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TASMANIAN FREIGHT EQUALISATION (INTERNATIONAL EXPORTS)

CASE STUDIES PAPER



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The Hon Barnaby Joyce MP
Minister for Infrastructure and Transport
PO Box 6022
House of Representatives
Parliament House
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Dear Deputy Prime Minister,

We are writing further to the recent meeting between Tasmanian Logistics Committee Chairman, Mr Brett Charlton, and then-Minister Chester's Office regarding the Australian Government's extension of the Tasmanian Freight Equalisation Scheme (TFES) as of 1 January 2016.

Tasmania welcomes the Australian Government's continued support of the TFES, which is a significant driver of the success of our export sector.

As you know, the Australian Government has provided assistance to shippers of freight between Tasmania and mainland Australia under the TFES since 1976.

The decision to extend the TFES in January 2016 to include eligible goods being shipped to the mainland, regardless of final destination, provided further confidence to Tasmanian exporters of a level playing field to compete in other markets. The extended TFES makes Tasmanian exports more viable and will allow our export sector growth to accelerate as new international markets are identified and volumes increase.

In the year to November 2017, the ABS estimated that Tasmania's nominal merchandise exports grew by 22.9 percent year-on-year.

While that figure is impressive, it should be remembered that the cost of exporting has also increased and it is not all net benefit to the exporter.

To provide a better understanding of the impact of the extension of the TFES to exports destined for international markets, and to provide information about some of the ongoing challenges, Regional Development Australia (Tasmania) has prepared a report based on the data available from the first eighteen months of the operation of the extended TFES and on case studies examining eleven Tasmanian businesses.

We are pleased to recommend the report to you and to the Department of Infrastructure and Transport. The case studies detail how the TFES, at a business level, has encouraged new and additional export activity, generated employment, encouraged Tasmanian industries to further invest in themselves and enabled them to attract outside investment.

A significant conclusion, from a longer viewpoint, is the need for continuity in export stimulus policies and the need to ensure the TFES is not changed in a regressive way.

The Tasmanian Government re-affirms its strong support for the extension of the TFES for goods transhipped on the mainland to other markets. The enhancement of the scheme levels the playing field and allows more Tasmanian businesses to participate in high value global markets.

Yours sincerely

Peter Gutwein MP
Treasurer
Minister for State Growth

Hon M.T. (Rene) Hidding MP
Minister for Infrastructure

24/01/2018

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Executive Summary

The introduction of the extension to the Tasmanian Freight Equalisation Scheme (TFES) to cover international exports transhipped through mainland ports, has removed a significant impediment to Tasmanian exporters competing on equal terms in international markets with mainland competitors and those from other countries.

The initiative is achieving its goal, namely to remedy the cost disadvantage faced by Tasmanian exporters as a result of the almost total reliance on shipping services for the transport of their goods. Thus, Tasmanian businesses are now more competitive and are able to compete on the basis of quality. This places them in a good position to benefit from federal and state initiatives to promote trade and investment, including recently concluded free trade agreements.

While it is too early to analyse longer term trends, the first eighteen months of operation of the extension to the scheme (from 1 January 2016 to 30 June 2017) have seen claims by Tasmanian businesses largely in line with expectations. The number of claims are growing as more Tasmanian businesses become aware of the scheme and, importantly, as they develop international markets for their products. Claims data shows that diverse sectors are benefiting from the initiative including mining, forestry, manufacturing, seafood, dairy and other agribusiness.

The raw numbers tell only part of the story. Our consultations with Tasmanian exporters from a range of industry sectors on the broader impact of the extension to the TFES have yielded a number of common themes. In particular, they identified positive outcomes for their businesses that have been achieved since the enhanced TFES was introduced in 2016.

To better understand these outcomes and provide more detail about the impact on individual businesses, we put a series of questions to eleven businesses that participated in a case study analysis. Their responses appear in the body of this document. Common themes resulting from these discussions include:

Positive Outcomes

- Improved confidence in business model
- New investment in plant and equipment
- Additional development of international markets
- Diversification of income base
- Less reliance on domestic markets (Australia)
- Improved employment outcomes (part time and full time)
- Innovative product development and design for new markets

From our analysis of the claims data and from the results of our case studies of Tasmanian businesses, we conclude that the extension of the TFES is working well, that it is being received well by Tasmanian exporters and that it is achieving its objectives of facilitating exports and promoting broader diversification, investment and employment.

We believe continuing the TFES extension is vital to maintaining the momentum and build on the outcomes already achieved by Tasmanian exporters since 2016.

Ongoing Challenges

At the same time, our consultations revealed continuing challenges facing the TFES. Addressing these challenges could further assist in delivering the full benefits to Tasmanian businesses.

- Awareness of the TFES scheme among Tasmanian businesses, both for domestic and international exports, remains limited, including on how these businesses can successfully make claims for eligible freight tasks.
- There is potentially a role for Government (state and federal) and / or the private sector to work together to provide a tailored advisory service to Tasmanian business about the eligibility of their freight task under the TFES.

Other Considerations

While the extension to the TFES addresses the disadvantage in terms of cost faced by Tasmanian exporters in accessing international markets, the broader issue of access to efficient and competitive transport services remains a significant issue for Tasmanian businesses.

- Understanding and responding to the changing freight task for Tasmania, and the complexities of delivering multiple and varying cargo loads to market, will continue to present logistical challenges which will need to be carefully managed. This may flow into future infrastructure development, vessel size and configuration to satisfy changing export requirements.
- There will continue to be a need for collaboration between the freight industry, government and exporters to further enhance Tasmania's freight capacity. We welcome the initiative of the Tasmanian Government to launch the Tasmanian Integrated Freight Strategy and we look forward to working with all other stakeholders to implement it.

Acknowledgements

The RDA Tasmania committee continues to support the development of Tasmanian business wherever possible through its engagement with key regional stakeholders. In addition to these activities, RDA Tasmania's continued participation in the freight and logistics sector is crucial to understanding the ongoing and emerging challenges and opportunities for Tasmania.

RDA Tasmania gratefully acknowledges the input provided by members of the Tasmanian Logistics Committee in the preparation of this report.

RDA Tasmania would like to thank the Tasmanian Government and the various organisation representatives who gave their time and resources to supply the supporting information contained in this report and to provide valuable insights into the operation of the TFES.

Most importantly, RDA Tasmania would like to thank the various business owners we approached to prepare the case studies. All were very willing to give of their time to provide a detailed understanding of their business operations, what their freight task is and how vital the TFES is for them to maintain their ongoing viability in a very competitive market place.

Purpose

This document has been prepared to provide an understanding of the benefits of the Australian Government's four-year commitment to the extension of the current Tasmanian Freight Equalisation Scheme (TFES) to cover international exports transhipped through mainland ports and, in particular, the impact this initiative has had on the Tasmanian business community.

The report does this in two ways. Firstly it briefly analyses the data on claims and payments made in the first eighteen months of the operation of the extension to the TFES (1 January 2016 to 30 June 2017). However, it acknowledges that more detailed monitoring of the impact of the additional component of the TFES (in terms of the volume and value of eligible claims) is being conducted by the Bureau of Infrastructure, Transport and Regional Economics (BITRE) in line with relevant Ministerial Directions.

Secondly, it includes the results of direct consultations we conducted with Tasmanian businesses that have made claims under the extension to the TFES to gain a broader understanding of the impact this has had on their business operations, development of international markets and investment in new product development and design.

Importantly, this report serves to illustrate that the Tasmanian economy is diversifying its traditional industry base to establish new export market opportunities not previously explored.

A number of businesses contributed to this report. While the number of businesses is not overly large or totally representative of every industry sector in Tasmania, they provide a representative sample that helps us understand how their respective business models have changed and what common themes have emerged.

Finally, this report provides conclusions and recommendations based on the collective views of the various business owners that have been approached to compile the case studies.

