



Spirit of Tasmania Dry Docking Problem

The Tasmanian Freight Logistics Council recently became aware of a potential problem for Tasmanian shippers of perishable and other goods from Devonport to Melbourne during the period of the Spirit of Tasmania dry docking between 29 July and 11 August 2007. During the period of dry docking it is proposed that, from Monday to Friday, the sailing schedule will be as follows:

- Departs from Melbourne each night at 8pm – arriving in Devonport at 7am the following morning.
- Departs from Devonport each morning at 9am – arriving in Melbourne at 6pm the same day.

In order to provide live export and perishable products at a competitive price in a price sensitive environment, it is essential that shippers use refrigerated trailers from Tasmania – and for many shippers that means using the services of the Spirit of Tasmania ships exclusively. Some shippers have national supply contracts with organisations that stipulate strict delivery and product shelf life regimes as part of the business relationship. In order to meet the requirements specified by retailers it is necessary that product is shipped from Devonport each evening and the withdrawal of this service is a serious concern to many shippers.

The Council believes that the percentage of perishable goods being carried from Devonport to Melbourne is significantly higher than that being carried on the Melbourne to Devonport route. Accordingly it is more vital that the northbound carriage of perishable goods reach their market early each morning than is the case with the less time sensitive goods being carried southbound each day.

The Council approached the TT-Line and the Minister for Infrastructure requesting that the TT-Line alters its sailing schedule during this period so that the Devonport – Melbourne sailing is overnight and the Melbourne – Devonport sailing is during the day. Unfortunately the TT-Line was unable to change the sailing schedule this year, however, it has agreed to review the process and give consideration to any feasible variations for the 2008-09 dry docking. The Council has again approached the TT-Line requesting to be a participant in that review when it takes place.

Copies of the Council's letters to the TT-Line and the response from the TT-Line are attached for further information.



Mr Peter Simmons
Chief Executive Officer
Spirit of Tasmania
PO Box 168E
East Devonport TAS 7310

10 May 2007

Dear Mr Simmons

Spirit of Tasmania Dry Dock and Amended Sailings

The Tasmanian Freight Logistics Council has just become aware, via concerns expressed by our members, of a potential problem for Tasmanian shippers of perishable and goods from Devonport to Melbourne during the period of dry docking between 29 July 2007 and 11 August 2007.

As background information the Tasmanian Freight Logistics Council is a public company managed and operated by industry members whose purpose is to bring shippers, service providers and other stakeholders in the logistic chain into a Tasmanian freight community, whose focus is on actions to improve supply-chain efficiency and performance. The Council's vision is of vibrant, efficient and competitive freight operations into and out of Tasmania, continually improving logistic systems that support increased market competitiveness, new business and investment in more effective supply chains. The achievement of this vision relies on co-operative behaviour that subsequently contributes to significant growth.

The Council's objectives are to:-

- Initiate logistic-chain improvements.
- Be a conduit between the freight community and government.
- Facilitate better quality management of supply chains.
- Work collaboratively with the Tasmanian Freight Community.
- Act as a provider of logistic information and related topics.

Council membership is open to all businesses and individuals' interested or involved in Tasmanian freight activities – including shippers and service providers. Since its inception in early 1999, the Council has successfully managed to gain the trust and respect of Tasmanian industry. The Council works primarily in the air and sea freight modes.

The Council understands that during the period of dry dock it is proposed that, from Monday to Friday, the sailing schedule will be as follows:

- Departs from Melbourne each night at 8pm – arriving in Devonport at 7am the following morning.
- Departs from Devonport each morning at 9am – arriving in Melbourne at 6pm the same day.

The introduction of the two Spirit of Tasmania ships has created a fantastic service for Tasmanian shippers over the past five years and we understand that as a result of this the service has been well supported by shippers – particularly shippers of perishable products. Unfortunately your proposed dry dock schedule eliminates evening sailings from Tasmania and it is fair to say that evening sailings are the most significant advantage that the services offers to Tasmanian shippers. It is difficult for us and our members to comprehend the reasons that have resulted in the proposed schedule change which significantly disadvantages Tasmanian shippers and we contend that as a consequence the disadvantages are considerable greater than any benefits that are likely to be achieved.

