



# King Island Beef Producers Group Inc.



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

### Overview

- With the current interim shipping service, store stock freight from King Island to Tasmania has risen by 12%, store stock freight via Tasmania to the mainland has risen by 41% and fertiliser freight from the mainland has risen by 5%.
- Expectations not achieved and poor communications were the key issues that arose with a 'it's not my problem' attitude. Delays in container movement in Melbourne/Devonport and the slow pace of returns contributed significantly to the poor utilisation of containers. There was a lack of understanding from several parties along the supply chain on the importance of this and having enough containers in the system to cope with the demand for fertiliser deliveries at the time.
- 90% of King Islands imports and exports originate or end up on the mainland of Australia. With this and the need for market access with livestock (outlined in Pt 2), the importance of a triangulated service cannot be overstated.

### 1. The current shipping and freight requirements of King Island, including freight costs and other charges related to shipping to and from King Island;

- From recent benchmarking data over the past 4 years, freight for King Island beef producers was 26% of farm operating costs – compared to freight of comparable mainland beef producers at 3% of operating costs. Prior to the abattoir closing in 2012, freight costs were less than 3% of farm operating costs.
- Current requirements for cattle is approximately 40,000 head per annum exported off King Island. The current cost to ship cattle ranges from 22-26c/kg live weight to Tasmania and **up to 46c/kg live weight within a 100km radius of Melbourne.**
- From King Island farm to feedlot the producer is now charged an extra \$300 per trailer due to the extra distance from Stanley port to the feedlot and the early hours that trucks have to pick up or exchange trailers. The producer now pays \$7,000/trailer v's the previous rate of \$6,700/trailer. With the TFES considered, this amounts to a 6% increase in costs to the producer.
- Current requirements for fertiliser on King Island is approximately 15,000 tonnes per annum. This is shipped in 20 foot containers.
- Fertiliser freight ex Lara to Grassy port went from \$142/mt to \$160/mt during the commencement of the interim shipping service. This represents a 13% rise in shipping costs at the time.
- The shippers of King Island were assured that there would be no rate increases with the BIL for the interim period of the Investigator. As outlined above and in Section 2 this is clearly not the case.

## **2. The impact of high freight charges on the cost of doing business and the cost of living on King Island;**

- Through the failure of cabotage reforms and union influence the shipping system across Bass Strait remains an inefficient, anti-competitive and cumbersome system that penalises the volumes of freight that are shipped to and from King Island. This shipping business is living in the dark ages. There has been no uptake of new technology or efforts to challenge inefficiency over the past 20 plus years in shipping or portside operations.
- With a buoyant beef market and favourable seasonal conditions, Tasmania has provided good marketing opportunities over the past season for beef cattle, however as the market reverts to a longer-term level there will be times when a substantial discount applies to marketing stock to Tasmania. This is especially important to note when tight seasonal conditions arise on King Island and in Tasmania and access is required to mainland markets.
- Prior to the interim service, it used to cost 32c/kg live weight to ship livestock in a trailer to the mainland, however via Tasmania it is now 45c/kg live weight – a rise of 41%. Not only will this financially cripple the King Island livestock sector in tough seasonal conditions, it has the potential to escalate into a major problem for animal welfare with double handling of livestock.

## **3. The adequacy of the current port facilities on King island and ports in North West Tasmania that may service King Island;**

- The Grassy port itself is not designed to be an all-weather port as it is exposed to the SW swell which is documented to be 90% of our swell direction, this serves to generate days of missed calls into the harbour due to inclement weather and restricts the operational hours of the port.
- Any 'No Boat' situation has significant cost impacts to businesses on the island through delays in getting fertiliser onto pastures (missed pasture production) or moving livestock off (destocking to match the season) in a timely manner.
- Longer term a plan is required to upgrade the Grassy port to an all-weather port that can handle larger ships. This is a federal government responsibility that requires state government support.
- The restrictions to the capabilities of our existing wharf infrastructure limit the ability for the island to drive competition and manage freight costs.
- Currently a vessel restriction of 95 m maximum length, 5 m draft, twin screw with bow thrusters is imposed on the wharf access. This prohibits any access to serious competition from alternative freight providers as these vessels are not operating in this region.
- The SeaRoad Mersey was a 120-m vessel and had an exemption to this ruling as it was in operation prior to the changes in limits.

## **4. The requirements to provide a sustainable service to meet current and future freight needs of King Island;**

- An all-weather ship that is suitable for Bass Strait conditions.
- A triangulated service between Grassy, Melbourne/Geelong and Devonport/Burnie with Grassy port as the hub.
- A service that is reliable, weekly, economic and a mechanism in place to create efficiencies and avoid price gouging.
- Consolidated freight task with minimal parties involved along the supply chain.

**5. Any other matter incidental thereto;**

- When it comes to shipping costs for inputs and outputs, the King Island farming community appears to be at a significant disadvantage to the rest of Tasmania and the Furneaux Group – outlined in the tables below. It is remarkable that the Furneaux Group handle fertiliser in 1 tonne bulka bags with a cheaper freight rate than fertiliser handled bulk in 20ft containers to King Island. Flinders Island could procure fertiliser from Geelong and ship via Tasmania and they would still end up with cheaper freight than King Island.
- Comparisons of current fertiliser and livestock freight rates across Bass Strait, depot to Lady Barron and depot to Grassy.

Fertiliser freight, depot to wharf – per metric tonne (Net after TFES)	Per MT
Melbourne (ex Geelong depot) Burnie (in 20ft container)	\$46
Bridport (ex Scottsdale depot) to Lady Barron (1 tonne Bulka Bags)	\$61
Melbourne (ex Geelong depot) to Grassy (in 20ft container)	\$135

Livestock Freight – per head based on 42hd/trailer (Net after TFES)	Per Hd
Burnie to Melbourne (includes delivery 100km radius Melb.)	\$78
Flinders Island to Tasmanian processor/feedlot	\$77
King Island to Tasmanian processor/feedlot	\$126
King Island to Melb. via Burnie (includes delivery 100km radius Melb.)	\$233

- Maintaining the fertiliser shed at Grassy – The fertiliser shed at Grassy is set to be closed in December this year. The fertiliser shed was originally built to enable a stock of product to be on hand when required. Obviously, this was done with a clear understanding at the time of the limitations of shipping across Bass Strait. Fertiliser is a highly seasonal product regarding freight movement with everyone wanting it at the same time. The closure of the fertiliser shed does not help encourage pasture productivity improvements on King Island.

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## Allison Waddington

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**From:** Tas Loane KIA Manager <iloane@agcap.com.au>  
**Sent:** Wednesday, 19 July 2017 12:37 PM  
**To:** KIF  
**Subject:** KIBPG - Submission to Legislative Council Committee Inquiry into King Island Shipping and Freight Services  
**Attachments:** Shipping Submission LCC Inquiry July 2017.docx

Dear Stuart

Please find attached submission to the Legislative Council Committee Inquiry into King Island Shipping and Freight Services from the King Island Beef Producers Group.

Any questions or queries please contact the undersigned or Richard Sutton on [richard\\_a\\_sutton@yahoo.com.au](mailto:richard_a_sutton@yahoo.com.au)

Kind Regards

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