

20th July 2017

Submission to Legislative Council Committee Inquiry into King Island Shipping and Freight Services

History

The Philbey family has a long history of involvement in King Island Agriculture dating back to 1955 and in the provision of fertiliser products to the Islands farmers since 1973.

In its present form, our business, Philbey's Fertiliser Service (Philbeys), has been supplying fertiliser to the Island since 1994 and we are still involved in farming on the Island.

Philbeys is one of three suppliers of fertiliser to the Agriculture sector on King Island .

Overview to Change of Shipping arrangements March 17

Prior to Bass Island Line commencing a questionnaire was circulated for completion. Annual tonnages and seasonal requirements were provided, however given the issues that presented it does not appear that much notice was taken of the results.

Discussion was also held with Tasports GM Customer Management, Kevin Moore, prior to Philbey's contracting for a 2100t order in March 17, to ascertain freight rates and delivery expectations. There should therefore have been an awareness of this tonnage as "back order tonnage"

Several calls were placed to various representatives of both the Government and Bass Island Line appraising them of the situation in regard to fertiliser back log from Philbey's and of other fertiliser supplier's perspectives.

Unfortunately there was a stubborn unwillingness to accept committed fertiliser tonnes unless the "backlog "was actually in a container. Difficult to achieve due to slow turnaround of containers (see next section)

Thankfully this changed mid-May 17 after Jeremy Rockliff visited the Island with Kevin Moore, met with local representative groups and obtained a clearer understanding of the circumstances and potential consequences.

Positive action emerged from this visit.

Fertiliser, the Freight task, information and Issues.

- A total of approximately 12-15000T of fertiliser per annum is loaded in Geelong, road transported & shipped Ex Melbourne to Grassy.
- Philbey's supply a High Analysis fertiliser , this generally offers freight advantages of between 30 & 40%, due to higher nutrient content
- Freight costs were pushed up initially, due to previous shipper(Sea road) providing containers in their end cost and Bass Island Line electing not to do this, therefore container provision became an additional cost, over and above the rate provided by BIL
- In addition container loading was reduced from 23.5t to 23t, and this had the effect of further increasing the rate and reducing efficiency.(See table below)
- Sand mine containers leaving the Island have always been loaded to higher weights, resulting in increased efficiencies and lower costs.
- Initially, too few containers provided for the freight task. Jebbens as freight forwarder were only given 9 days' notice that they needed to provide containers. A commercial decision was made by them to only provide 50. In the peak of the season 80 containers would be the minimum required.
- R & D at Grassy not being undertaken on days when ships are in, stymied efforts by contractors to return empty containers as quickly as possible.
- The limited number of containers was exasperated by a lack of urgency by BIL and Stevedores at Grassy to turn empty containers around for return.
- As a result, some weeks no, or very low numbers (1 & 2) of containers were available to refill.
- Reduced cargo acceptance times in Melbourne, from 3.30pm at Sea Road to 2.30 at Qube, increased the difficulty of the logistic task at the Geelong Melbourne leg.
- In an effort to get more containers into the system Philbey's hired an additional 10 containers
- Minister Hidding, stated the backlog of fertiliser was a result of:
Other vessels that have traditionally helped to meet the Island's fertiliser needs during peak season, were absent this year. This was not, and never has been the case.

Freight Cost Fertiliser Geelong/Grassy Wharf Comparison per Tonne 20.7.17

Tonnes per 6.10m Cont. to Grassy wharf	Price per cont.	Price per tonne before TFES rebate
23	\$3477.50	\$151.20
23.5	\$3477.50	\$147.98
24	\$3477.50	\$144.90
24.5	\$3477.50	\$141.94

Freight Cost Fertiliser Geelong /Devonport Wharf per Tonne 20.7.17

Tonnes per 6.10m Cont. to Devonport wharf	Price per cont.	Price per tonne before TFES rebate
25	\$1405	\$56.20

Positives, Negatives and the Future

- The Government and BIL eventually grasped the seriousness of the situation in regard to the potential for lost farm production and animal welfare
- Load limits were increased from 23T to current 24.5T , improving efficiencies and freight cost per tonne (see previous table)
- An acceptance of orders not yet loaded in containers, as a backlog, increased the willingness and urgency to get the task done by BIL
- Production increases on the Island, driven by higher commodity prices, are severely limited by the high cost of the base input of fertiliser. In the order of \$85 per tonne freight more expensive post TFES than Devonport
- It seems absurd that it is cheaper to freight 1 tonne bulk bags of fertiliser to Flinders Island than fertiliser to King Island in 20ft bulk containers!
- Inadequacy of smaller ships for the peak task and Bass Strait weather conditions
- The limitations due to vessel size restrictions, weather influence and surge effect in the harbour at Grassy

Requirements for current and future shipping of King Island

- A larger all weather ship suitable for Bass Strait conditions
- A triangulated service between Grassy, Melbourne/Geelong and Devonport/Burnie
- Service that is weekly, provides improved efficiencies at an economic rate
- A long term plan and cooperation between the State of Tasmania and the Federal Government to upgrade the Grassy port to an all-weather port that can handle larger ships.
- Improvement to efficiencies of the current wharf infrastructure and operations
- Provision of a new(asbestos free) fertiliser stock shed at the Grassy Port, to provide a buffer of product on the island for occasions where the ship misses a sailing due to weather and to alleviate some pressure on the shipping service during the peak. This should not be restricted to only 1 supplier

For clarification of more information please contact:

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From: A N & M J Philbey <philbey4@bigpond.com>
Sent: Thursday, 20 July 2017 8:35 PM
To: KIF
Subject: Philbeys Fertiliser Service- submission toe Legislative Council Enquiry into King Island Shipping and Freight Service
Attachments: Submission to Legislative Council Committee Inquiry into King Island Shipping and Freight Services 20.7.17.docx

To whom it may concern
Please find attached a submission to the Tasmanian Legislative Council enquiry into King Island Shipping

Yours Faithfully

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