

# G A Cossar & Co Pty Ltd

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The Secretary  
Select Committee on the Tasmanian Freight Equalisation Scheme  
Parliament House  
CANBERRA, ACT 2600  
By email to: [tfes.sen@aph.gov.au](mailto:tfes.sen@aph.gov.au)

On behalf of Markarna Grazing Co Pty Ltd we are pleased to lodge this Submission for the Select Committee's consideration.

Markarna Grazing Co Pty Ltd is a major Tasmanian beef producer and has operated from its 11,000 Ha property on Flinders Island for 25 years.

Just over 10 years ago, the Productivity Commission conducted its Tasmanian Shipping and Freight Inquiry - a major focus of which was on the operation of the Tasmanian Freight Equalisation Scheme ("TFES").

On behalf of "Markarna", we were pleased participate in an initial Briefing provided by the Productivity Commission in Launceston in late 2013. We subsequently presented formal Submissions to the Productivity Commission on 13 December 2013 and 29 January 2014. Our principal, Geoff Cossar, was subsequently invited to appear as a witness at the Public Hearing arranged by the Productivity Commission on 6 February 2014 in Launceston.

We welcome this opportunity to provide further feedback on the TFES to the Members of the Select Committee and hope than many Tasmanians and Tasmanian businesses also avail themselves of this opportunity to offer suggestions to further improve the TFES.

In reviewing the Productivity Commissions Inquiry Report of 7 March 2014, it is apparent that a great many of the suggestions offered to the Inquiry were either not accepted or do not appear to have been implemented (yet).

However, we think it fair to acknowledge some initiatives suggested were adopted. The TFES Ministerial Directions document now acknowledges that in some circumstances air freight costs (rather than just sea freight costs) can be considered for assistance. It now acknowledges the special circumstances applicable to the Bass Strait islands by way of specific clauses relating to King Island and the Furneaux Group.

In their 2014 Report, on page 112, the Productivity Commission noted participants had mentioned the Scheme's complexity, its onerous compliance aspects and the errors resulting from this complexity. The Report quoted "According to G A Cossar & Co, the TFES Guidelines is a document of 82 pages. At the risk of understatement, it would be reasonable to conclude that the interpretation of this complex document may be beyond some of those it is intended to assist".

Simplifying the TFES guidelines was a very strong theme suggested back in 2014. Currently, the Ministerial Directions publication is a complex document of 56 pages, so it could possibly be argued some progress was also achieved in this aspect as well.

Regarding further improvements which could be made to the TFES, we offer our undermentioned suggestions in line with the Select Committee's Terms of Reference.

b) if the scheme has kept up with the increasing costs over the past decade

We would argue that assistance provided by under the TFES has clearly not kept up with the increase in transportation costs across and around Bass Strait over the past decade. As a result, the success of the TFES's initially stated aim - to alleviate the sea freight disadvantage suffered by eligible shippers - has consistently diminished each year for the past decade. We acknowledge that under the most recent Clause 1.3 of the Ministerial Directions – Aim of Scheme, the stated aims now seem to have been broadened.

As just one example, on 6 July 2018 Markarna Grazing Co Pty Ltd received a payment for livestock sold. As well as deducting its Commission from the gross proceeds, the livestock agency deducted the cost of sea freight incurred and offset that cost with the TFES refund due. The TFES refund amounted 39.1% of the cost of the sea freight. On 6 July 2023, exactly 5 years later, another payment for livestock sold was received. This time, the TFES refund amounted to only 19.6% of the sea freight incurred.

In our 2014 submissions, we asked the Productivity Commission to consider TFES assistance being provided on a percentage of the transport cost incurred basis rather than via the complex flat rate basis (still) applicable. As well as offering a much more simplified basis upon which to prepare, check and audit claims, such a mechanism would automatically allow TFES assistance to be responsive to changes transport costs. The Productivity Commission rejected this suggestion and seemed to argue that such a change in the calculation method could encourage shippers to push up their freight rates.

