

COMMENTS ON PRODUCTIVITY COMMISSION DRAFT REPORT ON TASMANIAN SHIPPING AND FREIGHT

Port of Melbourne licence fee (Page 141). I suggest the Productivity Commission seek advice on whether this fee is legal or whether it goes against the constitutional requirement that trade between the states should be absolutely free. The *Hughes and Vale* case might be relevant. Present date references to Hughes and Vale usually concentrate on the fact that it struck down state legislation to regulate interstate road freight operations, but it also prevented States from levying any significant registration fees on trucks.

BSPVES (Page 15,16). When the scheme was originally introduced, Tasmanian authorities hoped it would generate extended trips by family groups, ie, Mum, Dad and kids. The aim was to extend the length of time spent in Tasmania. (Personal communication.)

Air Freight (Page 17) In the past, airfreight has been a strong competitor to sea for northbound shipments of certain commodities. The large quantity of inbound freight generated similar northbound capacity, and airline companies were often willing to offer very low rates to cargoes that could be loaded quickly for the return trip. The freight rating practices of airlines also made them competitive for low-density commodities. In the first years of the scheme, shipments of knitting wool and carpets were usually shipped by air because it was more competitive, even without TFES subsidy.

Shipment of Tasmanian bulk cargoes through mainland ports (Page 45). I suggest you check the validity of this statement. This could be the result of coding errors in the ABS data used by BITRE. Such errors have occurred in the past. In any case, it looks unlikely and should be explained.

Box 2.3 Stylised costs structures of road and sea freight. (Page 53). The point should be made that this figure represents transport **operating costs**, which may be quite different from **freight rates** (i.e. the prices charged to consignors). On most routes, freight rates charged on the forward-leg are significantly higher than those on the back-leg, this being the result of commercial forces.

When foreign shipping lines carried Tasmanian freight to Western Australia, the underlying costs were often not a function of distance because the ships were sailing on that route as part of a longer voyage, and the ship had to keep some vacant slots to load export cargoes in WA. The marginal cost of carrying Tasmanian cargoes to WA would be even lower in cases where they were shipped in international containers being relocated to WA, that would have been carried even if empty, or where the movement of Tasmanian cargoes did not require any extra stevedoring shifts.

Box 3.1 (Page 73) does not mention the review carried out by the Inter-State Commission.

420 km (Page 74). The current method of calculating TFES payments takes 420 km as being the mainland equivalent of the sea route from Tasmania to the mainland. This seems too short. As I understand it, 420 km is the distance between the pilot drop-off and pick-up points for a voyage from Burnie to Melbourne. These points are 4 km offshore from Burnie and 89 km from Melbourne.

Empty Containers (Page 115). I suggest the Commission be careful about making any recommendations on the possibility of reducing empty container movements without a much more detailed analysis of the situation. In past years,

- Container movements across Bass Strait comprised a mix of units designed for dry and refrigerated cargoes and livestock, plus specialised units.
- Some of the containers were international containers built to ISO standards, but others were a domestic Australian design with slightly larger dimensions designed to facilitate loading cargoes on standard Australian pallets.

Reducing empty container movements would therefore be a complicated job. It is not possible to put any cargo in any container.