



Tasmanian
Forest
Products
Association

Submission to:

**Senate Select Committee on the
Tasmanian Freight Equalisation Scheme**



23 September 2024

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

Email: tfes.sen@aph.gov.au

About Tasmanian Forest Products Association

The TFPA is the peak body for forestry that undertakes policy development, lobbying and advocacy for members interests.

TFPA represents all elements of the value chain from the sustainable harvesting of plantations and multiple use natural forest resource including forest establishment and management, harvesting and haulage, processing of timber resources and manufacture of pulp, paper and bioproducts.

Submission to the Select Committee on the Tasmanian Freight Equalisation Scheme

Background

The Tasmanian Forest Products Association (TFPA) welcomes the opportunity to make a submission to the Senate Select Committee on the Tasmanian Freight Equalisation Scheme (TFES).

The TFES was originally introduced in July 1976 by the Whitlam Government.

The scheme's objective was always to "alleviate", but not fully "equalise" the freight cost disadvantage incurred by shippers and eligible non bulk goods (goods in containers) moved between Tasmania and the mainland by sea.

Broadly, the scheme measures "freight cost disadvantage" by calculating the comparable difference between the shipping costs and road costs for the distance between Tasmania and Victoria (420kms).

It's important to note that the scheme was not designed to completely compensate for the full disadvantage of the freight differential. This was done to incentivise shipping companies to minimise their shipping rates.

Since January 2016, the scheme also includes an eligibility for export freight destined overseas destinations.

The expansion of the scheme in 2016 saw a set rate of \$700 per TEU applied to export freight. While welcomed at the time, the rate has remained at \$700 until today.

Out of date

In the last two decades (the scheme's last material revision) the scheme's level of "alleviation" has dramatically slipped.

Formal reviews of the TFES have occurred in 1985, 1998, 2007, 2011, 2014 and 2016.

These reviews resulted in only minor changes to the scheme.

Additionally, the key parameters underwriting the assistance provided through the TFES have not changed since inception in 1976.

Intermodal cost – a uniquely Tasmanian problem

Shipping goods to and from Tasmania has a unique set of challenges, both logistically and economically.

The need to transfer goods from road or rail to ship and then back to road or rail is an impediment to trade no other state is faced with. This disadvantage was one of the reasons for TFES was originally introduced.

Additionally, the time taken to undertake intermodal activity places additional pressure on Tasmanian trade, with some major Tasmanian businesses forced to having stock sitting idle at the ports while backlogs are dealt with. Again, this is not an issue for businesses in any other state.

Despite extensive shipping cost rises over recent years, the cost basis of intermodal transfers has not been indexed since the scheme's inception. Interestingly, as depicted in the Tasmanian Freight Equalisation Scheme: Monitoring Review 2020 report, the cost for road and rail is now lower than the cost of shipping containers across Bass Strait.¹

This has resulted in a perverse outcome where mainland businesses trade is at a distinct advantage over TFES supported Tasmanian businesses – exactly the purpose of the scheme's original introduction.

Adminstration

The TFPA is concerned that excessive red tape is burdening Tasmanian businesses who participate in domestic trade – compared to those who undertake international exports.

While those who qualify for TFES for exporting goods are measured under a set rate (\$700 per TEU), domestic freight requires a complex algorithm involving many specific parameters.

The TFPA believes creating a much simpler and reliable cost recovery method for domestic freight would be beneficial to Tasmanian businesses.

However, to ensure the TFES remains relevant, the TFPA is urging that any changes to the scheme must be indexed. This will ensure the scheme remains fit for purpose in the years ahead.

The administration of the TFES has not been significantly updated since the 1990s. We believe that the Australian Government should work with participants in the Scheme to ensure

¹ Bureau of Infrastructure, Transport and Research Economics [BITRE] 2021, Tasmanian Freight Equalisation Scheme: Monitoring Review 2020, BITRE, Canberra, April.

administration is best practice and does not contribute to the burdensome levels of red tape impacting Tasmanian businesses.

Conclusion

The TFPA supports the TFES and believes it has been beneficial to Tasmanian businesses for almost half a century. However, a lack of indexation and regular review has left the scheme no longer fit for purpose. We urge the Australian Government to simplify the cost recovery process and ensure an adequate indexation rate to ensure that Tasmanian businesses can participate in interstate and international trade on a more level playing field.

The TFPA welcomes the opportunity to make this submission to the Senate Select Committee into the TFES and would be pleased to have an opportunity to meet with the committee as their inquiry continues.



**Tasmanian
Forest
Products
Association**

TFPA is the peak industry body representing the forestry products value chain in Tasmania from those growing, managing and harvesting our sustainable plantations and multiple use natural forests to the primary and secondary processing of timber, the manufacture of pulp and paper, and the value-added timber and pulp and paper products supply chains.