In order to provide live export and perishable products at a competitive price in a price sensitive environment, it is essential that Tasmanian shippers use refrigerated trailers from Tasmania – and for many shippers that means using the services of the Spirit of Tasmania ships exclusively. Some of our shippers have National supply contracts with retail organisations that stipulate strict delivery and product shelf life regimes as part of the business relationship. In order to meet the requirements specified by retailers it is necessary that product is shipped from Devonport each evening and the withdrawal of this service is a serious concern to many shippers.

The amended schedule means that shippers in Tasmania will not have access to their current normal overnight service to Melbourne. This will mean that for many shippers of perishable goods:

- Their goods get into Melbourne at 6pm each day rather than 7am, as is currently the case.
- The shelf life of their goods will be decreased by a day. In turn this could lead to increased waste and thus a loss of revenue due to lost sales.
- Some shippers may need to fly their goods to Melbourne, which will cost them significantly more money – up to three times the cost of sea freight - and will mean a loss of business for you.
- For some shippers this will mean a loss of access to overseas exports - the current overnight sailings fit in extremely well with overseas flight schedules and regulatory administrative requirements that have been established in the last few years.
- In some instances the amended schedule will result in a loss of revenue due to lost sales – due to their inability to supply their goods to the mainland market in compliance with client requirements.
- In some instances shippers will need to change work rosters to meet the new sailing schedule timelines, which will mean that they incur additional operational costs including penalty payments.

If your proposed schedule becomes a reality the cost to Tasmanian industry will be substantial. To-date two of our shippers have estimated the additional costs just to maintain market share will be in the vicinity of \$190,000. Based on this figure and comments from some of our members we estimate the overall cost to industry may well be in the range of \$1,000,000. However, as a result of your changed schedule remaining as is, there could be a loss of market share and/or cancellation of contracts and if this occurs the overall impact on the Tasmanian economy and employment would be far reaching and greater than the values shown in the foregoing.

The Council believes that the percentage of perishable goods being carried on the Spirit of Tasmania ships from Devonport to Melbourne is significantly higher than that being carried on the Melbourne to Devonport ships. Accordingly it is more vital that the northbound carriage of perishable goods reach their market early each morning than is the case with the less time sensitive goods being carried southbound each day.

Furthermore, as a Tasmanian company it is hoped that other Tasmanian companies and businesses would be given some consideration if there were to be changes to normal services. Rumours circulating within the maritime community suggest to us that little, if any, industry consultation has taken place in Tasmania on this issue and if this is correct we can only speculate as to the reasoning.

Accordingly, the Council requests that you alter the sailing schedule during this period so that the Devonport – Melbourne sailing is overnight and the Melbourne – Devonport sailing is during the day. This will enable the shippers with perishable goods to get their goods to market in a more timely manner than the proposed schedule will allow.

Please contact the undersigned if you require any further information on the above.

Yours sincerely

Rob McGuire
Chief Executive Officer

Copy to: Mt Pat Guarino, General Manager, TT-Line Freight Services



15 May 2007

Mr Rob McGuire
Chief Executive Officer
Tasmanian Freight Logistics Council
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Dear Sir

Spirit of Tasmania Dry Dock & Amended Sailings

Thank you for your letter dated 10 May 2007 relating to the concerns of some of your members in regard to the forthcoming dry dock schedule.

As I am sure you are aware, it is a legal requirement that our vessels are dry docked on a regular basis. With the sale of *Spirit of Tasmania III*, it is necessary that arrangements be made for either *Spirit of Tasmania I* or *II* to be docked each year, without the previous ability to maintain full service on the Melbourne route provided by *Spirit of Tasmania III*.

In determining a schedule for this two week period, TT-Line has to consider the needs of all its customer base, both passengers and freight clients.

The schedule that has been introduced this year provides, in our opinion, the best compromise available.

