



24 September 2024

Committee Secretary
Select Committee on the Tasmanian Freight Equalisation Scheme
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Committee Secretary,

As a fresh produce business (berry grower) which utilises and benefits from the Tasmanian Freight Equalisation Scheme, Costa welcomes the opportunity to make a submission to the Senate Select Committee.

Costa Tasmania operations

Costa has invested significant capital over the past decade or more in establishing its berry growing operations predominantly across the north west coast of Tasmania.

It is the only region in which Costa grows blueberries, raspberries, blackberries and strawberries.

Costa's current berry farming footprint covers 220 hectares across farms located in East Devonport, Nine Mile, Wesley Vale, Lebrina and Dunorlan.

Producing between 40 to 50 per cent of Tasmania's annual blueberry production, Costa provides employment for circa 1,600 workers in the peak of the season.

The berries grown by Costa and other Tasmanian berry growers are packed and shipped from the Costa Distribution Centre located in East Devonport. The DC is capable of receiving, cooling and dispatching circa 14,000 tonnes of berry fruit a year, with Costa grown product contributing circa 6,000 tonnes of this total.

The East Devonport site also operates a Modified Atmosphere facility, with the capacity to store 1,000 pallets of blueberries at a constant temperature for circa 6 to 8 weeks, thereby further extending the Tasmanian blueberry season, and providing effective competition to New Zealand imports.

All of Costa's berries are marketed and sold under the Driscoll's brand, which is part of Driscoll's Australia, a joint venture formed between the Costa Group and Driscoll's Strawberries Associates, Inc (US).

Importance of the Tasmanian Freight Equalisation Scheme to fresh produce sector

The existence of the Tasmanian Freight Equalisation Scheme (TFES) has been an important factor in influencing Costa's investment decisions in the establishment and growth of its Tasmanian berry operations.

This is reflected in the fact that the majority of the product Costa grows is shipped to mainland Australia and sold predominantly through the retail networks of the major supermarket chains.

The inputs used in the packing of the berries are all sourced from the Australian mainland, and therefore the importance of an efficient and cost-effective inbound freight shipping service is also crucial to ensuring a sufficient financial return on invested capital.

For these principle reasons, Costa has always been a strong supporter of the view that Bass Strait should be treated as part of the national highway system, and the cost of transporting goods (such as fresh berries) from Devonport to Melbourne/Geelong (where Costa send its product from and to) should be no more than the cost of transporting such product on the national highway from Melbourne to Albury.

Costa also notes both major political parties have been supporters of the TFES from its inception in the mid 1970's. The importance attached to this is perhaps best encapsulated by The Hon Peter Nixon, a Minister for Transport and then Minister for Agriculture in the Fraser Government, who in his memoirs described the TFES as *'one of the greatest pieces of legislation ever introduced to assist the development of Tasmania'*.

Outbound claims

The majority of Costa grown berries are shipped fresh to the Australian mainland for distribution across several states. Price for the product is maximised when sold fresh, and therefore it is important that it can be reliably shipped, and in the most cost-effective way.

The TFES subsidy is therefore crucial to removing any potential disadvantages to growing fresh berries in Tasmania.

Inbound claims

As it is not practical to ship berries in lose form, Costa uses packaging, including RPET punnets for all four berry types. This packaging is not available to be sourced, nor is it manufactured locally, and therefore must be freighted to Tasmania. Costa claims the TFES on these inbound shipments of packaging.

Current and future operation of the scheme

The TFES undoubtedly provides an important subsidy that plays a key role in ensuring Tasmanian fresh produce growers have access to an efficient and cost-effective supply chain. Currently, the average freight rate per kilometre from Melbourne to Tasmania is 144% higher than that to mainland capital cities. With the TFES in effect, this disparity decreases to 92% more per kilometre.

The cost input inflation experienced over the last two to three years, where transport/freight costs have increased significantly, highlights the importance of ensuring the subsidy keeps pace with real cost increases. Any additional operating cost, especially that which cannot be recovered, either in part or full, is capital that is not available for investing in improving the productive capacity of a business. This is also to the detriment of the Tasmanian economy.

It is also important that the administration of the TEFS is not burdened by unnecessary red tape, which may contribute to inefficiencies in the operation of the scheme, including delays to the processing of claims and the making/receipt of payments. Among other things, this can impact negatively on cashflows and the administration costs of operating a business.

Costa acknowledges and welcomes the support of the major parties at both federal and state levels for the TFES over the better part of 50 years. The scheme's existence has contributed to the establishment of what is a thriving Tasmanian fresh produce sector, especially berry production, which makes an important economic and social contribution to the state of Tasmania, through the employment it provides and positive multiplier effect of investment.

It is crucial the TFES remains fit for purpose, and that where necessary its administration can reflect both best practice and ensure businesses who benefit from the scheme can continue to invest with confidence in Tasmania secure in the knowledge that they have access to freight at a competitive cost and which recognises that Bass Strait is just as much a part of the national highway system, as any road network operating on the mainland .

Yours sincerely

Cameron Folder
Regional Manager
Costa Berries – Tasmania
Costa Group