

Agricultural Contractors of Tasmania Inc.
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Tasmanian Freight Subsidy Inquiry
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

31st May 2006

Dear Sir/Madam

The Agricultural Contractors of Tasmania Inc. (ACTI) is a State-wide Association established in the early 1970's with a current membership of 130.

Our mission is to provide a service to enhance and stimulate opportunities for farmers and contractors, which promote productivity, viability and long term environmental sustainability.

First of all we would like to state that the Tasmanian Freight Equalisation Scheme (TFES) has been of immense value to Tasmania and Tasmanian farmers, and must continue. We believe the intent of the scheme (to alleviate the comparative interstate freight cost disadvantage incurred by shippers of eligible non-bulk goods carried between Tasmania and the mainland) is valuable and necessary for the Tasmanian Agricultural sector.

With regards to the Productivity Commission review of the TFES, we have four concerns.

Our first and major concern is the manner in which the TFES is invoiced. We believe it needs to be more transparent.

We have heard of mainland suppliers invoicing and receiving a rebate for more than the sea component of the journey. For example, the suppliers will invoice the trip as being from Melbourne to Campbell Town or Smithton, and receive assistance for the whole distance, instead of just the sea component.

This gives the mainland suppliers an unfair advantage over Tasmanian Suppliers, and goes against the spirit of the Scheme. As the distance across the Bass Strait will not ever change, we believe a flat, transparent fee would be more appropriate.

Our second issue concerns wheat importers becoming agents for the TFES. We believe there are serious integrity issues with this, and would like to at least know that there is a level of scrutiny in place to ensure that importer/agents are not rorting the system.

Our third concern is that occasionally users are able to get discounted or cheaper transport across the Bass Strait, yet they will receive the full TFES rebate. We feel the Commonwealth should share in any savings, and that the rebate should be a fixed amount (currently about \$855 for a shipping container of wheat), or the actual cost of the carriage, whichever is lower.

Our fourth and final concern is that the TFES is not applied to goods being transported from Tasmania for overseas export. This is an obvious area where Tasmanian farmers are at a competitive disadvantage compared with mainland farmers, and it was this sort of disadvantage that the TFES was designed to remove. The past eight years have seen a dramatic decrease in the number of cargo ships visiting Tasmanian ports. This trend needs to be reversed for the good of the state. There is significant potential for Tasmanian beef exports to improve on their recent growth to Asian markets, particularly Japan. The rise in demand coming out of China is also an area Tasmanian producers would like to exploit.

To conclude, the ACTI recommends:

1. That the invoicing system for the TFES be made more transparent so as to prevent abuse.
2. That the integrity issues surrounding importer/agents be addressed.
3. That the TFES rebate should be a flat amount or the price paid for the sea carriage, which ever is lower.

And

4. That the TFES be made to apply to Tasmanian exports destined for overseas markets.

We believe these concerns are legitimate, and would better enable the TFES to fulfil the spirit of the scheme by removing the competitive disadvantage that Tasmanian farmers' experience. We would also like to thank Senator John Watson for his help in preparing this submission, and we acknowledge that this submission has his full support.

We would also like to take the opportunity to speak to the Commission when it comes to Tasmania in September, if possible.

Yours sincerely,

Doug French, Chairman

Peter Campbell, Secretary

The Agricultural Contractors of Tasmania Inc.

Our History:

Since the first settlement in Australia and up until today, contractual services covering many types of work on farms has played an important supportive role to the rural industry.

Agricultural Contractors of Tasmania Inc. (ACTI) is a significant force in the State's rural sector. Its heritage includes the Steam Thresher Men's Association that formed in the late 19th century, which probably represented the first time rural contractors united.

By the 1970's the increasing complexity of modern agriculture demanded a new collective approach. The Mersey Valley Farming Contractors Association was formed in 1973, followed by its northern and southern counterparts. These three associations then agreed to link and for a Statewide body.

By broadening the base of contract work from the traditional haymaking and cereal harvesting, to include cultivation, sowing, spraying and many other specialised operations, the Association has grown into the dynamic organisation it is today.

Code of Practice:

Agricultural Contractors of Tasmania Inc. like its forbears seeks to enhance and stimulate opportunities for rural contract workers and farmers. It stresses the enduring value of a job well done and of working in a manner that demonstrates fairness, honesty, accountability and a duty of care to the natural environment. The organisation aims to assist its members to meet the many economic, technological, environmental and social challenges in agriculture in the 21st century.

The introduction of a Code of Practice and Accreditation matches the progressive thinking of today's contractor. This code sets out responsibilities and minimum standards that authorities consider should apply to agricultural contractors. Initially the code will apply principally to weed management and farm hygiene. However it is visualised that the Code will be expanded in the future to cover other relevant areas.

The code of Practice is one element of the accreditation system.

It provides guidance and direction to ACTI members on the subject of best practice in relation to contract agricultural work.