We do of course understand and sympathise with the concerns of your members and every action has been taken to advise the customers affected as early as possible of the schedule changes so that they can make suitable arrangements.

It is not possible, I am afraid, to make any changes to this year's schedule but we will review the process and give consideration to any feasible variations for the 2008/09 dry docking.

Thank you for bringing your member's concerns to our notice.

Yours sincerely

Peter Simmons
Chief Executive Officer

cc: Patrick Guarino



Mr Peter Simmons
Chief Executive Officer
Spirit of Tasmania
PO Box 168E
East Devonport TAS 7310

11 July 2007

Dear Mr Simmons

Spirit of Tasmania Dry Dock and Amended Sailings

Thank you for your letter of 15 May 2007 in regard to concerns expressed by our members of a potential problem for Tasmanian shippers of perishable and goods from Devonport to Melbourne during the period of dry docking between 29 July 2007 and 11 August 2007.

The Council appreciates that it is not possible to make any changes to the Spirit of Tasmania dry docking schedules for this year but is encouraged to hear that you will review the process and give consideration to any feasible variations for the 2008-09 dry docking.

The Council is not sure when such a review will take place but would like to be a participant in that review when it does take place.

The Council is very strongly of the opinion that the sailing schedule during any future dry docking of the Spirit of Tasmania vessels should be structured so that the Devonport – Melbourne sailing is overnight and the Melbourne – Devonport sailing is during the day. This will enable Tasmanian shippers of perishable goods to get their goods to market in a timelier manner than the schedule for this year will allow.

The introduction of the two Spirit of Tasmania ships has created a fantastic service for Tasmanian shippers over the past five years and we understand that the service has been well supported by shippers – particularly shippers of perishable products. Unfortunately your 2007 dry dock schedule eliminates evening sailings from Tasmania and it is fair to say that evening sailings are the most significant advantage that the service offers to Tasmanian shippers. It is difficult for the Council and its members to comprehend the reasons that have resulted in the 2007 dry docking schedule which significantly disadvantages Tasmanian shippers and the Council contends that as a consequence the disadvantages are considerable greater than any benefits that are likely to be achieved.

In order to provide live export and perishable products at a competitive price in a price sensitive environment, it is essential that Tasmanian shippers use refrigerated trailers from Tasmania – and for many shippers that means using the services of the Spirit of Tasmania ships exclusively. Some of our shippers have national supply contracts with retail organisations that stipulate strict delivery and product shelf life regimes as part of the business relationship. In order to meet the requirements specified by retailers it is necessary that product is shipped from Devonport each evening.

The schedule that will operate during the 2007 dry docking will mean that shippers in Tasmania will not have access to their current normal overnight service to Melbourne. This will mean that for many shippers of perishable goods:

- Their goods get into Melbourne at 6pm each day rather than 7am, as is currently the case.
- The shelf life of their goods will be decreased by a day. In turn this could lead to increased waste and thus a loss of revenue due to lost sales.
- Some shippers may need to fly their goods to Melbourne, which will cost them significantly more money – up to three times the cost of sea freight - and will mean a loss of business for the Spirit of Tasmania.
- For some shippers this will mean a loss of access to overseas exports - the current overnight sailings fit in extremely well with overseas flight schedules and regulatory administrative requirements that have been established in the last few years.
- In some instances the amended schedule will result in a loss of revenue due to lost sales – due to the shipper's inability to supply their goods to the mainland market in compliance with client requirements.
- In some instances shippers will need to change work rosters to meet the new sailing schedule timelines, which will mean that they incur additional operational costs including penalty payments.

The Council believes that the percentage of perishable goods being carried on the Spirit of Tasmania ships from Devonport to Melbourne is significantly higher than that being carried on the Melbourne to Devonport ships. Accordingly it is more vital that the northbound carriage of perishable goods reach their market early each morning than is the case with the less time sensitive goods being carried southbound each day.

I am more than happy to meet with you face-to-face to further discuss these issues and the dry docking schedule for 2008-09.

Please contact the undersigned if you require any further information on the above.

Yours sincerely

Rob McGuire
Chief Executive Officer