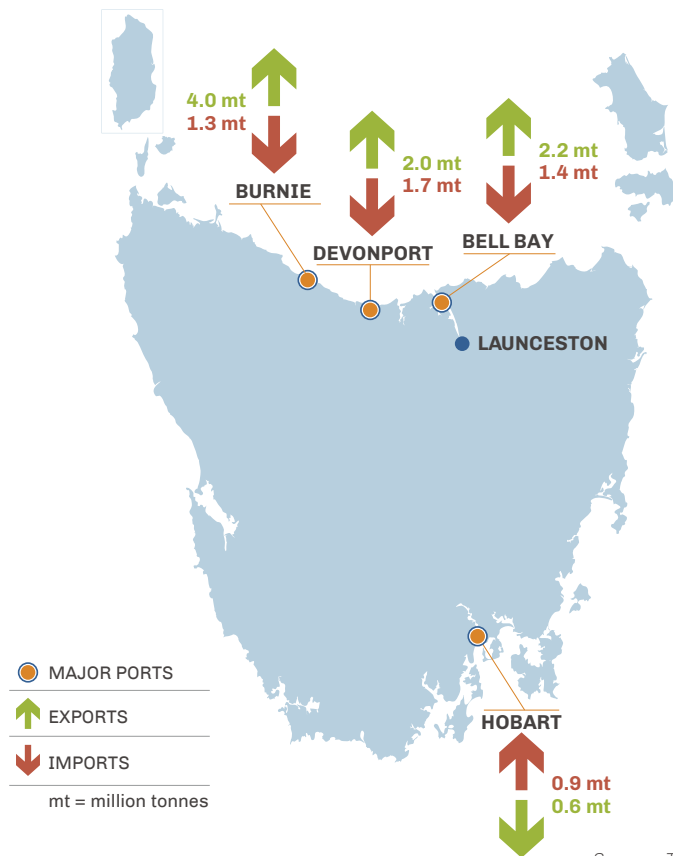
Background

Tasmania

Tasmania is in a unique position as the only Australian state that has a heavy reliance on shipping to transport its goods. In fact, almost 99 per cent of Tasmania’s freight by volume is moved by sea. While Tasmanian businesses now enjoy an improved frequency of shipping services provided by three shipping lines across Bass Strait, the rate of charge for freight is levied commercially and these rates vary in seasonal peak periods when demand is high and supply is limited.

Export off-island is vital to the Tasmanian economy, which is growing at a steady rate (with comparable rates of employment when compared with Australian mainland states). Addressing the issues of Bass Strait shipping to achieve the best possible outcomes – namely, to secure a reliable and cost-effective shipping service to domestic and international locations – is key to ensuring the Tasmanian economy continues to grow.

FIGURE 1 Tasmanian Freight Movements (Major Ports), 2016/17



Source: TasPorts Annual Report 2016 - 2017

Domestic Shipping Services

Three main shippers provide a regular Bass Strait shipping service from the ports of Devonport and Burnie to Melbourne: Toll, Searoad and TT Line, the latter being a Tasmanian Government Business Enterprise (GBE).

Between these shippers, approximately 900 sailings occur annually between Melbourne and Tasmania (and return) with approximately 320,000 container movements (235,000 full and 85,000 empty). In addition, approximately 65,000 wheeled unit (trailer) movements occur with 50,000 full trailers and 15,000 empty trailers.

Almost 99 per cent of Tasmania's freight is carried by sea, with the remainder by air. The majority of Tasmania's sea freight is destined for domestic markets, with just over 11 per cent of freight transhipped, primarily through Melbourne, for international export.

The net outflows and inflows of freight are approximately the same and this substantiates the reliance Tasmania has on sea freight as a lifeline for its economy.

International Shipping Services

In addition to the domestic services available, additional routes are also offered by international shippers that visit Tasmania including MSC, Swire and Maersk. These carriers use Tasmania as a stop-off point en route to international destinations via mainland Australia.

These international services have only been introduced in the last 24 months and their long-term viability will rely on Tasmanian exporter support and cost advantage in comparison to the more widely used domestic cargo option to Melbourne and then overseas.

The Tasmanian Freight Equalisation Scheme

History of the TFES

The scheme was introduced in July 1976 by the Australian Government to alleviate the freight cost disadvantage incurred by shippers of eligible non-bulk goods moved between the mainland and Tasmania by sea.¹

"The TFES provides financial assistance for cost incurred by shippers of eligible non-bulk goods moved by sea between Tasmania and mainland Australia. The amount of assistance is based on the difference between the freight costs of moving the goods by sea and the notional freight costs of moving them by road over an equivalent distance. The objective of the Scheme is to provide Tasmanian industries with equal opportunities to compete in other markets, recognising that, unlike their mainland counterparts, Tasmanian shippers do not have the option of transporting goods interstate by road or rail. Assistance is also available for eligible non-bulk goods shipped between the main island of Tasmania and either King Island or the islands of the Furneaux Group".²

Productivity Commission report into Tasmanian Shipping and Freight, 2014

The inquiry, undertaken in 2014, allowed key participants and stakeholders in the Tasmanian Freight and Logistics supply chain to provide evidence and insights related to the TFES to help determine its effectiveness in providing a level playing field for Tasmanian exporters when compared to their mainland counterparts. In its report, the Productivity Commission found there would be merit in extending the TFES to include non-bulk goods whose final destination was an overseas market.

RECOMMENDATION 6 (CHAPTER 3)

In the absence of a regular direct international container service (direct service) from Tasmania, there is a case to extend the Tasmanian Freight Equalisation Scheme to all eligible commodities (as specified in the Ministerial Directions) shipped to the Port of Melbourne or any other mainland ports and subject to no net increase in the overall assistance provided by the Scheme. The Australian Government should determine the merit and timing of such an extension following:

- Discussion with the Tasmanian Government to ensure a mutually consistent policy approach
- An assessment of the extent to which the potential resumption of a commercially viable direct service would be compromised by such an extension of the Scheme, and advanced by potential coastal shipping reform
- Agreement having been secured with the relevant shipping lines to provide pricing and cost data to the Bureau of Infrastructure, Transport and Regional Economics (as per recommendation 3).³

1 BITRE Tasmanian Freight Equalisation – Other Markets Review Draft Report Chapter 1 introduction, December 2017

2 <https://infrastructure.gov.au/transport/programs/maritime/tasmanian/>

3 Productivity Commission Inquiry into Tasmanian Shipping and Freight – Recommendations Page 31

Extension to the Tasmanian Freight Equalisation Scheme (International Exports) 2015

In March 2015, the Australian Government responded to the recommendations of the Productivity Commission's report by announcing an extension of the TFES (commencing 1st January 2016) to include the 11 per cent (approximately) of exports from Tasmania that were not previously supported by the Scheme. With a commitment of \$50.75 million additional funding per annum for the following 4 years, the objective of this funding was to ease the cost of international export for the many Tasmanian businesses that trade internationally.

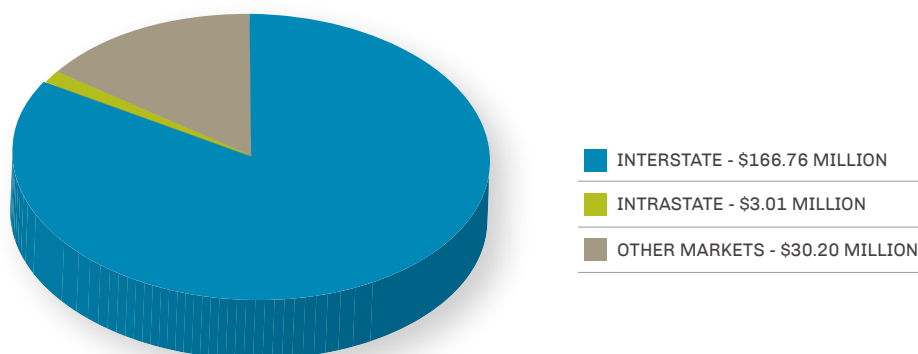
Evidence provided by members of the Joint Commonwealth and Tasmanian Economic Council (JCTEC), industry bodies, representatives and independent reference groups, all concluded that the opportunity to expand the TFES would be the best option for removing a significant impediment for Tasmanian exporters seeking to tranship their product to international markets.

