

Hon David O'Byrne MP
Minister for Economic Development
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20 DEC 2013

Mr Daryl Quinlivan
Head of Office
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2601

Dear Mr Quinlivan

Please find enclosed the Tasmanian Government's initial submission to the Productivity Commission's Inquiry into Shipping and Freight.

The submission responds broadly to the Commission's terms of reference, released on 29 November 2013. It draws attention to key challenges facing Tasmania's shipping and freight sector and lays out the Government's position on the Australian Government's current freight and passenger equalisation arrangements.

The submission draws particular attention to the unique transport disadvantages that Tasmanian businesses face compared to their regional mainland counterparts. The underlying driver of this disadvantage is Tasmania's position as an island-based, export-focused economy.

Freight costs and services across Bass Strait are a key determinant of Tasmanian businesses' efficiency, profitability and competitiveness. Improving freight transport efficiency is one of the key strategic challenges facing the Tasmanian community and a significant body of work is currently underway to tackle this issue.

While the Tasmanian Government is committed to a range of strategic, land-side supply chain efficiency measures, the Bass Strait crossing is proportionally the single largest transport cost in the supply chain of a typical Tasmanian business. Assistance to off-set sea transport cost disadvantage therefore plays a substantial and ongoing role in helping Tasmanian industries remain competitive.

The Tasmanian Government welcomes the Commonwealth Government's re-affirmation, with the release of the terms of reference for this Inquiry, of its previous commitment to retain the Tasmanian freight and passenger vehicle equalisation schemes. There is no doubt that the abolition of, or any significant reduction in assistance under, these schemes would be extremely damaging to the Tasmanian economy, particularly in the current economic climate.

The Tasmanian Government supports the identification of enhancements to the existing equalisation schemes that improve their efficiency, equity and transparency, on the basis that any such improvements will place the schemes on a sustainable footing, provide enhanced certainty for Tasmanian industry and there is a well-managed transition.

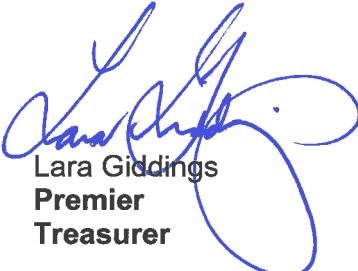


However, the Tasmanian Government is strongly opposed to any changes to the current equalisation arrangements that would undermine the schemes' fundamental objectives of addressing Tasmania's freight and sea passenger cost disadvantages.


The Tasmanian Government anticipates that it will make a further submission in response to the issues, findings and recommendations contained in the Commission's 'Discussion Draft Report', due to be released on 24 January 2014.

The Government looks forward to working cooperatively with Commission throughout the process to assist the Inquiry team in understanding the shipping and freight challenges facing Tasmania.

Yours sincerely



Lara Giddings
Premier
Treasurer



David O'Byrne MP
Minister for Infrastructure