

# Presentation to the Productivity Commission

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On behalf of Major Tasmanian Manufacturers

17 October 2006

# Summary

- Major Tasmanian manufacturers
- Economic contribution to Tasmania
- Bipartisan support for TFES
- How can we ensure that TFES is operating as intended and to the benefit of all Tasmanians?
- Industry commitments

# Major Tasmanian Manufacturers

- Norske Skog                      newsprint
- Simplot Australia              frozen and processed vegetables
- Australian Paper                paper and packaging materials
- Cadbury Schweppes            confectionary
- J Boag and Son                 beverages
- Cascade                         beverages
- McCain Foods (Aust)          frozen vegetables

# Economic contribution in Tasmania

Together these companies –

- Provide over 3,100 direct jobs
- Provide 9,600 indirect jobs
- Pay over \$195 million in wages each year
- Spend in excess of \$530 million each year
- Undertake major capital investment
- Pay State and Federal taxes
- Underwrite a wide range of infrastructure services including road, rail and shipping

# In short

- If these companies were lost for any reason you would devastate the Tasmanian economy
- Many of the jobs lost would not be replaced on the mainland but would move offshore
- This would adversely affect Australia's Balance of Trade and Balance of Payments
- Fortunately TFES is strongly supported by the Prime Minister, the Tasmanian Premier and the Commonwealth and Tasmanian Governments

# Hon John Howard, Prime Minister

*“The Government will not be phasing out the Tasmanian Freight Equalisation Scheme and will not be abolishing the Tasmanian Wheat Subsidy Scheme.*

*The Tasmanian Freight Equalisation Scheme was introduced by a Coalition Government in 1976. The Scheme remains an important element of Australian government programmes that equalise cost disadvantages between the States and Territories”.*

7 September 2006

# Hon Paul Lennon, Premier of Tasmania

*“The current arrangements are critical to  
Tasmania’s continued economic growth.*

*The benefits are spread across our entire  
economy, not just those involved in the freight  
task.*

*These arrangements have a history of bilateral  
support over a thirty year period”.*

19 September 2006

# The Tasmanian Freight Equalisation Scheme

- From our perspective, the rationale for the Tasmanian Freight Equalisation Scheme and Commonwealth Government policy in relation to the scheme are 100% crystal clear
- We see TFES as a vital equity measure, not anti-competitive or market distorting
- Certainty re TFES has supported capital investment and productivity gains by industry
- The scheme has served all stakeholders well for the last 30 years. Most importantly, it is still providing significant benefits to the Tasmanian and Australian economies



# Where to from here?

Given that TFES is going to continue –

- What does this mean for the current inquiry by the Productivity Commission?
- How can we all deliver on the Prime Minister's statement of 7 September 2006 that -

*“The Government will continue to review Tasmanian freight subsidy arrangements to ensure they are operating as intended and to the benefit of all Tasmanians”.*

# Industry's view

- The Government should revise the Terms of Reference of the current inquiry to ensure that it has the appropriate focus
- The time frame for the inquiry should be extended by three months
- The Productivity Commission and industry should work cooperatively and constructively to seek improvements to the current scheme
- A starting point would be site visits and one on one dialogue with major recipients, industry groups and the State Government

# Industry commitments

1. Industry is committed to vigorous competition and continuous improvement. Even with TFES, we need to continually improve in order to survive
2. We will work cooperatively and constructively with the Productivity Commission to seek improvements to the scheme including greater transparency so that Government, industry and the community at large can have confidence that the arrangements are fair and equitable
3. Rorting in any form is unacceptable. Measures to ensure there is no rorting are supported by industry

# Industry commitments cont.

4. The use of wharf-to-wharf freight rates provides transparency and reduces the potential for sorting. This method is supported by major manufacturers
5. TFES should be linked to the relative freight cost disadvantage with annual updates according to agreed parameters. Major manufacturers will work with Government and the Productivity Commission to develop such arrangements

## Industry commitments cont.

6. The current mechanisms for calculating and claiming assistance are not onerous and are readily achievable by industry. They also provide an audit trail. Major manufacturers will support any improvements to current administrative arrangements plus continue to support regular audits

# A single flat rate of assistance

This suggestion is not supported by industry

- There is little detail or justification for the proposed figure of \$400 per TEU
- It is also unclear as to what is proposed for southbound freight
- Tasmanian industry would undoubtedly suffer from a flat rate scheme
- Major manufacturers have calculated that they would be up to 50% worse off
- The impact on small shippers would be greater

# In conclusion

- Tasmania's major manufacturers are the backbone of the State's economy
- We support competition and continuous improvement
- TFES is vitally important to these and other industries in the State
- Industry wants the current freight assistance arrangements to continue and is supportive of all efforts that will enhance the scheme