Under this policy, eligible shipments destined for overseas markets via transhipment through a mainland port receive assistance at the flat rate of \$700 per twenty foot equivalent unit (TEU), with shippers from King Island and the Furneaux Group of Islands receiving a 15 per cent additional loading.

Impact of the extension of the TFES: Evidence to date:

The following analysis draws on data from the *Bureau of Infrastructure, Transport and Regional Economics – Tasmanian Freight Equalisation – Other Markets Report, December 2017*

Figure 2 TFES payments by component: 1 January 2016 to 30 January 2017



In the 18 months beginning 1 January 2016, since the extension of the TFES to include international exports, \$30 million has been paid for eligible claims covering exports to international markets (Figure 2).

At first glance, this rate of payment is significantly below the budgeted rate of \$50.75 million per annum. However, closer examination of the data indicates that, after a slow start, the rate of payment is now approaching anticipated levels.

The total payments under the TFES for "other markets" for the whole of 2016 was \$15.75 million (22.5 thousand TEUs of goods shipped) while, for the first six months of 2017, total payments were \$14.45 million (20.7 thousand TEUs).

There is a lag between when a claim is lodged and when it is accepted or rejected. The data is thus preliminary. Nevertheless, the above data indicates two trends – the rate of claim by existing claimants is increasing and new exporters are now using the TFES extension to make claims for their international exports. This is exactly what the policy was intended to achieve: to encourage established exporters to further develop and diversify their export markets and to encourage more businesses to compete in overseas markets.

We expect that the rate of claims will increase as Tasmanian exporters continue to develop their respective markets, as they increase production to meet the increased demand and resulting exports are made.

The \$30 million figure for total payments made for eligible exports under the extended TFES in its first eighteen months of operation comprises 1,411 payments made to 163 different claimants. As shown in Table 1 below, these payments represent exports from a range of sectors including minerals, timber, manufacturing, seafood, dairy and other agribusiness products. Once again, this is a good indicator of success of the extended scheme – businesses across the full range of sectors are benefitting from the initiative.

Table 1 TFES other markets claims: top twenty commodity categories, TEUs and payments, 1 January 2016 to 30 January 2017

Commodity	Total volume (thousands TEUs)	Total payments (million \$)
Metals - unwrought copper/nickel/lead/zinc	9.78	\$6.85
Metals - aluminum powder/paste/ingots	8.43	\$5.90
Newsprint	6.25	\$4.56
Vegetables - fresh	3.32	\$2.32
Meat - frozen/processed/other	2.58	\$1.80
Dairy - milk (processed)	1.76	\$1.23
Animal feed - preparations	1.42	\$0.99
Meat - fresh/chilled/hanging	1.18	\$0.82
Animal products - wool	0.91	\$0.63
Wood - processed	0.81	\$0.56
Confectionery and chocolate products	0.64	\$0.44
Metal ores - tin	0.62	\$0.43
Waste - scrap paper or paperboard	0.60	\$0.42
Metal ores - other ores and concentrates	0.56	\$0.39
Waste - metal waste and scrap	0.52	\$0.36
Vegetables - frozen/processed/prepared	0.44	\$0.30
Fruit - fresh	0.39	\$0.26
Dairy - cheese and curd	0.37	\$0.25
Fish - fresh or chilled	0.36	\$0.23
Metals - ash/residue containing metal compounds	0.24	\$0.16
TOTAL - All Commodities	43.17	\$30.20

Note: Shipments for relevant year, claims accepted and paid. Trade summarised as TEUs. Excludes entries with nil payments. Data rounded to whole values. TFES claims data was provided by Department of Human Services as at 5 August 2017 and is therefore preliminary.

Source: BITRE analysis of TFES database

We expect that the claims made to date, in the first eighteen months of the extended TFES, largely represent the current "state of play" in respect of traditional and established Tasmanian industry sectors that were already engaged in export. However, the extension of the TFES is likely to complement other state and federal government initiatives to promote trade, including the finalisation of free trade agreements with major export markets, and influence the number of exporters, the types of exports and the value of the claims over the coming years.

In terms of shipping volumes, one way to measure the impact of the TFES extension is to compare the number of container movements undertaken by both domestic and international shippers from Tasmania to international destinations via mainland ports before and after the introduction of the extension to the TFES.

The information in Table 2 has been provided by Tasports and verified by the Port of Melbourne.

Table 2 Container movements from Tasmania to international destinations undertaken by domestic and international shippers

Financial Year Measure			
	July 2015 - June 2016	July 2016 - June 2017	Increase %
Domestic Shippers	23,573	24,254	2.9
International Shippers	4,769	7,255	52.1
Total	28,342	31,509	11.2

Resulting increase in container movements: **11% increase**

3 Month Measure			
	July – October 2016	July – October 2017	Increase %
Domestic Shippers	7,597	8,152	7.3
International Shippers	1,869	2826	51.2
Total	9,466	10,978	16.0

Resulting increase in container movements: **16% increase**

It is again difficult to draw definitive conclusions from this data given the limited period over which the extended TFES has been operating. However, it seems to indicate that the extension of the TFES has at least contributed to an increase in the shipment of Tasmanian goods bound for overseas markets via the Port of Melbourne. The increase in freight movements can only be seen as a good outcome for Tasports and the Port of Melbourne with increased freight traffic providing better financial outcomes for them and the shippers using their port facilities. Greater freight volumes also lead to better economies of scale and, through freight aggregation, many Tasmanian exporters are able to obtain improved freight rates for their produce.

This, combined with larger vessels being brought online by SeaRoad and Toll, will also improve accessibility to regular services and competitive freight rates (which will not be influenced by seasonal perishable freight constraints).

Once again, data collected in the coming years will give a clearer indication of these trends. However, our direct consultations with Tasmanian businesses gives us a high degree of confidence in these predictions.

What do Tasmanian business owners say?

While the numbers indicate that Tasmanian businesses have supported the extension of the TFES to cover exports destined for international markets, in order to adequately measure the effectiveness of the extended TFES, we consulted with Tasmanian exporters who are actively competing in the marketplace. This Scheme has been introduced to benefit them; therefore, their opinions are important and should be carefully considered.

To explore the benefits provided by the extended TFES, we compiled a series of case studies giving various business owners the opportunity to have their say on how their businesses have been positively impacted by the extended Scheme. Also included with the case studies are the outcomes of consultations we conducted with Net Sea Freight, Tasmania's largest TFES specialist.

These case studies are a snapshot of Tasmanian businesses, and therefore a reasonable starting point to gauge the wider opinion of the business community about freight and logistics, and the TFES as a support mechanism for "off-island" export of product to international markets.

We are grateful to the following Tasmanian exporters who have been interviewed as part of this process:

Name	Type of Exports	Industry sector
Premium Fresh	Vegetables	Horticulture
Charlton Farm	Vegetables	Horticulture
Wynyon Farm	Vegetables	Horticulture
Australian Honey Products	Honey	Agriculture
Greenham's Tasmania	Beef	Agriculture
Fonterra	Butter, cheese and milk products	Agriculture
Petuna Seafoods	Atlantic salmon and Wild fisheries	Aquaculture
Reid Fruits	Cherries	Horticulture
Britton's Timbers	Speciality timber manufacturing	Manufacturing
Bell Bay Aluminium	Aluminium production	Manufacturing
Norske Skog	Paper production	Manufacturing
Net Sea Freight		TFES services

CASE STUDY 1.

PREMIUM FRESH

Recognised as one of Tasmania's leading vegetable producers, Premium Fresh Tasmania has been operating for approximately 55 years in the North-West region of Tasmania. Premium Fresh has partnerships with over 80 landholders to produce a variety of quality produce for domestic and overseas markets including carrots, onions, broccoli, shallots, turnips, beetroots, rhubarbs, leeks and asparagus.

Discussion with Jim Ertler – Managing Director

What business opportunity presented as a result of the TFES extension for international exports?

Before the introduction of the extended TFES, exports to overseas markets were sporadic at best with high freight costs (due to no international freight service from Tasmania) and the higher Australian dollar making exports cost prohibitive.