We would recommend that the Select Committee consider the adoption of "percentage rate" payments rather than "flat rate" payments to simplify the operation of the TFES for the benefit of all stakeholders. With respect to the proposition that shippers may use a change in the calculation method to somehow take financial advantage, surely this situation could easily be avoided by using any one of the many instrumentalities the Federal Government has available to it which monitor unusual price activities and distortions across and within the Australian economy.

e) eligibility criteria under the scheme

Eligible persons – At present, the TFES is designed to help businesses within the manufacturing, mining, agriculture, forestry and fishing industries. Whilst these have been, and still are, very important components within the Tasmanian economy, the TFES doesn't seem to include any “new economy industries/businesses” (for want of a better phrase).

With employment steadily falling in the industries mentioned above, the stabilization and future growth of Tasmania's workforce may to an extent be reliant upon the growth achieved by businesses operating in the “new economy”.

To facilitate the development of such industries in Tasmania, and to not place such businesses operating in Tasmania, or proposing to do so, at a disadvantage against their interstate competitors, we would recommend to the Select Committee that eligibility under the TFES be extended to all Tasmanian businesses which hold an ABN rather than just be limited as, it currently is, to the five broad industry categories mentioned above.

Eligible goods – Whilst there are many specific goods outlined in Schedule 1 of the Ministerial Directions, we would recommend to the Select Committee that the current treatment of fuels and lubricants (MD 2.13.3(d)) and the current treatment of “bulk” cargo shipped (MD 2.13.3(g)) be no longer included as not eligible goods for the Furneaux Group and King Island.

The cost of fuel and lubricants on the Bass Strait islands is significantly higher than on mainland Tasmania due to shipping costs. If these extra costs could be alleviated to some extent by allowing a TFES rebate to apply, the businesses on these islands would benefit - particularly the agricultural sector where fuel is a major input cost.

The reasoning behind the prohibition on “bulky goods” is not apparent. However, to overcome this prohibition, and qualify for TFES assistance, there are well known occasions where bulky goods have been put into one tonne bags, shipped to the islands, and then taken out of the one tonne bags virtually on the wharf. The rationale was that the cost of bagging and unbagging the bulky goods was slightly less than the benefit achieved from the TFES subsidy for which the bags (of now) “non bulky cargo” qualified for.

Apart from a waste of time and money bagging and unbagging the bulky goods, there were environmental impacts on the islands from the bags (which had no other use).

One more regular instance of this problem is the shipment of fertilizer to the islands. Currently fertilizer is shipped in one tonne bags. If fertilizer was able to be shipped to the islands in bulk, there would be a cost benefit to the agricultural sector, plus a whole of islands benefit of considerably less one-use bags having to be disposed of each year.

f) operation and administration of the scheme

Enormous benefit would be derived for all concerned if the Ministerial Directions document could just be re-written in simply understood plain English language.

h) any other related matters

Eligible businesses buying eligible goods are missing out on an unquantifiable level of TFES subsidies where eligible goods are not imported direct by the eligible business but rather imported by another party (for example, a retailer) and on-sold to the eligible businesses.

Addressing this aspect may be difficult across the entire State but in view of their relatively small populations, and how very closely traders know their clientele, this could at least be addressed for businesses in the Furneaux Group and King Island.

The issue arises because the retailer importing goods for on-sale to their customers in many cases can't prove to Services Australia (the administrator of the TFES) what percentage of those particular goods will be sold to retail clients and what percentage will be sold to business clients. Therefore, they can't claim any TFES support for that portion of the goods which will be sold to other businesses (as business inputs by these operators).

We would ask that the Select Committee seek to alleviate this anomaly by allowing businesses in the Furneaux Group and on King Island to self-assess what portion of goods they bring by ship onto the islands which are for on-sale to other businesses, and be able to claim TFES assistance on that proportion which relates to items sold to businesses.

The retailer's self-assessment would be able to be subject to the same already-established audit procedures which apply to all current applicants of TFES assistance.

The risk of retailers not passing on any resultant savings to their clients would be negligible because the business customers themselves would all know they're eligible for a discount on the advertised price of the particular item.

We appreciate the opportunity to make this Submission to the Select Committee. We would be pleased to offer further assistance, or provide further elaboration or clarification, to aid members of the Committee in their deliberations if requested.

Regards,

Geoff Cossar  
Director