



RDA Tasmania

&

**The Tasmanian Chamber of Commerce and
Industry**

Freight Forums

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Summary of Key Findings

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Background

Freight logistics, particularly for our Tasmanian exporters, play a vital role in our competitiveness and ultimate economic growth potential.

On the 27th April 2016, RDA Tasmania and the Tasmanian Chamber of Commerce and Industry (TCCI) co-hosted two freight forums. The forums addressed the current and long term opportunities and challenges for Tasmanian exporters and the freight and logistics industry.

The aim of the forums included:

- Update on the current “state of play” including freight movements, volumes, seasonality of freight and any constraints on supply of cargo space for Tasmanian Exporters
- The use of the Tasmanian Freight Equalisation Scheme (TFES) extension for goods not covered under the previous scheme (from 1 January 2016) by Tasmanian business
- Presentation of the Draft Integrated Freight Strategy by Infrastructure Tasmania
- How innovative thinking in logistics can enhance business efficiencies where commonalities in the marketplace exist for exporters that may be competitors but can also help each other.

These forums were supported by presentations from the following organisations:

- Department of Infrastructure and Regional Development – Australian Government
- Department of Infrastructure - Tasmanian Government
- University of Tasmania –Australian Maritime College
- Tasmanian Chamber of Commerce and Industry

Ian Newman – Overview of Tasmanian Freight and Logistics

The overview provided by Ian Newman (of Nutgrove Consulting) gave a realistic viewpoint of the current “state of play” for Tasmanian exporters and the potential future environment based on available data and industry trends.

Increasingly the role of government to work collaboratively with industry to develop workable solutions to freight issues is being recognised. Tasmania needs a reliable cost effective shipping and freight and logistics service for Tasmanian exporters to be able to trade competitively and contribute to the Tasmanian economy. The Australian and Tasmanian government are pivotal in assisting industry to achieve these outcomes with support programs (such as the TFES), workable port infrastructure and suitable road and rail networks.

General Comments

- Tasmania has a unique reliance on shipping and its linking services
- State government has ownership of a significant share of Tasmania’s logistics, infrastructure and freight operations
- Much of the future of Tasmania’s freight task is in the hands of government policy makers.
- Government needs to develop and maintain a close relationship to Tasmanian Business and their freight and logistics needs.
- “Infrastructure Tasmania will be instrumental in ensuring strategic investment in infrastructure, efficient transport and an effective freight network, which will assist in creating jobs, boosting productivity and stimulating economic development.”
- Unlike other transport modes, shipping costs have a higher fixed component
- Growing trend towards privatisation of infrastructure
- Impact of irrigation schemes affects future product mix, development of Tasmania’s logistics infrastructure and shifting of processing facilities
- Expect increase of perishable Northbound products, and reliance on trailers
- Significant increases in dairy, fresh and frozen fish, meat and vegetable exports this year
- Mainland population growth to create opportunities for Tasmanian produce
- Anticipated increased capacity not met by increased demand will see easing of shipping rates
- Current and future TFES policy

- Lack of bio security resources for inspection and clearances causing delays, additional cost

Key Message: Tasmania has a unique reliance on shipping and any future direction will be heavily influenced by government. Easing in shipping rates will occur when additional capacity is made available with new vessels in 2016 onwards.

Stephanie Werner – Update on TFES

Stephanie Werner is the General Manager of Maritime and Shipping at the Department of Infrastructure and Regional Development. She is responsible for ensuring the government's policy settings support and enhance the Australian maritime and shipping industry's ability to contribute to the prosperity of the Australian economy.

The Tasmanian Freight Equalisation Scheme was extended on 1 January 2016 to include north bound goods not covered under the previous scheme at a cost of \$202.9 million over four years. This extension is significant to Tasmanian business and will alleviate the burden imposed on shippers due to the absence of a regular direct shipping service.

In Stephanie's presentation the following points were made:

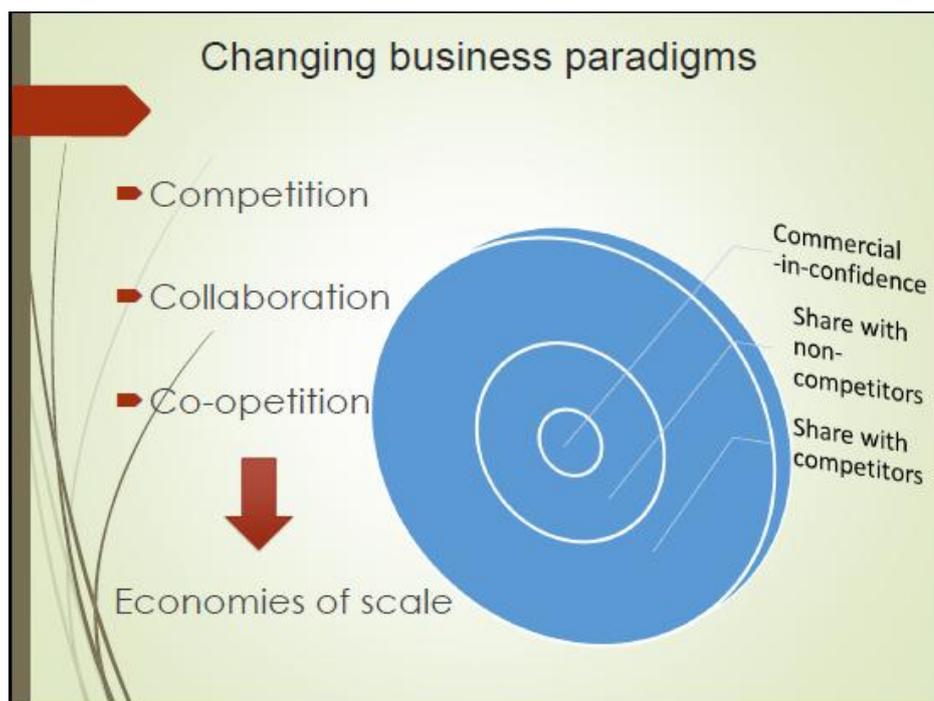
- The Australian Government will continue to pursue the reform of Coastal Trading (revitalising Coastal Shipping) Act 2012 (Rec 1) with a view to replacing the existing tiered licensing system with a single permit for licence for coastal shipping.
- The Tasmanian Freight Equalisation Scheme (TFES) extension for northbound goods not covered under the previous scheme will provide assistance of a flat rate of \$700 per 20 ft TEU (for transshipment to the mainland).
- The new Ministerial Directions for the TFES provide for public reporting of annual payments to recipients and a six month claim period.
- Southbound freight eligibility barriers have been removed (where possible) for greater access to assistance for vertically integrated business.
- The Department of Infrastructure and Regional Development encourage regular feedback from industry on how well the TFES is working (from an administrative point of view) and how it can potentially be improved.
- Industry is encouraged to bring to the Department's attention case studies to illustrate positive outcomes for business (through the use of the TFES). These case studies can be used with other business owners to demonstrate how a particular business has grown and the flow on benefits to the Tasmanian economy.