Adding to this is the reduction of domestic distribution options as a result of the shrinking Australian wholesale market.

The new Scheme has enabled new markets to be explored and developed in Asia, the Middle East and Europe leading to a diversification of domestic versus international markets. With domestic consumption remaining constant and with returns reducing, growth potential remains with overseas markets, allowing for further export volumes to be supplied at a sustainable price.

What has resulted since – including market development, amount of exports and to which destination(s)?

International exports have increased significantly for Premium Fresh since 2016 and now represent 15 per cent of total volume and over 20 per cent of total annual revenue. The rate of growth is expected to remain steady at 3-5 per cent per annum in line with market developments and increasing exports to established customer bases in Europe, the Middle East and Asia.

What regional impact has resulted for Tasmania – including number of new jobs?

Premium Fresh currently employs 180 staff and this fluctuates to 250 during peak harvest periods and reduces to a core employment level of 100 staff during off peak months. Of these levels, 15 FTE (fulltime equivalent employees) positions have been created including a Biosecurity / Quarantine officer to inspect all produce before it is shipped off-island.

What other positive outcomes have resulted for your business model?

The confidence this new Scheme has delivered has enabled Premium Fresh to invest in new infrastructure. This major investment in a purpose-built cool store allows all produce to be maintained at a constant controlled temperature until collection for shipping.

This \$400,000 investment made by Premium Fresh recognises the importance of developing best practice produce storage and the ongoing commitment to its markets both domestically and, increasingly, overseas.



News Article

Forth produce business wins national export award

What started as a small family farm in Forth more than 60 years ago has now been transformed into a much bigger produce operation, with significant export clout.

Premium Fresh Tasmania is still owned by three Ertler brothers – Jim, Rick and Mike – and last week took out the Regional Exporter Award at the Australian Export Awards in Canberra. Combining its own produce with those of other Tasmanian producers enables Premium Fresh to supply carrots, onions, swedes, turnips, echalions, shallots, leeks, Brussels sprouts and asparagus to Tasmanian, Australian and international markets.

One of the keys to Premium Fresh's export success has been to look beyond standard fresh produce offerings, Jim Ertler said. "We have a number of products to improve our overall offering, such as echalions and asparagus, and that differentiates us from other exporters," Mr Ertler said.

Premium Fresh exports to Europe, United Kingdom, the Middle East, South East Asia and Asia, with its export market accounting for about 20 per cent of its business. "We are certainly committed to exporting. The freight equalisation scheme being applied to exports two years ago has given us the confidence to export and invest in machinery," Mr Ertler said.

"Exporting has given us other options to get better returns," he said.



Premium Fresh is expanding its asparagus line to keep up with demand, utilising machinery and staff in Tasmania's off season to tap into overseas markets. "Asparagus is only relatively new for us, so we're looking to leverage sales of existing lines by using our asparagus," Mr Ertler said.

"We're trying to improve by getting more out of our existing resources. Asparagus season is November to January so we're utilising our equipment in the off season. We have been able to innovate and keep our quality consistent," he said.

The Regional Exporter Award recognises outstanding international success by a business with a head office in a regional

area. While Premium Fresh had won the Tasmanian Export Award, Mr Ertler said they were surprised to take out the national award. "I think this is the first time a Tasmanian company has won the Regional Exporter Award nationally," Mr Ertler said.

"The result was a team effort from everyone at Premium Fresh. They all focus on doing the job and it's good that everyone can have that recognition," he said.

There were eight finalists contesting this year's Regional Exporter Award, with Premium Fresh also named a national finalist in 2011.

Source: *The Advocate* December 13th 2017

CASE STUDY 2.

CHARLTON FARM AND WYNYON TASMANIA

The Charlton family heritage dates back to the mid 1800s in the Moriarty area in the North-West of Tasmania. Similarly, the Wade family, growers who are based in the Table Cape area of North-West Tasmania and own part of Wynyon Pty Ltd, have a family heritage in farming that dates back to the 1930s.

Charlton Farm Produce Pty Ltd was formed in 1993 while Wynyon Pty Ltd was formed in 2000. Collectively, this has created an abundance of knowledge and understandings – working with the land over a long period of time to create high quality produce for domestic Australian and international markets. Crops grown by the families include onions, potatoes, peas, beans, carrots, poppies and pyrethrum.

Discussion with David Addison, Director of Charlton Farm, and Tim Groom, Managing Director of Wynyon Tasmania

What business opportunity presented as a result of the TFES extension for international exports?

The international export market for fresh produce was marginal before the introduction of the TFES extension for international freight. The high Australian dollar, lack of international shipping services for Tasmanian exporters and high freight costs via Melbourne, coupled with a fiercely competitive international market made selling on price unachievable. The main competition came from New Zealand and, unfortunately, many international buyers failed to understand the distinction between New Zealand and Tasmania at the time which exacerbated the difference in pricing we could sell our produce for.

Once the new TFES was introduced, the playing field was "leveled" allowing fresh produce from Tasmania to compete on price and quality. This has resulted in improved product recognition and understanding of how the produce is grown and cultivated. As a result, our customers are also comfortable paying a reasonable price that guarantees better quality and consistency of supply.

What has resulted since – including market development, amount of exports and to which destination(s)?

Before the TFES extension, our business was predominantly focused on the domestic Australian market with less than 20 per cent being sold internationally. Since the TFES extension in 2016, more than 60 per cent is exported internationally. We expect that this amount will grow over time in line with increased demand. Our international markets include Europe and, increasingly, Asian countries. This diversification of markets protects farm operations from potential market failure and over-reliance on only the domestic market as the source of sales and revenue.



What regional impact has resulted for Tasmania – including number of new jobs?

Both Charlton Farm and Wynyon use external contractors to assist with harvest and transportation of produce to markets. However, at peak production in seasonal months 20 people are employed directly with 10 seasonal employees being contracted as a result of the increasing export of produce to international markets.

The increased production has also resulted in improved demand for seed and agronomy services and further utilisation of the irrigation schemes that have been developed. Also, a number of new positions have been created by the various contractors who assist the farm production including tractor drivers, harvesters and truck drivers. This "ancillary" effect has, in turn, created a number of ongoing opportunities for local contractors to expand their operations.

What other positive outcomes have resulted for your business model?

The TFES extension and the resulting development of our international customer base have provided much needed confidence in our longer-term business model. To remain competitive in the export markets, some minor investments have already been made. But further significant investment will be required and, to have the confidence to make these significant investments, Tasmania will need to have in place a long-term competitive freight rate to the world markets. Without a competitive freight rate, our business will not be able to further invest and this will not lead to positive outcomes for the business in the long term.

Further investment is anticipated in crop management that will create improved efficiencies in production.



CASE STUDY 3.

AUSTRALIAN HONEY PRODUCTS

Tasmanian honey producer Australian Honey Products established itself in Northern Tasmania in the mid 1960s and acquired the longest running apiary in Tasmania (est 1887) in 2007. Honey products produced by Australian Honey Products include Tasmanian Leatherwood Honey and Manuka Honey.

Tasmanian honey is renowned for its premium quality and this has established Australian Honey Products as a premium brand both within Australia and overseas. Australian Honey Products were winners of the 2016 Australian Export Awards – Agribusiness.

Discussion with Yeonsoon Bourke – Marketing Director

What business opportunity presented as a result of the TFES extension for international exports?

Over 70 per cent of our business is for the export market. Before the extension of the TFES we were still exporting, but this was more expensive and placed additional pressures on our business. Since the TFES extension in 2016, we have been able to strengthen our exports and production and, in addition to our exports directly, we now supply approximately 70 tonnes of honey for other producers to market themselves. We export mainly to China and also to Germany, Japan, Oman, Singapore, Hong Kong and Malaysia. Additionally, we export live bees to Canada as Tasmania remains one of the few regions globally that has disease (mites) free bees. We also supply small hive beetles.

Our business employs 20 full-time staff and we employ an additional 12 casual staff during peak harvest times from December to February each year.

