

20<sup>th</sup> July 2017

The Chairperson  
Freight and Supply Chain Inquiry  
Department of Infrastructure and Regional Development  
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Dear Sir / Madam

Reference: Submission to National Freight and Supply Chain Priorities Inquiry

The Tasmanian Logistics Committee (TLC) is pleased to provide a submission to the National Freight and Supply Chain Priorities Inquiry being undertaken by the Department of Infrastructure and Regional Development.

#### Background

The Tasmanian Logistics Committee (TLC) is an autonomous subcommittee of the Tasmanian Chamber of Commerce and Industry and is a joint initiative of the chamber and RDA Tasmania.

The TLC comprises various industry representations to cover all logistics channels and industries in Tasmania. To this regard senior management are represented from rail, ports, shipping, transport, warehousing, distribution, forwarding, air as well as direct representation from retail, mining, manufacturing and other industries. The TLC represents the leadership of the majority of Tasmanian logistics sectors and large industry.

The primary focus of the TLC is to be fully aware and engaged in issues relating to the logistics sector in Tasmania (including such topics that can and do have a direct effect on Tasmania – IE: Melbourne ports, Coastal Shipping etc) as well as a conduit representing industry to the Australian and Tasmanian Governments.

#### Our Submission

The submission we have prepared for this inquiry will centre on three main areas that the TLC members have determined as vitally important for Tasmanian exporters, shippers and logistics.

- Coastal Shipping Reform (Issues for Tasmania)
- Airfreight – Perishable Freight Movement
- Empty Container Movements across Bass Strait

## 1. Coastal Shipping Reform (Issues for Tasmania)

According to the views of the majority of our committee members, this issue remains the most challenging for Tasmania. The report we have prepared has been provided in this submission for your reference and information. Amongst the points raised for and against Coastal Shipping Reform the following considerations were identified:

### *Summary of reasons supporting Coastal Shipping Reform*

- Alternate freight service options for Tasmanian Exporters
- More competition in the marketplace
- Better pricing for Tasmanian Exporters
- Diversification of shippers reduces the reliance on local operators and duopoly effect

### *Summary of reasons for retaining the current Coastal Shipping Law*

- Retaining a long term reliable shipping service that is employment for Tasmanian communities
- Maintaining an Australian Shipping and seafarer presence in the market
- Ensuring Tasmanian Exporters are given long term freight service provision that is not determined by overseas shipping companies and service providers

### *Summary of suggested strategies to assist Tasmanian Exporters*

- Treat Tasmania as a unique case for Australia Coastal Shipping considerations
- Allow the market to set the price for freight
- Strategic relief from cabotage for specific cases
- More effective aggregation of freight
- Recognising the value proposition of locally owned and operated shipping services

### *Conclusion*

The TLC members recommend that any changes to Coastal Shipping Reform consider Tasmania as Australia's only island state with a heavy reliance on a competitive and reliable shipping service.

## 2. Airfreight- Perishable Freight Movement

Whilst a small contributor to the overall freight task for Tasmania at present, it is envisaged that airfreight will play an increasing role in the delivery of high value perishable commodity delivery. At present the main departure points for airfreight include Hobart and Launceston from which the major airlines operate specialist freight service with jet aircraft.

According to the recently released "Time Sensitive Freight – Understanding Tasmania's Market" prepared by Infrastructure Tasmania the following was noted:

- The vast majority of Tasmanian products must currently travel to the Australian mainland via the mainland via sea (majority) or domestic flights before being air freighted to their final destination<sup>1</sup>
- This system results in multiple handling and associated time delays which result from time required to load and unload products, and the logistics required to co-ordinate the arrival and departure of products<sup>2</sup>

The extension of the runway at the Hobart airport will elevate some of the double handling of freight through the provision of larger aircraft which can fly to overseas routes directly without the need to refuel. The announcement of Van Diemen's Land (VDL) farms to airfreight milk directly to mainland China is a direct result of this investment by government which will also leverage private sector development.

In the longer term, our committee members see a role for government to provide financial assistance in the development of support infrastructure at airports including freight handling facilities, cold storage units and customs clearance, security (quarantine) facilities.

#### *Conclusion*

The TLC members recommend that government remained informed by industry in respect of changing freight tasks for airfreight and be able to provide assistance to support ancillary infrastructure development for airfreight export.

