

4 February 2014

Ref: KB03022014

Tasmanian Shipping Inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Productivity Commission Inquiry into Tasmanian Shipping and Freight

The Liberals welcome the Productivity Commission's Draft Report into Tasmanian Shipping and Freight and the opportunities that flow from it.

The Liberal Party of Australia is justified in feeling that it 'owns' the passenger and freight subsidy schemes. The Fraser Liberal Government introduced the Tasmanian Freight Equalisation Scheme (TFES) and the Howard Government introduced the passenger vehicle scheme.

Passenger and freight subsidy schemes – Rates

The Liberals welcome the fact that the draft report confirms that the Federal Coalition Government is absolutely committed to retaining both the passenger and the freight subsidy schemes.

There is no doubt that the cost of Bass Strait shipping is hurting Tasmanian industry. Therefore, we strongly oppose any move to reduce current freight or passenger equalisation rates, especially at a time when the Labor-Green Government has brought the Tasmanian economy to its knees.

Accordingly, we submit that:

- the current rates should be the starting point for the Commission's considerations and flowing from that, applicable rates should be increased, not reduced; and
- funding already in the Forward Estimates should at least be retained.

Southbound subsidy

The Liberals strongly support retaining the southbound subsidy for goods that Tasmania cannot realistically provide for itself, such as glass bottles that are not manufactured here. The loss of this scheme, or any reduction to it, would significantly damage a number of the State's remaining manufacturing industries.

Possible extension of the Tasmanian Freight Equalisation Scheme to freight destined for overseas via Melbourne

The Liberals welcome the fact that the Commission is seeking further comment on a proposal to extend the TFES to export freight – that is, goods shipped through the Port of Melbourne and intended for overseas.

Export goods do not currently qualify for the TFES, adding additional costs for Tasmanian operators shipping to overseas markets.

Since 2011, when the AAA international shipping service ceased, exporters have been forced to ship goods via Melbourne before they can be trans-shipped internationally. This has placed significant additional costs on Tasmanian businesses, putting jobs and investment at risk. In many cases, it is now more expensive to ship from Tasmania to Melbourne than it is to ship from Melbourne to key Asian ports.

It is estimated that the loss of the international shipping service is directly costing our exporting industries \$20-\$40 million per year, with a much greater cost to the broader Tasmanian economy.

Exporters have recently called for additional State Government support with several Northern industries publicly stating that they would cut staff numbers or shut down operations altogether if the situation is not resolved.

To assist them the Liberals have committed to provide up to \$11 million per year over three years (\$33 million total) to a market-based solution to ameliorate the high cost of shipping products from Tasmanian to key Asian ports.

It is clear that an immediate short-term solution needs to be put in place to address this market failure, allowing time for a longer-term solution to be developed. Accordingly, the Liberals strongly urge the Commission to recommend extending the TFES to export freight.

Bass Strait Passenger Vehicle Equalisation Scheme

The Liberals do not support the suggestion that the passenger vehicle subsidy could be diverted to alternate uses such as tourism advertising. The passenger scheme was originally intended to provide equitable access arrangements for Tasmanians to travel to and from the mainland. It was not aimed specifically at tourism. Nonetheless, it is not surprising that tourism operators have reacted unfavourably to any suggestion that would increase the cost of taking a vehicle across Bass Strait by more than \$400 return.

Ownership of TT-Line and TasPorts

The Tasmanian tourism industry is a competitive strength of the Tasmanian economy – one which we must grow – and our goal is to attract 1.5 million visitors per year to Tasmania by 2020. The TT-Line's Spirit of Tasmania passenger ferries are critical to achieving this vision, and an incoming Liberal Government would retain them in public ownership.

The same applies to Tasmania's ports – an incoming Liberal Government would retain them in public ownership

The Liberals welcome the opportunity to make this submission and look forward to working constructively with our Federal Coalition colleagues to achieve the best possible outcomes for Tasmania flowing from this review.

Yours sincerely

MT (Rene) Hidding MP
Shadow Minister for Infrastructure