What has resulted since – including market development, amount of exports and to which destination(s)?

The extension of the TFES has given our business ongoing confidence to invest in new technology and equipment. In partnership with the Australian Government (\$1.13m from an innovation grant), we have invested over \$3 million over the last two years in equipment including an automated extracting machine allowing a more efficient harvest of honey.





What regional impact has resulted for Tasmania – including number of new jobs?

In addition to new investment, we have employed 8 new trainees to work in our business with 5 being appointed in the last 12 months so we can cope with increasing production demands from our customers.

What other positive outcomes have resulted for your business model?

The reputation of our honey product continues to grow our business and the extension of the TFES has supported our growth into international markets. With increased investment in our business we will continue to focus on producing premium honey products for both Australian and international markets.



CASE STUDY 4.

GREENHAM TASMANIA

From a sole trader family business in the mid-1860s, HW Greenham & Sons Pty Ltd has grown into a multi-million dollar meat processing business incorporating Greenham Tasmania Pty Ltd operating at Smithton in Tasmania's pristine north-west and with buying and export centres in Tongala (northern Victoria).

Greenham buys cattle from local suppliers through its liveweight scale operations or "over the hooks" trading at its plants. The Tongala plant processes mainly cast-for-age dairy cows for export to the USA. The Smithton plant produces some of the world's best grass-fed beef under the Cape Grim label. It's now found on the menus of Australia's leading restaurants and export demand continues to grow rapidly.

Discussion with Grant Ryan – Managing Director

What business opportunity presented as a result of the TFES extension for international exports?

Before the introduction of the TFES extension, our Smithton operation focused on mainland exports – approximately 60 per cent of our business was exports to Australian domestic markets with the remainder to international markets. The cost of export to international markets was the main inhibitor for our business increasing its presence overseas with a lack of cost-effective freight options making our exports less competitive in comparison with mainland producers.

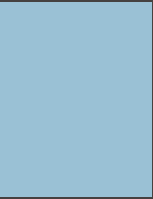
Since 2016, however, this picture has changed significantly, with mainland exports now only representing 25% of our business and the remaining 75% being our exports to the United States, Japan and other Asian countries.

What has resulted since – including market development, amount of exports and to which destination(s)?

The shifted focus towards our overseas customers has diversified our business so that we are no longer solely reliant on competitive Australian domestic markets for sales. This has resulted in improved business confidence in our ability to be competitive and obtain best price for our product.

Our reputation as a supplier of choice with our overseas customers has also been enhanced leading us to refine our processes and invest in the further development of our farmer base within Tasmania.





What regional impact has resulted for Tasmania – including number of new jobs?

Currently Greenham Tasmania employs approximately 220 people at our Smithton operation and these numbers have remained relatively consistent, making us one of the larger employers in North-West Tasmania. Our focus on best practice continues through reinvestment in our plant and equipment and also in our staff.

The majority of our ongoing investment, however, is focused on developing our supplier base located in Circular Head, King Island, Flinders Island and Southern Tasmania. We are a supplier of premium Tasmanian beef that is GMO free and primarily grass-fed.

This is one of the major attraction points for our product, therefore, educating our farmers on these benefits and associated methodology(s) is vitally important to our reputation.

What other positive outcomes have resulted for your business model?

Changing the business environment to make our exports to overseas markets competitive with mainland Australia and international suppliers cannot be overstated. This development has changed our business for the better and instilled an improved confidence for longer-term investment and further market development.

CASE STUDY 5.

FONTERRA AUSTRALIA

The Fonterra Australia operation employs approximately 1,200 people throughout Australia who are involved directly in the processing of around 1.7 billion litres of milk annually. Many of the well-known Australian brands use this milk to produce a range of dairy foods including butter, cheese, milk powder products and fresh milk. Brands such as Perfect Italiano, Mainland, Western Star, Bega and Anchor rely on Fonterra's milk distribution to make their products.

In Tasmania, Fonterra has a significant holding of the farm milk supply with a large number of farms (approximately 280) supplying Fonterra under contract. Fonterra operates factory processing sites in Wynyard and Spreyton in North-West Tasmania producing butter, cheese and powders for domestic (within Australia) and overseas markets.

Discussion with Brendan Miller – General Manager, Supply and Development

What business opportunity presented as a result of the TFES extension for international exports?

Fonterra's Tasmanian operations are export-focused and demand-driven with international market fluctuations driving price and supply. The opportunity to become more competitive through the introduction of the TFES for international exports was seen as a game changer for Fonterra.

The opportunity to compete on quality of produce and price alone is very welcome and has created a level playing field for us with mainland and overseas producers.

What has resulted since – including market development, amount of exports and to which destination(s)?

The focus for Fonterra in Tasmania has been the ongoing investment in our processing facilities in Wynyard and Spreyton to improve operating efficiencies (with technologies) and the quality of the product we make for our domestic and overseas customers.

What regional impact has resulted for Tasmania – including number of new jobs?

While our employment numbers have remained largely the same, we are concentrating on investing in our plant and equipment to cope with increasing milk supply and, in turn, growing our milk pool to supply our factories.

Having the TFES for international exports available for our products has provided additional incentive for these investments to occur.

What other positive outcomes have resulted for your business model?

Confidence in our long-term business model has improved along with renewed focus on expansion into international markets.

News Article

Fonterra to invest \$12m in Tasmanian production increase

Dairy giant Fonterra Australia will invest \$12 million in expanding operations at Wynyard and Spreyton. Fonterra managing director Rene Dedoncker announced a boost in milk processing, cheese making and lactose capacity last year. He said the company's Wynyard plant had capacity to increase production by 18 per cent.

On Wednesday, Fonterra Australia Regional Operations Manager South Steve Taylor said Fonterra would spend about \$165 million to increase processing capacity at seven sites, including five in Victoria. It's understood about \$9.7 million will be spent at Wynyard, while \$1.8 million will be invested at Spreyton.

"The latest investment of almost \$12 million will cover upgrades and projects to boost capacity and improve efficiencies at both plants," Mr Taylor said.

"Demand is growing and it is also important we show our domestic and export markets that we're ready to meet their needs."

In September, Fonterra Australia Wynyard plant manager Darren Smart said he expected the facility would be "crawling with workers" as operations were increased.



Mr Taylor said Fonterra Australia's total milk intake had reached two billion litres in Victoria and Tasmania, with the company employing an additional 15 drivers after investing more than \$8 million in 14 truck and trailer units across Victoria and Tasmania.

"Our Australian milk pool has grown by 400 million litres this season, and with this new investment we plan to grow our milk further which we expect will come through growth from our existing farmers who wish to grow, coupled with milk from new suppliers joining Fonterra," Mr Taylor said.

Primary Industries minister Jeremy Rockliff said the expansion was evidence that industry confidence was also growing. He said he expected the Fonterra Wynyard site would increase cheddar production by around 3900MT.

"Dairy is a pillar of Tasmanian agriculture

valued at nearly \$400 million at the farm gate and is a vital part of the Hodgman Government's vision to increase the value of agriculture to \$10 billion by 2050," Mr Rockliff said.

"I look forward to seeing the works completed at both Wynyard and Spreyton, and what this might mean for increased employment in those regions."

Shadow Minister for Primary Industries Shane Broad also welcomed the investment.

"We know the North-West hasn't benefited from improvements in the economy as much as the south of the state, so this is doubly important," Mr Broad said.

"This is a vote of confidence in our Tasmanian dairy industry and is welcome news after recent challenges like the sale of Edith Creek and milk price reductions."

Source: *The Advocate* January 24th 2018

CASE STUDY 6.

PETUNA SEAFOODS

Established with their first commercial fishing boat in 1949, Petuna Seafoods (Petuna deriving its name from Peter and Una Rockliff who started the company) is one of Tasmania's most established operations, pioneering Ocean Trout and Atlantic Salmon aquaculture in 1991. Employing over 340 people throughout sites in North and North-West Tasmania, Petuna

continues to produce a variety of quality fish products for domestic and overseas consumption in partnership with Sealord New Zealand (since 2010).



