs it has experienced. For example two years and ten months ago when a direct international service was operating the company shipped 20' containers from Bell Bay to China for \$1090. Today that price is road – Launceston to Burnie \$500, shipping Burnie to Melbourne \$1000 and shipping Melbourne to China \$500 – total \$2000, increase \$910, plus Port of Melbourne charges.

Impact on the business is approximately \$250,000 per annum.

## **Response to Productivity Commission Recommendations**

### **Draft Recommendation 1**

Agree, referred to previously

### **Draft Recommendation 2**

Agree to two yearly review, prefer a body other than BITRE (doubts methodology, intent, attitude to TFES)

### **Draft Recommendation 3**

Agree to process, need to be convinced BITRE is the appropriate body

### **Draft Recommendation 4**

Agree

### **Draft Recommendation 5**

Single flat rate not supported

Agree evidence of wharf to wharf cost

### **Draft Recommendation 6**

Agree transparency, need to protect any commercial – in-confidence information

### **Draft Recommendation 7**

Greater access to online claims supported

### **Draft Recommendation 8**

A threshold on minimum value is not supported. If some payments are less than the administrative costs of dealing with the claims, a revised process should be designed and implemented.

### **Draft Recommendation 9**

Extension of self-assessment is supported

### **Draft Recommendation 10**

No comment

### **Draft Recommendation 11**

A review of the Passenger Vehicle Equalisation Scheme is supported but not at the expense of Tourism rather to Tourism's benefit.

**Draft Recommendation 12**

Agree, is the Government ownership and expenditure of funds in TT-Line warranted? Could the funds paid to the State Government in dividends be better utilised.

**Draft Recommendation 13**

A full review of the commercial viability and Government ownership of Tas Ports is supported.

Unfortunately the Managing Director is not available to comment further.

**Draft Recommendation 14**

A comprehensive long term integrated freight strategy is required urgently.

**Draft Recommendation 15**

Supported wholeheartedly. The development strategy is desperately required. There are many fundamental issues that can be improved in Tasmania.

Cuthbertson Bros contends this requires detailed comment and warrants separate submission and consideration. It suggests to the Joint Commonwealth and Tasmanian Economic Council, once operative.

Managing Director would wish to comment further.

**Draft Recommendation 16**

Agree and suggest that the review and evaluation should be within the perview of an ongoing joint Commonwealth & Tasmanian Economic Council.

## **Response to Productivity Commission Information Requests**

### **Information Request 1**

Cuthbertson Bros has referred to the suggested inclusion of export goods into the TFES earlier. It prefers the opportunity for the reintroduction of a direct call international shipping service.

The Company does not support removal of the Southbound component of the scheme. Too many Tasmanian businesses in wealth generating industries of agriculture, forestry and mining will be adversely impacted.

It does not support consideration of these issues to achieve a cost neutral outcome.

### **Information Request 2**

Don't support it, impact on very small businesses.

### **Information Request 3**

Do not agree with only two commercial shippers being more cost effective. Past experience suggests the likelihood of rate increases.

### **Information Request 4**

Only interest is to ensure no impacts.

### **Information Request 5**

Potential of lower shipping costs and return of empty containers to the State.

### **Information Request 6**

No comment at this point.

### **Information Request 7**

No comment at this point.

### **Information Request 8**

No comment.

### **Information Request 9**

Cuthbertson Bros believe road freight rates are comparable.

### **Information Request 10**

No comment.