



Australian Government
Productivity Commission

Tasmanian Shipping and Freight

Productivity Commission
Inquiry Report

No. 69, 7 March 2014

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The Productivity Commission

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

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□ 7 March 2014

The Hon Joe Hockey MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

In accordance with Section 11 of the *Productivity Commission Act 1998*, we have pleasure in submitting to you the Commission's final report into Tasmania's shipping costs and competitiveness of Tasmania's freight industry.

Yours sincerely

Karen Chester
Presiding Commissioner

Terms of reference

I, Joseph Benedict Hockey, Treasurer, pursuant to Parts 2 and 3 of the Productivity Commission Act 1998, hereby request that the Productivity Commission undertake an inquiry into the current arrangements for supporting freight and passenger services between the mainland and Tasmania.

Background

Tasmania is a small economy that relies heavily on sea trade. The shipping costs associated with getting goods to market are a concern for Tasmanian businesses and consumers. These transport costs create an additional cost burden for Tasmanian businesses compared to businesses on the mainland, which may be placing them at a disadvantage. While the Government operates three schemes to address the freight cost disadvantage, there is a concern that these are not delivering an efficient outcome or achieving the stated objectives.

Scope of Inquiry

1. Examine shipping costs, competition and shipping industry competitive structures across Bass Strait.
2. Identify the factors inhibiting the provision of international shipping services to Tasmania.
3. Examine the competitiveness of Tasmania's freight industry, economic infrastructure and possible reforms that would assist in enhancing effective competition, investment and productivity growth.
4. Assess the merits and weaknesses of the current arrangements for supporting freight and passenger services between the mainland and Tasmania and provide recommendations on an appropriate future approach and/or arrangements.
5. In making assessments in relation to matters in paragraph 4, the inquiry should:
 - a. report on the freight and passenger tasks and their costs between Tasmania, Flinders and King Islands and the mainland of Australia; and between Tasmania and international ports;

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- b. quantify any freight cost disadvantages for goods eligible under the Tasmanian Freight Equalisation Scheme and the Tasmanian Wheat Freight Scheme, identify their primary causes and assess the impact of that disadvantage on Tasmanian business;
 - c. quantify any cost disadvantages for passengers travelling to Tasmania who are currently eligible for support through the Bass Strait Passenger Vehicle Equalisation Scheme;
 - d. assess the effectiveness of the current schemes as a mechanism for addressing cost disadvantages, including identification of the costs and benefits, the impact on stakeholders, and any unintended consequences or distortionary effects of the current arrangements; and
 - e. identify any alternative mechanisms that could more effectively address cost disadvantages, including assessing the full economic costs and benefits of any alternative mechanism.

Process

The Commission is to undertake an appropriate public consultation process including holding hearings, inviting public submissions and releasing a draft report to the public.

The inquiry will inform the broader ‘root and branch’ review of Australia’s competition laws and competition framework and will provide broad scope to identify areas where further competitive reforms of particular benefit to Tasmania could be introduced.

The Commission will conduct the inquiry in consultation with the Australian Competition and Consumer Commission.

The final report should be provided by 7 March 2014.

J. B. HOCKEY

Treasurer

[Received 29 November 2013]

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Abbreviations

ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ANAO	Australian National Audit Office
ANZSIC	Australian and New Zealand Standard Industry Classification
BITRE	Bureau of Infrastructure, Transport and Regional Economics
BSPVES	Bass Strait Passenger Vehicle Equalisation Scheme
CPI	consumer price index
DHS	Department of Human Services (Australian Government)
DIER	Department of Infrastructure, Energy and Resources (Tasmania)
DIRD	Department of Infrastructure and Regional Development
FCL	full container load
FLCT	Freight Logistics Coordination Team
GTE	Government Trading Enterprise
HPV	high productivity vehicle
LCL	less than full container load
MFP	multifactor productivity
OECD	Organisation for Economic Cooperation and Development
PC	Productivity Commission
PLF	port licence fee
PoMC	Port of Melbourne Corporation
RFE	road freight equivalent
RORO	roll-on roll-off
TEU	twenty foot equivalent unit
TFES	Tasmanian Freight Equalisation Scheme
TWFS	Tasmanian Wheat Freight Scheme