

Tasmanian Freight Subsidy Arrangements

King Island General Submission regarding the
Productivity Commission Draft Report



Prepared by

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Introduction:

Following examination of the Productivity Commission Draft Report, King Island Council would like to formally submit comment and concern regarding aspects of the Report.

It was pleasing to note the number of references to, and quotes from King Island Council's initial Submission. The frequency in which such references were made or alluded to suggested a sincere and thorough appreciation of King Island's freight circumstances.

Council recognises the many issues arising from the current TFES and as a result of reading the Draft Report, appreciates there are many difficulties (at all levels) associated with implementing and maintaining such a Scheme.

All documentation used in the original King Island Council Submission (#6) can be made available once again upon request. The original Submission detailed the significant freight difficulties (including cost, service, infrastructure) for King Island and outlined several inconsistencies King Island experiences with the current TFES.

Comments:

In examining the Report, contributors to the original King Island Council Submission noted a glaring inaccuracy of significant concern made on Page 79:

4 The Tasmanian Government provides an annual subsidy to Southern Shipping for intra state freight between the Bass Strait islands and mainland Tasmania. There is a regulated freight adjusted annually by the CPI.

The Commission must be made aware that the King Island service, through the vessel *Searoad Mersey*, does not have any affiliation with Southern Shipping whatsoever. Toll Holdings' takeover of Patrick Corporation may affect the future of this service to King Island; however, there is no connection to Southern Shipping. Therefore the Report's note stating Bass Strait islands benefit from an annual subsidy from the State Government is inaccurate, as it implies this Southern Shipping subsidy applies to both King and Flinders Islands. This is not correct. King Island does not benefit from this subsidy.

A further concern regarding the Draft Report relates specifically to the findings. A general, yet significant point for the Commission's consideration made in King Island's original Submission stated:

In respect to the introduction of a fixed rate subsidy for containerized freight, the King Island community would not support a fixed rate per container scheme unless there was a

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strong consideration made in regard to the variation in cost between Victoria and mainland Tasmania, compared with Victoria and King Island.

The final recommendation of the Draft Report includes the introduction of a flat rate subsidy of \$400 per TEU from July 1 2007 (with the provision for some structural assistance for, say, three years, directed at alleviating social and economic hardship). King Island Council insists on reiterating that it does not support this recommendation. This recommendation may alleviate a number of significant implementation and administrative issues, and 'save' about \$25 million compared with the TFES. However, it cannot be supported by Council, from King Island's point of view, as there is no consideration or allowance given to the variation in cost between Victoria and mainland Tasmania, compared with Victoria and King Island.

A final comment regarding the Draft Report relates to public misinterpretation of the original TFES purpose. Changing the name of the Scheme and clarifying its purpose will, once again, simplify implementation and administrative issues, but King Island Council is concerned with major cost disadvantages that affect the Island's economic growth, and semantic suggestions do not alleviate the issues that will be brought about by the recommendations of this Draft Report.

Conclusion:

Once again, King Island Council welcomes the opportunity to contribute to the TFES Productivity Commission via formal submission. As stated previously, the references to the original King Island Council Submission indicate an understanding of a number of issues associated with freight difficulties for the Island. Generally, Council recognises the appreciation given by the Commission, throughout the Draft Report, to these difficulties.

Ultimately, however, the recommendation of the Draft Report (i.e. a flat rate) will significantly disadvantage King Island and therefore cannot be supported by King Island Council.