Discussion with Tim Hess – Director and Petuna Ambassador

What business opportunity presented as a result of the TFES extension for international exports?

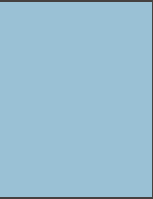
Exports to overseas markets have not been undertaken by Petuna in any great quantity due to limited product supply and the price of transportation. International exports make up approximately 5 per cent of total sales. However, the TFES extension has opened up the opportunity for Petuna to be a competitive supplier of markets such as China, South-East Asia and the United States. In fact, we are already working towards significant exports to these and other markets in 2018.

What has resulted since – including market development, amount of exports and to which destination(s)?

Our factory trawler charter will recommence in 2018 and total production per harvest load, including 1,600 tonnes of fresh fish and 200 tonnes of fish meal (over two voyages), will be predominantly exported to Europe, South-East Asia and the United States.

The economics of exporting have become more viable with the TFES extension and this may enable more opportunities for offshore fishing exports in the future.





What regional impact has resulted for Tasmania – including number of new jobs?

The main outcome of our factory trawler operations and selected Atlantic and Ocean Trout exports overseas is to diversify our sales base and satisfy select markets overseas.

If our production allows and the costs of exporting overseas remain constant, then we envisage further development in our markets in Europe, South-East Asia and the United States.

What other positive outcomes have resulted for your business model?

Confidence in our export markets continues to grow now that the TFES extension has been introduced and this will in time allow us to develop our markets further especially into China for wild fish and farmed salmon.

CASE STUDY 7.

REID FRUITS

The Reid Fruits legacy dates back to 1856 when Mr James Reid settled in the Huon Valley and planted fruit trees on his property. These orchards have expanded to include apple and cherry production with 100ha in the Derwent Valley dedicated to cherry production for predominantly international markets.

Significant investments in modern orchard facilities and fruit handling equipment continue to assist in expanding Reid Fruits' operations. Seasonally, 450 pickers and 300 packers help harvest and pack valuable crops.

Discussion with Nick Featherstone – Chief Financial Officer

What business opportunity presented as a result of the TFES extension for international exports?

Reid Fruits cherry production is focused mainly on international export. Before the extension of the TFES for international exports, Reid Fruits was already exporting (via airfreight from Melbourne). The TFES extension has assisted the company to expand these export markets.

Cherries are shipped to Melbourne on refrigerated vehicles and then exported from Melbourne Airport in air containers to over a dozen countries, including Asian and Middle Eastern destinations.

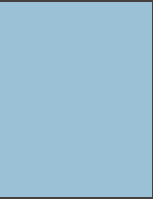
70 per cent of production is for international markets with the remainder sold in domestic markets on the Australian mainland. Total production for the current season is expected to be around 1,300 tonnes which is a new peak for the business and production will continue to increase over the coming years.

What has resulted since – including market development, amount of exports and the which destination(s)?

As well as helping us to expand existing export markets, the extension to the TFES has helped us to explore new market opportunities, particularly for 2nd grade cherries to markets such as the Middle East to provide additional demand for our product and to help ease pressure on the Australian domestic market.

Since the TFES extension, ongoing development has accelerated including additional cherries being planted at the orchard in the Derwent Valley, a 2nd purpose-built processing shed and cherry grading machinery in





the Huon Valley (\$3 million) and the development of another 36ha cherry orchard in the Southern Midlands of Tasmania (valued at \$5 million). The new orchard will begin producing commercial volumes of cherries from 2019/20 onwards.

What regional impact has resulted for Tasmania – including number of new jobs?

The company's permanent staff complement has risen from 23 to 30 during this time, including full-time administration and management personnel assisting with business operations.

Reid Fruits also employs seasonal pickers and packers to harvest cherries in December and January annually. The seasonal staff requirement will continue to increase over the coming years, particularly once production commences at the new 36ha orchard.

What other positive outcomes have resulted for your business model?

The ongoing confidence gained through improved access to international markets has translated into further investment for the business and expansion of operations to satisfy increasing demand for our product.

This ongoing expansion is in line with Tasmanian and Australian Government strategies to significantly expand horticultural production and exports.

CASE STUDY 8.

BRITTON TIMBERS

The Britton name has been synonymous with quality timber and outstanding customer service for more than 100 years. From humble beginnings in Tasmania's timber-rich North-West Coast, Britton Timbers has grown to become one of Australia's largest processors of certified native hardwoods for decorative and appearance purposes as well as one of the largest importers of sustainably-produced exotic hardwoods.

Through its partnerships with hardwood processors in the USA, Europe and South-East Asia, Britton Timbers is able to source any hardwood specified in the Australian market. Timbers available for export include Tasmanian Oak and Tasmanian Blackwood and current export markets include China, Malaysia, USA and New Zealand.

Discussion with Shawn Britton – Director

What business opportunity presented as a result of the TFES extension for international exports?

The opportunity to expand the exports of Tasmanian timbers to our international customers was the main outcome of introducing the TFES for international exports. Before 2016, our business did trade overseas but, due to the cost of freight, we were not as competitive as mainland and overseas timber producers. However, we are pleased to confirm that with the TFES assistance, our exports have expanded and we are now exporting to China (75 per cent of export sales), Malaysia, Singapore and New Zealand.

What has resulted since – including market development, amount of exports and to which destination(s)?

Our business now directly employs 85 employees, as well as engaging 30 contractors (involved in harvest and haulage) and 50 wholesale distribution personnel in Sydney, Melbourne and Brisbane. Our business is also involved in importing speciality timber from international partners seeking to provide niche products for furniture and building applications.

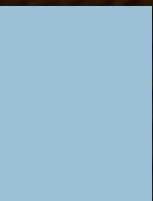
What regional impact has resulted for Tasmania – including number of new jobs?

Our business continues to expand in line with demand and also available co-investment opportunities in technology and efficiencies. With the demand for our timbers in furniture, flooring applications and building, we will continue to seek the co-operation of our contractors to secure supply to meet the demands of our markets.

What other positive outcomes have resulted for your business model?

The building of our overseas customer demand has been the single biggest outcome for our business which has diversified our business base and resulting sales growth.





CASE STUDY 9.

BELL BAY ALUMINIUM

The first aluminium smelter in the southern hemisphere began operation in 1955 at Bell Bay in northern Tasmania.

The beginnings of this important Tasmanian industry go back as early as 1927 when the Minerals and Power Concessions syndicate of London selected Bell Bay as the most suitable site in Australia for the establishment of an aluminium factory due to the anticipated availability of cheap hydro power and the existence of a nearby location for a deep-water port.

However, it wasn't until 1945, with the formation of the Australian Aluminium Production Commission under the *Australian Aluminium Industry Agreement Act 1944*, that the idea was placed on a firm footing. Since October 2011, the Bell Bay smelter, known now as Bell Bay Aluminium (BBA), has operated as part of Pacific Aluminium, a wholly owned subsidiary of Rio Tinto.

Discussion with Lou Clark – Community Relations Specialist

What business opportunity presented as a result of the TFES extension for international exports?

Aluminium is a light, strong, flexible, noncorrosive and infinitely recyclable metal. BBA produces a wide range of speciality high quality products cast from low carbon aluminium produced using renewable energy. The majority of BBA's metal is cast to customer requirements, either as pure aluminium or aluminium alloys. Some metal is, however, sold directly in a hot state, to Ecka Granules at Bell Bay to produce aluminium powders and pastes.

The metal produced at Bell Bay is widely used in the transport, construction, packaging and electrical industries. Annually, BBA exports more than 75 per cent of its product to international markets. BBA produces approximately 190 kt of primary aluminium a year. Around 140 kt of this is exported and of this, around half (70 kt) is containerised product.

Primary markets for BBA's metal include Asia, mainly China, South Korea and Japan as well as India and South Africa.