Key Message: The extended TFES for international export freight has created very favourable conditions for Tasmanian Exporters which will encourage export market development.

Dr Stephen Cahoon – Co-Opetition

Dr Stephen Cahoon is the Director of Sense –T Lab in Hobart and his presentation focuses on the change in the business environment from pure competition to a more collaborative approach. This change is the result of necessity driven by a business environment of cost cutting and maximising of efficiencies.

The notion of like minded businesses that compete in the same marketplace assisting each other is somewhat unknown in Tasmania and is continuing to evolve.



Tasmanian industry sectors are experiencing this change first hand and the resulting sharing of resources and knowledge between individual businesses is solidifying working relationships and improving innovative practices.

Unfortunately this change is incremental and previously any thought by business owners to share ideas and knowledge has been met with skepticism mainly due to a lack of trust. Introducing working partnerships businesses (in the same industry) that share the results and build trust are the most common form of collaboration and co-opetition.

Key Message: Collaboration and co-opetition is crucial for Tasmanian business to maintain and grow market share both domestically (within Australia) and internationally through economies of scale and improved innovation and efficiencies.

Allan Garcia – Integrated Freight Strategy for Tasmania

Allan Garcia is the Chief Executive Officer for Infrastructure Tasmania and his presentation focused on the development of Tasmania's first Integrated Freight Strategy which considered:

- Port Infrastructure in Burnie, Bell Bay, Devonport and Hobart
- Roading Infrastructure and Land freight networks
- Current and potential future service providers across Bass Strait
- Ongoing working relationships with the Port of Melbourne

Infrastructure Tasmania has been introduced to:

"Provide a coordinated, state-wide approach to the planning and delivery of infrastructure in Tasmania, including rail, major roads, energy, ports and water and sewerage.

Its objective is to ensure the right infrastructure is built at the right time, in the right place, and as efficiently as possible to support productivity, economic growth and community amenity.

Infrastructure Tasmania assesses and prioritises all major publicly funded infrastructure investment proposals, and provides independent and objective advice about proposals to the Minister for Infrastructure and the Treasurer. Infrastructure Tasmania is also responsible for coordinating all major infrastructure funding submissions to the Tasmanian and Australian Governments"¹

The Tasmanian Government has now released the final *Tasmanian Integrated Freight Strategy*, outlining policy positions and actions in the following key areas -

1. Supporting competition and service choice across Bass Strait and beyond.
2. Efficient freight gateways.
3. High-standard, responsive land freight connections.
4. Delivering a single, integrated freight system.

Development of the strategy has been led by Infrastructure Tasmania. It has focused on delivering a contemporary framework that links freight demand and investment, integrates planning and investment across modes, prioritises freight assets and supports improved project evaluation and freight system information.

¹ http://www.stategrowth.tas.gov.au/home/about_us/infrastructure

The Strategy is underpinned by extensive consultation with businesses, freight forwarders, service operators and peak organisations².

Key Message: **The Tasmanian Integrated Freight Strategy will assist in the development of improved freight infrastructure and support improved service delivery through efficient freight gateways.**

Conclusion

Tasmania is reliant on its freight services to deliver a regular, cost effective and reliable outcome across Bass Strait. The Productivity Commission investigation into Bass Strait Shipping provided a number of key recommendations to address the issues and concerns raised by industry representatives.

The resulting extension of the Tasmanian Freight Equalisation Scheme (TFES) for international export freight and the development of an Integrated Freight Strategy for Tasmania are among the positive initiatives introduced to assist Tasmanian exporters.

Ongoing consultation with industry and government is crucial to understand established and developing industry sectors in Tasmania and their respective requirements in regard to freight and logistics.

Collaboration between service providers and Tasmanian exporters to improve efficiencies and develop a more integrated approach to freight handling within Tasmania and to the Port of Melbourne will ultimately reduce freight costs and enhance service delivery.

Additionally the introduction of larger vessels by Toll, SeaRoad and TT Line will increase capacity therefore reducing freight costs as demand remains constant.

² http://www.stategrowth.tas.gov.au/freight/planning/integrated_freight_strategy