

## Warwick Counsell

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The Secretary  
Tasmanian Freight Subsidy Arrangements Inquiry  
Productivity Commission  
PO Box 80  
Belconnen ACT 2616

Dear Sir

### **Tasmanian Freight Equalisation Scheme**

This is a submission addressing, in general terms, some of the issues raised by others in commenting on the *Tasmanian Freight Subsidy Arrangements Draft Report* which the Productivity Commission released on 8 September 2006.

The day before the wholly pessimistic, but totally predictable, views of the Commission were released, the Prime Minister, not unsurprisingly, announced that “the Government will not be phasing out the Tasmanian Freight Equalisation Scheme ... “

“The Scheme remains an important element of Australian government programmes that equalise cost disadvantages between the States and Territories.”

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

The Prime Minister and I are as one on this. In spite of the way that my submission has been reported in the media, I am an ardent supporter of the Tasmanian Freight Equalisation Scheme (TFES) - if it is administered as the 1998 *Review of TFES Rates of Assistance Advisory Opinion* (the Nixon Report) recommended it should be administered. Unfortunately, while most of Nixon’s recommendations were incorporated into subsequent *Ministerial Directions*, his express and implied warnings have largely been ignored.

It is apparent that:

1. A “rort-free” TFES should have two key objectives:
  - (a) Benefits should not be greater than the cost disadvantage; and
  - (b) Assistance should be paid to those who incur the cost.
2. The *Ministerial Directions 2003*, if followed, pursue these objectives appropriately:

- (a) Assistance is to be based on “wharf to wharf freight bills” or “notional wharf to wharf freight bills” – no invented bills (cl 15.4); and
  - (b) Applications for assistance are to be from shippers only – no northbound agents (cl 22.1).
3. The Department of Transport and Regional Services and Centrelink routinely ignore the *Ministerial Directions* and:
- (a) Accept claims based on invented freight bills; and
  - (b) Accept claims from northbound agents.

It would be a tragedy for Tasmania if the TFES had to be throttled back because of incompetent federal administration of the Scheme. For example, agents could be squeezed out by paying a flat rate subsidy per unit of freight (pp 101-103 *Tasmanian Freight Subsidy Arrangements Draft Report*), but this would seriously disadvantage shippers of non-standard items and small shippers who could not negotiate freight discounts.

Any competent administrator of the Scheme would make special allowance for the fact that TFES assistance is not paid under legislation – making it difficult to recover overpayments (notwithstanding cl 15.5 *Ministerial Directions 2003*). But the absence of legislation also makes it nearly impossible for anyone to demand payment (cl 22.10 and a century of administrative law) and this should be exploited by establishing clear rules and empowering a small team of specialists to enforce them.

There are clear rules in the *Ministerial Directions 2003* (with some fine tuning), but neither Centrelink nor DoTaRS appear interested in enforcing them. If they were (interested, that is), there would be no northbound agents (cl 22.1) and all claims would be based on “wharf to wharf freight bills” issued by ship operators or “notional wharf to wharf freight bills” derived from them (cl 15.4). Of course, it will always be necessary to ruthlessly enforce clause 24 (banning rebates of shipping costs) but that issue does not have to be addressed here.

The incompetence of DoTaRS and Centrelink is patent but it is not limited to inappropriate processing of applications for assistance. What should appal anyone concerned about the way governments spend money, is the apparent failure of anyone to audit and/or update the Scheme in the way envisaged by Nixon in 1998. Those who take the trouble to examine the history of TFES will realise that it was greatly expanded after 1998 but Nixon’s warnings about the need for a commensurate increase in vigilance have apparently been ignored. I say “apparently” because DoTaRS has vigorously resisted my efforts to find out through Freedom of Information whether it really audits the Scheme and, if so, whether it ever considers refining the *Ministerial Directions* to eliminate problems encountered by it or Centrelink. After six months of squabbling the only useful information I have been able to secure is the attached list of files which, if examined, might reveal something of DoTaRS’ efforts at audit and compliance.

In conclusion, I repeat my early submission that the current Tasmanian Freight Equalisation Scheme is the most appropriate mechanism for addressing the freight cost disadvantage experienced by Tasmanian producers distributing to mainland markets.

The Scheme needs updating and fine tuning but, most importantly, it needs effective management by a dedicated team, committed to the application of accounting principles and elementary rules of compliance.

Clearly, neither the Department of Transport and Regional Services nor Centrelink are competent to manage the TFES. A \$90 million per annum subsidy scheme needs to be managed by a team which is interested in effective administration and the requirement that beneficiaries comply with rules. The team needs to be located in Tasmania but it should be part of the Treasury portfolio.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Warwick Counsell'. The signature is fluid and cursive, with the first name 'Warwick' and the last name 'Counsell' clearly distinguishable.

Warwick Counsell

LIST OF FILES RELATING TO FOI REQUEST BY WARWICK COUNSELL  
FOI 2006-20

|            |  |
|------------|--|
| S1999/0463 | Centrelink Meetings  |
| S2001/0387 | Tasmanian Freight Equalisation Scheme TFES Agents  |
| L2003/0796 | Tasmanian Freight Equalisation Scheme Claim Decisions  |
| L2003/2504 | Tasmanian Freight Equalisation Scheme and Bass Strait Passenger<br>Vehicle Equalisation Scheme Audit Matters |
| M2005/0421 | Tasmanian Freight Equalisation Scheme Audit Investigations   |
| M2005/1345 | Tasmanian Freight Equalisation Scheme Claim Decisions  |
| M2006/0821 | Tasmanian Freight Equalisation Scheme Audit Investigations   |
| M2006/1398 | Tasmanian Freight Equalisation Scheme TFES Agents  |