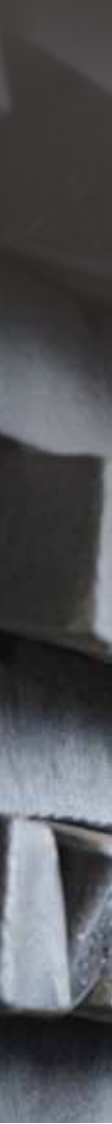
What has resulted since – including market development, amount of exports and to which destination(s)

As a Tasmanian-based manufacturer exporting internationally, shipping has historically been one of the most expensive components of freight export for BBA. BBA's freight profile means that it currently achieves close to the optimum needs due to a relatively large volume which is consistently distributed across the year.

Despite this, BBA's shipping costs have remained higher than comparable operations exporting goods from other Australian ports. Flexible transshipment methods using a mix of domestic and international lines are important in terms of exporting BBA's product.

Cost equalised shipping from Tasmania to link in with frequent international services provides flexibility which helps to best meet the requirements of BBA's international customers. The need for outcomes that support increasingly cost-competitive, reliable and sustainable shipping services is necessary to provide greater service choice and potentially lower freight costs for Tasmania's freight users and exporters.

The extension of the TFES by the Federal Government and supported by the Tasmanian Government, has been a positive step towards improved freight outcomes for major industries like BBA.



What regional impact has resulted for Tasmania – including number of new jobs?

BBA is situated on the mouth of the Tamar River, in northern Tasmania. BBA directly employs 430 people from around the region and, on a typical day, up to 70 contractors are also undertaking work at the smelter.

Independent studies have found that BBA, directly and indirectly, employs approximately 1,500 Tasmanians, and contributes \$690 million per annum to Gross State Product. The smelter annually spends around \$160 million purchasing goods and services from over 300 Tasmanian suppliers and pays approximately \$47 million in salaries each year.

As well as being one of Tasmania's major exporters, BBA is also a major consumer of the state's electricity. BBA's continued presence in Tasmania as a major contributor to State Government revenues and employment provides a solid foundation for Tasmania's future and its sustainable economic growth. The competitiveness of freight is one of a number of key determinants of the smelter's ongoing viability.

What other positive outcomes have resulted for your business model?

The market price paid for aluminium produced by BBA is determined largely by reference to the London Metals Exchange. To remain competitive in a global market, the TFES extension to exports is one of a number of business initiatives that has provided ongoing business confidence for BBA's continued presence in Tasmania.

As the world moves toward a low carbon future, this confidence has the potential to translate into investment for the business and expansion of operations to satisfy and take advantage of increasing international demand for greener, more sustainable, low-carbon products such as BBA's speciality aluminium.



CASE STUDY 10.

NORSKE SKOG

Situated in southern Tasmania, the Boyer Mill produced Australia's first newsprint in 1941 and remains one of the state's major employers with a direct workforce of approximately 300 people. The mill also provides many jobs in the forest and transport industries across the state.

The mill has two paper machines; one produces standard and improved newsprint and book paper and the second was converted from the

production of newsprint to light weight coated paper in 2014 at a cost of \$85 million. Light weight coated paper is used in advertising catalogues and magazines. The Boyer Mill is the only mill in Australia that produces these grades and supplies around 35 per cent of domestic demand.

The mill is a major participant in the Tasmanian Forest Industry using softwood pine from certified plantations.

Discussion with Dale Richards – Operations Manager Norske Skog Boyer Mill

What business opportunity presented as a result of the TFES extension for international exports?

There has been a significant reduction in the demand of newsprint in Australia since 2008. As a result, we have targeted increased sales into new export markets, predominantly in Asia. Approximately 35 per cent of total mill production and around 65 per cent of our newsprint production now goes to export.

Export markets are extremely competitive and to be successful you need to have an efficient operation and a low cost base, including shipping. Unfortunately, direct access to our international markets is very limited from Tasmania and therefore we have to ship most of our product via the mainland to link up with competitive international shipping services and to meet our customer requirements.

This additional sea leg (Bass Strait) and handling significantly increases shipping costs, thereby making it difficult to be competitive. The extended TFES has greatly assisted in offsetting some of our additional shipping costs and has therefore enabled the Boyer Mill to remain competitive and grow our position in export markets.

The competitiveness of freight services is one of the key determinants in the mill's viability and the security of all the direct and indirect jobs that our business provides.

What has resulted since – including market development, amount of exports and to which destination(s)?

Since the extension of the TFES, the volume of paper sales exported from the Boyer Mill has increased dramatically to approximately 100,000 tonnes per annum.

This is expected to grow as the domestic market for newsprint continues to decline. Major destinations include India, China, New Zealand and Hong Kong.

The ability to export has enabled the Boyer Mill to maintain newsprint production, and to retain associated direct and indirect jobs as well as the mill's significant economic contribution to the local and Tasmanian economies.

What regional impact has resulted for Tasmania – including number of new jobs?

In the case of the Boyer Mill, it is not so much the creation of new jobs but the retention of existing direct and indirect jobs including some 100 contractors who rely on the mill to support their businesses and provide work for their employees. The mill is also a major consumer of the state's electricity, rail services and plantation softwood timber.

It is estimated that the Boyer Mill's net benefit to the Tasmanian economy is \$350 million annually, making it one of the state's major economic contributors.

What other positive outcomes have resulted for your business model?

The TFES extension has been very important to our overall business model in helping to maintain and grow access to international markets that are critical to our ongoing viability.

This, in turn, has provided confidence to our owners to continue to make significant capital investments in the long-term future of the mill including initiatives such as improved energy efficiency upgrades (\$3.4 million in capital expenditure) and the establishment of a large scale prototype plant (\$7 million) to investigate the establishment of a new biochemical industry in Tasmania in conjunction with current operations.

Further investment opportunities are also being considered. This work would not have been possible without confidence in our base business.



CASE STUDY 11.

NET SEA FREIGHT

As Tasmania's largest TFES specialist (providing an administrative claims service on behalf of Tasmanian exporters and/or domestic shippers), Net Sea Freight–Tasmania is well positioned to provide feedback on the emerging trends in regard to Tasmania's ongoing freight task as it relates to the TFES.

Among these emerging trends identified by Net Sea Freight:

- International exports are increasing post 2016 (confirmed by the data provided by TasPorts and Port of Melbourne)
- Resulting use of the TFES (domestic) and TFES (international extension) continue to increase in line with export growth
- Some bulk products are now being containerised, although this is not in significant quantities to date, and it is predominantly aimed at offering greater efficiency to international customers with the logistics of delivery as it is often more convenient to ship containers direct to multiple end points.

