



## PARLIAMENT OF AUSTRALIA • THE SENATE

SENATOR THE HON. PAUL CALVERT  
PRESIDENT OF THE SENATE  
SENATOR FOR TASMANIA

28 JUN 2006

Mr Mike Woods  
Presiding Commissioner  
Inquiry into Tasmanian Freight Subsidy Arrangements  
Productivity Commission  
PO Box 80  
BELCONNEN ACT 2616

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Dear Commissioner

I make this brief submission the Inquiry into Tasmanian Freight Subsidy Arrangements in my capacity as a Senator for Tasmania, not as President of the Senate.

At the outset, I would say that the current Tasmanian Freight Equalisation Scheme (TFES) has worked well since its inception in 1976. It makes a significant contribution to alleviate the geographical isolation of Tasmania from the other States, and allows the end price of products produced or manufactured in Tasmania to remain competitive with similar products from the Australian mainland or abroad. The Commission will receive evidence that some manufacturing enterprises and primary producers rely on the TFES for their viability, and that is not an overstatement.

### **Why have such a scheme at all?**

Until the TFES was introduced following two inquiries, Sir John Nimmo's 1974 report into transport to and from the State and Sir Bede Callaghan's comprehensive review of the State's economic situation in 1976. The Scheme not only attempts to ameliorate the unavoidable additional cost faced by Tasmanian manufacturers and producers seeking to compete with their mainland counterparts (who have increasingly more available access to road and rail transport), but its establishment by the Fraser Government and support by all successive governments reflects the fundamental principle of the Australian Federation that the States be treated, as far as practicable, equally and the Constitutional requirement that there shall be free trade between the States.

## **The current scheme**

My experience in talking to TFES users is that they are generally very happy with how the Scheme operates. The administrative costs of the Scheme are very modest, and Centrelink acts as a most effective agent for the Department of Transport and Regional Services. Improvements in the management of the Scheme, particularly following recommendations made by the Hon. Peter Nixon, AO (TFES Review Authority report), have made it even more cost-effective, and easier for claimants.

One proposal which has been periodically mooted is that the rebate should be paid directly to shipping companies. I would strongly argue against this. If the rebate were paid to shipping companies, there would be the possibility of some percentage of it being retained as an 'administrative charge', so the full benefit of the assistance would not be passed on. In addition, the nature of shipping across Bass Strait means that the number of shipping companies involved would be very small (three or four), and a concentration of shipping subsidies being paid direct to such a small number would be undesirable.

Sir John Nimmo's Commission of Inquiry into Transport to and from Tasmania (Parliamentary Paper 1976/24/5) recommended that

"for maximum effectiveness, transport assistance should be paid directly to the persons and firms who suffer the financial disadvantage."

This view was supported by the Inter-State Commission, chaired by the Hon. Mr Justice M. G. Everett, which said that "compensation shall be paid direct to consignors or consignees", and I understand the view was reiterated by the Hon. Peter Nixon in the TFES Review Authority report of 1998.

## **Anomalies in the current Scheme**

I will briefly refer to three anomalies in the current TFES, which I would suggest the Commission should address. The first is that so-called high density cargo is only subsidised at a rate of 60 per cent. Mr Nixon's 1998 review noted that there appears to be a discrimination against high density goods, and I have been unable to ascertain the reason for the difference, especially given my understanding that shipping costs are generally based on volume, rather than weight.

The second is that the TFES does not at present permit assistance to be paid on goods imported into the mainland from overseas which have not "undergone a manufacturing process on the mainland prior to their shipment to Tasmania". This would seem to me to provide an anti-competitive protection for some items, by giving a potential advantage over another item which is directly equivalent.

The third is the situation of the Bass Strait Islands. I have had the opportunity to read the submission on the Commission's web-site from the King Island Council and I would support the Commission considering special arrangements for goods despatched from both King and Flinders islands, both in regard to the treatment of empty containers and in regard to consideration about the very high cost of shipping from the Islands to Melbourne (much higher than on-shipping the relevant goods from Melbourne to the Northern Hemisphere). The Bass Strait Islands are widely regarded as a special case, and a variation to the Ministerial Directions under the Scheme would not set a precedent.

### **Tasmanian Wheat Freight Scheme**

The only comment I would have is to commend the joint Tasmanian Farmers' and Graziers' Association/Tasmanian Chamber of Commerce and Industry submission. It would be desirable for the Tasmanian Wheat Freight Scheme (TWFS) to be given an assurance of a life of at least, say, ten years (whilst continuing an annual review of actual rates), with an independent assessment to be conducted in the last 12 months of any period. The TWFS is very important to a large range of agricultural industries in Tasmania, and secondary industries such as bakers, and any diminution of the Scheme would have a severely detrimental effect on the State's economy.

I wish the Commission well in its inquiry, and look forward to the final report.

Yours sincerely

**PAUL CALVERT**  
**Senator for Tasmania**