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"In Support of Progress"

Newsletter

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Freight

With budgets done and elections looming, it would be of value for the major parties to consider their position on the Bass Strait issue.

Two years ago, a container could be shipped from Bell Bay to Asia for around $1100. That same box could be shipped from Melbourne for around $400. Obviously, it was far cheaper to ship export goods out of Melbourne than from Tasmania. However, the catch was getting the goods to Melbourne. Freight across Bass Strait varied, but let's say it was on average around $1500 a box, added to which were the port charges at the Port of Melbourne. In other words, it wasn't worth it.

Then, in April/May 2011, the ships stopped coming to Bell Bay. There was no option BUT to send the boxes to Melbourne. Which also meant trucking or railing the boxes to Burnie and Devonport. So –unless you were already on the Coast, and most exporters weren't – it involved more expense and more time to get it there. A heavy impost on our industry, making many unviable. Exports have declined as a result.

Now, in the absence of an export vessel, surprise surprise, freight costs across the Strait have gone up (by as much as 25%), as have Melbourne's port charges (by over 10% and climbing). One could be excused for considering these imposts as being the same as a tax on freight, and thus contrary to the constitution, which states there shall be free trade between the States. Perhaps a relevant issue for a legal mind.

A box destined for Melbourne and no further (ie domestic cargo), will usually attract assistance from the Tasmanian Freight Equalisation Scheme TFES. At present this figure is around $850 per box. However, export freight does not attract any such benefit. Export freight has to meet all these imposts in full. As you can see, an exporter is severely disadvantaged by the present arrangements.

There are a number of issues that arise from the present export arrangements. What would it take to get the ships back into Bell Bay? What is government policy with respect to the use of Burnie and Bell Bay? At present, there is a large disparity in port charges. And why should not all freight crossing the Strait be treated equally, irrespective of destination?

One issue that needs to be addressed is the cost across the Strait. Eighteen months ago, under "pressure" from the Commonwealth, the State Government established a working group to consider this matter. Called the Freight Logistics Co-ordination Team, it is due to report its findings next month. However, there is a risk it might become a "mirror" committee. That is, it is looking into it.

But the issue does not stop there. If goods bound for Melbourne are in some way "improved" and then exported, maybe even because of that improvement, they would still attract support from the TFES, because they would be regarded as being a domestic consignment when they crossed the Strait.

And this is where the story gets particularly murky - because there are a range of goods that could either be "improved" in Tasmania before shipment, or "improved" in Melbourne after shipment. In particular there are a range of agricultural products such as meat, hides, wool, fruit juice, milk products and the like, where the "improvement" might simply involve packaging?

So, as an export producer, where would YOU arrange for the "improvement" to be done? In Tasmania, where there would be no support from the TFES, and no export shipping, or in Melbourne, where you would get support from the TFES, and from where there is export shipping.

And there's the rub. Manufacturers in Tasmania are being placed at a significant and serious disadvantage, because the peculiarities of the scheme actually encourage value-adding to occur in Victoria. It is an issue large enough to significantly impact business confidence, with the adverse flow-on to investment and jobs.

To put some data around the issue, about 35,000 containers are sent overseas from Tasmania each year. If each box was placed on an export vessel out of Bell Bay, and received a sum of $500 (to obtain parity with boxes out of Melbourne), it would be the equivalent of a $20 million support package. This compares with a TFES subsidy of $850 per box to get the box to Melbourne, or around $30 million per year.

A package of $20 million annually for say 10 years to support our export manufacturers compares favourably with the sum of over $350 million paid by the Federal government in the recent round of forest compensation to put people out of work.

And such a package will encourage further export opportunities. Am I being too simplistic here? I don't think so.

Exporters will still need to convince shippers that the volumes are sufficient for a service to be re-instituted, and government can certainly lend a hand in that regard. In their Budget reply, the State Liberals have promised $11 million per year for 3 years to pay a shipper to recommence the service. I remain unconvinced that this is the right approach, as it is simply cash leaving the State, without addressing the underlying cause. Which is volume!!!

It's a complex business, to be sure, but the present structure seriously disadvantages Tasmanian enterprise, and the Tasmanian economy. Those calling for reform of the system are correct in their call. If there truly is to be free trade between the States, if our economy is to have any chance to grow, then these anomalies must be fixed, and fast. Our economy cannot continue to take these hits.

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