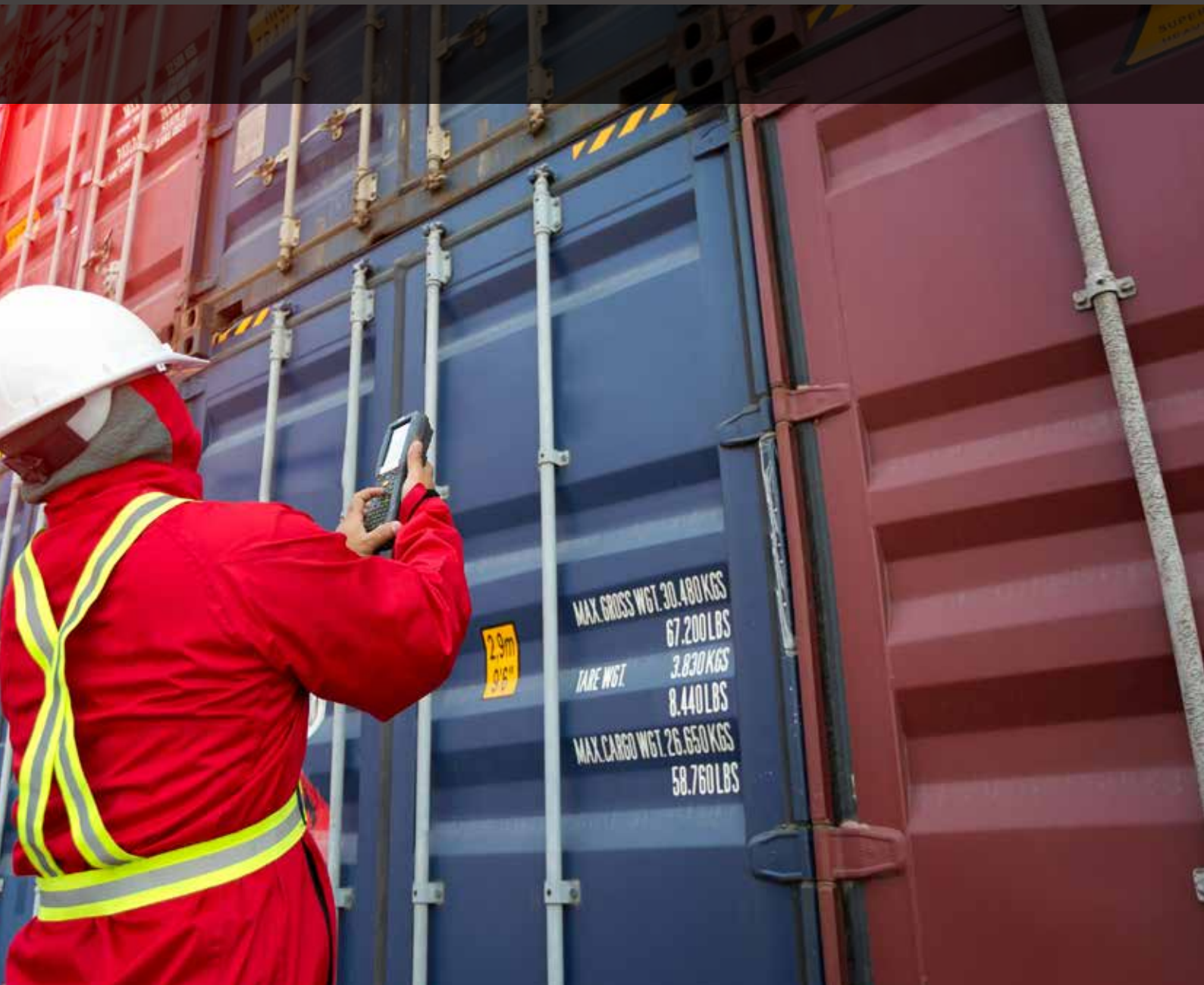
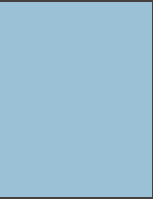
Net Sea Freight also told us that a number of Tasmanian exporters may not fully understand the TFES and their eligibility for it, particularly where terms of sale are ex Tasmania. This is concerning as it places these exporters at a disadvantage compared to their Tasmanian and mainland competitors. As a result, their ability to expand and invest in their business infrastructure and market development could also be impeded.

Net Sea Freight suggested that the Tasmanian and Australian governments could do more to get information about TFES to these businesses, including on how to improve TFES claims. This could be done through general education forums in conjunction with industry associations or access to Department-approved Claims Agents and logistics experts for tailored "one on one" advice services. Net Sea Freight suggested the tailored advice option could deliver better guidance specific to each business owner and thereby yield better results.

*Note: The Tasmanian Government previously provided assistance for a Freight Expert Advisory Panel aimed at supporting small business owners with their respective freight tasks.⁴



⁴ https://www.stategrowth.tas.gov.au/infrastructure_tasmania/freight/planning/advisory-panel



Conclusions and Recommendations

Tasmania continues to play its part on the national stage as a net exporter of a diverse range of goods to both mainland and overseas markets. In order to ensure that the freight rates faced by Tasmanian businesses remain competitive with those of their mainland counterparts, the Tasmanian Freight Equalisation Scheme (TFES) for both domestic and international exports provides an "even break" for Tasmanian exporters and allows them to compete effectively on quality.

The extension of the TFES to include eligible goods being shipped to the mainland on their way to overseas markets is achieving its objective: to address the disadvantage faced by Tasmanian businesses as a result of high freight costs, thereby improving their competitiveness and helping them to grow. It has thus removed a significant impediment holding back Tasmania as a recognised international exporter of premium brand consumer and manufactured products to international markets.

The importance of the Australian Government removing this hurdle cannot be overstated as a game changer for Tasmania and this is reflected in the positive feedback of the various Tasmanian businesses featured in this report. Tasmanian exporters are now able to access export options from both domestic shippers and international shippers (with transshipment at mainland ports) that provide regular services to Tasmania. Compared to the "one size fits all approach" that prevailed until just a few years ago with one dedicated international shipping service, the range of options available now is a testament to improved economic conditions, business confidence and recognition of Tasmania's increasing significance in global freight tasks.

Separately, the ongoing commitment by SeaRoad and Toll to delivering new vessels to increase capacity and reduce seasonal constraints on their respective services has been welcomed by the wider Tasmanian business community. Increasing supply through the investment in larger vessels, in line with export demand, will deliver the reduction in freight costs sought by Tasmanian exporters.

As expected, the take-up rate of claims under the TFES for international exports has increased from its inception in 2016. More Tasmanian exporters are developing their markets overseas and this investment in market development is now producing an increased demand for Tasmanian product, larger production rates and higher sales receipts for Tasmanian exporters.

Positive Outcomes for Tasmanian Business

A number of common themes emerged from the numerous conversations that took place while compiling the case studies featured in this report.

- Improved confidence in business model
- New investment in plant and equipment
- Additional development in international markets
- Diversification of income base
- Less reliance on domestic markets (Australia)
- Improved employment outcomes (part time and full time)
- Innovative product development and design for new markets

Listening to the business representatives while preparing this report, the common themes of improved confidence, willingness to invest and overall positivity for the long-term future is noticeable and helps to explain why the TFES for international exports was supported so vigorously by so many Tasmanian business owners and industry representatives.

While many Tasmanian exporters have experienced growth as a result of the introduction of the enhanced TFES, it is also important to recognise the flow-on benefits that have resulted for smaller businesses and contractors that provide support services to the larger exporters. These "satellite businesses", have also experienced positive outcomes on the back of the Tasmanian export businesses they support including new employment, increased investment and additional trading activities. The resulting multiplier effect they contribute to regional Tasmanian communities in particular, is also worth considering as part of understanding the bigger picture.

Ongoing Challenges

While the overwhelming messages about the extension to the TFES were positive, some challenges were identified as areas for possible enhancements to the Scheme. In particular, more can be done to make Tasmanian exporters aware of their eligibility to claim under the TFES so that the Scheme is maximised as it was envisaged. While information forums can help promote the TFES at a broad level, a specific tailored advice service, particularly aimed at small and newly exporting businesses, would be the best option to ensure Tasmanian exporters do not miss out on their entitlement and the opportunity to offset their respective freight costs.

Funding such a service could be a role for government at a Commonwealth or a State level. Alternatively, Tasmanian exporters could seek specialist advice (on a fee for service basis from freight and logistics experts) that is tailored to their specific requirements. Industry associations for the various Tasmanian industry sectors could also play their part to educate their members on the TFES and the benefits it provides for domestic and international exports.

Research into the broader economic contribution the TFES makes to the Tasmanian economy should also be considered. Any independent research, in conjunction with stakeholders including Tasmanian exporters, freight and logistics providers and government, would be worthwhile to understand the key economic outcomes including:

- Additional employment for Tasmanian exporters
- Additional employment and investment for supporting businesses including contractors and service providers
- Multiplier effect for regional communities
- Leveraged investment for business in plant and equipment, product innovation and technology
- Other benefits not considered including new market development, skill enhancements for employees and longer-term considerations resulting from higher participation in international markets.

This research would be beneficial to key stakeholders by providing further evidence of the benefits the extended TFES delivers, and by identifying opportunities for further development. We recommend the Australian and Tasmanian governments consider facilitating this research.

In summary, continuing the TFES extension is vital to maintain the momentum and build on the outcomes already achieved by Tasmanian exporters since 2016. The demonstrated outcomes and resulting benefits to date prove that the TFES Scheme is a valuable and significant support mechanism that provides tangible benefits for Tasmania.