### 3. Empty Container Movements across Bass Strait

One of the most pressing issues for Tasmanian exporters, shippers and freight handlers is the shipping of empty containers across Bass Strait. This practice is entrenched in the industry through necessity and is an impost that needs to be addressed in order to improve efficiencies and reduce shipping costs.

#### *Background*

According to data received from our committee members, the approximate number of empty containers shipped across Bass Strait by the feeder services for the 2015/16 Financial Year was 78,101 TEU, a percentage of total container market of 25.2%.

The market break down for the 2015/16 financial year was:

<b>FY 2015/16</b>	<b>Full TEU</b>	<b>Empty TEU</b>	<b>Total TEU</b>	<b>Empty %</b>
<b>Imports into Tas</b>	<b>131,820</b>	<b>26,888</b>	<b>158,708</b>	<b>16.9%</b>
<b>Exports from Tas</b>	<b>99,625</b>	<b>51,213</b>	<b>150,838</b>	<b>33.9%</b>
<b>TOTAL</b>	<b>231,445</b>	<b>78,101</b>	<b>309,546</b>	<b>25.2%</b>

<sup>1</sup> Time Sensitive Freight – Understanding Tasmania's Market Page 38

<sup>2</sup> Time Sensitive Freight – Understanding Tasmania's Market Page 39

At an estimate of \$400 per empty landed to door in Tasmania, which is estimated to be \$200 on the water and \$200 repositioned by road; the empty volumes represents an imposition to the Tasmanian supply chain of \$31.24m. Which is 78,101 x \$400.

#### *Variables*

There are a number of different container size types that move through the Tasmanian supply chain, namely domestic 20ft and 40ft/international 20ft and 40ft/refrigerated units/high cubes/open top and flat rack containers.

The difference in the sizes of domestic and international 20ft containers is the domestic container is longer internally by 75mm, wider internally by 25mm and higher internally by 35mm. These size differences allow the domestic container to accommodate 20 Chep or Loscam pallets or 20 international pallets.

\*International containers are unable to accommodate 20 domestic pallets due to width constraints.

#### *International shipping agents/Freight forwarders*

There are a number of international shipping lines that call at the Port of Melbourne. Five of these lines maintain a dedicated Tasmanian office or agency. Please note that empty containers do not attract any wharfage charges across Bass Strait through the Port of Melbourne.

\*International lines use their dedicated, owned and leased container fleet to meet demand.

The shipping liners currently servicing Tasmanian supply chain requirements are the domestic Bass Strait feeder services of Toll Shipping and SeaRoad Shipping; and the direct call international services of Mediterranean Shipping Company, Swire Shipping and Maersk. The new direct call services have further exacerbated the flow of empty containers between competing services.

#### *Grocery pallet requirements*

National grocery chains require delivering products directly into stores and DC's on Chep and Loscam pallets to suit the warehouse pallet racking. This issue is a truck consideration in Mainland States.

#### *Import v export demand*

In a perfect world, the difference between the imports and exports into Tasmanian markets is 32,195 TEU; 131,820 imports less 99,625 exports. This would be the required repositioning of empty containers if the market matched up perfectly, obviously this will not happen.

#### *Considerations to address this issue*

- The Freight Logistics Coordination Team (set up under the previous State Labor Government) proposed an online solution. Whereby, the cargo owners could see where empty containers were available across the State and could book according to demand requirements and geographical proximity. A rough model was worked through by the appointed consultants.
- Could the Bass Strait feeder services use Tasmanian badged domestic containers, sharing the containers through a common empty container park? Both are located at Webb Dock in the Port of Melbourne and Burnie and Devonport are only 40 odd minutes apart. This would require purchase of the existing domestic container fleet and rebadging as Tasmanian by some governing authority. The feasibility of the business plan for this option would need to be worked through.

Any improvements that can be made to the number and efficient movement of empty containers and better matching of demand v supply will enable better pricing competition for full containers, improved supply chain efficiencies and possible savings passed through to cargo owners therefore influencing improved price competitiveness for export and domestic markets.

*Conclusion*

The TLC members recognise this complex issue will require extensive modelling of the numbers to ascertain the extent of empty containers comprising Bass Strait movements and how industry, government and Tasmanian exporters can minimise these inefficiencies through effective long term strategies.

The Tasmanian Logistics Committee remains focused on providing regular feedback to government through engagement with its committee members, industry representatives and researchers to identify and encourage workable solutions to these issues.

We look forward to the outcomes of this inquiry and welcome the opportunity to contribute further as required.

Yours faithfully



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