



SENATOR NICK SHERRY, Tasmania

Shadow Minister for Superannuation and Intergenerational Finance;
Banking and Financial Services

07 July 2006

Mr Mike Woods
Tasmanian Freight Subsidy Inquiry
Productivity Commission
PO Box 80
Belconnen ACT 2616

Dear Mr Woods

Re: Submission to the Productivity Commission's review into TFES and TWFS

I wish to make a submission to the Inquiry to highlight the need for maintaining and where possible improving the current Tasmanian Freight Equalisation Scheme (TFES) and the Tasmanian Wheat Freight Scheme (TWFS). I would also like to argue the need for improving the Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES) even though this is not directly related to the terms of reference of this inquiry.

Mainland Tasmania, King Island and Flinders Island are unique in their reliance on freight and passenger shipping services.

The TFES was introduced some thirty years ago. The stated Government objective was to establish a cost equalisation scheme to alleviate the freight cost disadvantage incurred by shippers between the mainland and Tasmania. Over the last thirty years this scheme has undergone several reviews, the last in 1998, where a key recommendation for the TFES was that key assistance parameters should be reviewed annually and indexation adjustments applied as sea freight disadvantaged over time. At a minimum annual indexation adjustments should be maintained with consideration given to six monthly adjustments due to large increases in transport costs mainly related to world fuel prices.

Also I wholly support King Island Council's submission, in particular:

- Freight destined for International export should be included in TFES
- Empty containers be included in TFES
- Fuel brought in containers should qualify in TFES
- Intrastate freight from King Island to mainland Tasmania be eligible for pro-rata TFES payments
- High wharfage rates and other associated costs be considered in calculations to allow higher TFES payments for King Island shipping than currently exists

There is still a distinct freight cost disadvantage for Tasmanian businesses exacerbated by the unavailability of back-loading of containers. Empty containers are not included for TFES payments



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container cargo across Bass Strait.

Mainland Tasmania like King Island is disadvantaged by the non-inclusion of freight destined for international export for TFES subsidy. This needs to be addressed to ensure Tasmanian businesses are not at a disadvantage in the export market and in turn ensure they are competitive against mainland Australian businesses.

Recently the Australian Competition and Consumer Commission (ACCC) has approved the merger of Toll Holdings and Patrick Corporation, the two major freight shipping services to mainland Tasmania and King Island. This merger needs to be closely monitored in relation to shipping freight costs. In the wake of apparent less competition for Bass Strait Shipping there is the potential for shipping costs to increase. I feel that an inquiry into freight costs should be held by the Productivity Commission twelve months after the merger has been completed so that any increase in shipping costs associated to the merger could be included in a modified formula for the TFES subsidy.

The terms of reference of this inquiry doesn't specifically cover the BSPVES but I would like to express my views on this for possible inclusion in the final report.

The BSPVES has been in place now for ten years and in this time has never been increased.

It is imperative that this payment be reassessed as over the last ten years the operating costs for passenger vehicle transport has significantly increased, especially with the dramatic increase in fuel prices, ten years growth in wages, purchase of new ships for TT-Line and many other factors.

The Federal Government was also budgeting \$8 million per year for the Spirit of Tasmania 3 run between Sydney and Devonport. This service will cease in August 2006 and the money should be redirected to the BSPVES for the Spirit's of Tasmania 1 and 2, this would budget for a long overdue increase in the BSPVES subsidy.

In conclusion the TFES, TWFS and the BSPVES need to be at minimum maintained and preferably improved to include the points I have mentioned.

Sincerely yours

Senator Nick Sherry