



22 November 2024

Secretary of the Committee  
Select Committee on the Tasmanian Freight Equalisation Scheme  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
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Dear Secretary of the Committee,

Further to our submission, we would respectfully request the Committee's consideration of the following recommend to Government to immediately address the key and apparent inequities of the Tasmanian Freight Equalisation Scheme to ensure it returns to being fit for purpose.

As the scheme is not legislated it can be amended by the Minister through a Ministerial Direction. Fruit Growers Tasmania believes some simple changes can be made without the need for a full and lengthy review process.

Given the parameters of the scheme have not been adjusted in 25 years, it is fair that shippers should not have to wait any longer for this freight cost inequity to be rectified – inequities that are stifling profitability, growth and increased employment.

There are four aspects which need immediate adjustment.

**Increase the Intermodal allowance to \$200/TEU** (\$100/TEU at each end of the Bass Strait freight leg).

As was presented by a range of hearing witnesses including Norske Skog and Saul Eslake, the fixed intermodal allowance is far too low at \$100 per Twenty Foot Equivalent Unit (TEU). The current intermodal cost is double that amount, which as it happens has increased to \$200 per TEU which is in direct correlation with the movement in the Consumer Price Index. Fruit Growers Tasmania believe it should immediately be reset at \$200 per TEU.

As was stressed in the hearings, the BITRE's use of the Stevedoring Services Product Price Index is not appropriate as it is not a reflection of intermodal activity but rather a direct component of the sea freight cost.

**Adjust the Classes and the Cap to reflect the increase in the average sea freight cost disadvantage.**

Using the BITREs figures underpinning Figure 15 of their November Report - the post assistance cost disadvantage has increased by 138%, between 2000-01 and 2022-23 which is equivalent to an average increase in the seas freight cost disadvantage of \$158 per TEU across the Classes. Using this dollar amount as the basis to adjust the parameters, we request that the Committee recommend the interim and immediate adjustment as per the table below.

	<b>Compensation Rate</b>	<b>Current Thresholds</b>	<b>Class Assistance</b>	<b>Proposed thresholds</b>	<b>Total Assistance</b>
Class 1	100%	\$335.50	\$335.50	<b>\$493.50</b>	\$493.50
Class 2	75%	\$671.00	\$587.13	<b>\$829.00</b>	\$745.13
Class 3	50%	\$1,006.50	\$754.88	<b>\$1,164.50</b>	\$912.88
Class 4		Capped	\$755.00		\$913.00

The table shows an increase to the thresholds in each of the Classes, ideally by \$158/TEU. At the top of Class 3 - the maximum provided in compensation would become \$913.00, thus becoming the new assistance cap (before intermodal). Importantly, the cost disadvantage is immediately addressed, and no shippers are worse off within any of the Classes. In addition, this mechanism will shift more claimants into Classes 1,2 and 3, thus addressing the current bracket creep, which was shown in the BITRE report.

**Increase the assistance for transhipped freight to \$800/TEU.**

Again, evidence at the hearings was that the \$700 per TEU for transhipped freight was no longer appropriate, due to the non-existence of direct international shipping services from Tasmania. Given this is a fixed amount, it could reasonably be increased by the recommended fixed intermodal assistance increase of \$100 per TEU.

While this would in all likelihood only partially address the increased disadvantage and inequity faced by exporters, this additional assistance would at least provide some much needed interim equalisation without making major adjustments to the scheme.

It is recognised that these suggested changes are only an interim and partial solution to the increased sea freight disadvantage faced by those shipping across Bass Strait. They are simple and straightforward but may not be perfect. We believed they would be greatly welcomed as a step forward.

Recommending yet another government review without making such changes in the interim is simply not good enough. It is clear the scheme is no longer fit for purpose and the need for immediate change is beyond question.

Thank you for the opportunity you have provided to participate in this review of the vital equalisation scheme.

Yours sincerely

**Peter Cornish**  
Chief Executive Officer  
Fruit Growers Tasmania Inc.