



Friday, 20 September 2024

Select Committee on the Tasmanian Freight Equalisation Scheme

Thank you for the opportunity to provide a submission to the Select Committee Inquiry into the Tasmanian Freight Equalisation Scheme (TFES).

By way of background, the Tasmanian Chamber of Commerce and Industry is an independent membership organisation that positively leads the Tasmanian business community.

The TCCI is a not-for-profit, member-based organisation, funded by business to provide products and services which contribute to meeting member businesses objectives.

As a member of the Australian Chamber Alliance and the Australian Chamber of Commerce and Industry (ACCI), and the broader Chamber movement across Australia, TCCI provides valuable support to its members through a range of programs and services, and actively advocates their concerns as the 'voice of business' at all levels of government.

The TCCI represents more than 1,500 businesses through its Tasmanian membership base. The TCCI also reaches up to 20,000 businesses through regional chambers with the TCCI Chamber Alliance.

The TCCI membership reflects the breadth of the Tasmanian business community. It includes businesses from every region of our state including major cities, regional towns and remote areas; it includes large businesses employing thousands of people down to micro-businesses; it includes businesses that have been in Tasmania for generations through to new start-ups; it includes public companies, cooperatives, not-for-profits, private companies, and family businesses; and it includes businesses in every industry sector of our economy.

The TCCI supports the continuation of the TFES. We believe that a properly functioning TFES is vital to ensuring that Tasmanian businesses can continue to participate in increasingly competitive national and international markets.

We believe that for most of the Scheme's nearly three decades of operation, it has had a significant and positive impact on the Tasmanian economy.

However, we believe that there are a number of key areas where the TFES could be improved: administration, intermodal costs, reviewing the way in which exporters are classed and international exports.

Administration

It is important to review the administration of TFES to ensure that it is fit-for-purpose. The administration of the TFES has not been significantly updated since its inception in

the 1990s. We believe that the Australian Government should work with participants in the Scheme to ensure administration is best practice, seamless and does not contribute to the burdensome levels of red tape impacting Tasmanian businesses.

Intermodal costs

One of the most significant costs associated with exporting from Tasmania is the intermodal cost of transferring goods from road or rail, to vessels and then back to road or rail. This impacts goods travelling both to and from Tasmania. No other jurisdiction has to contend with this additional impost on exports (or imports for that matter). We note that the cost basis of intermodal transfer has not been revised since 1998. We believe that the costs should be reviewed regularly and indexed annually.

Exporter classes

Under the TFES, exporters are divided into four different classes, which determines the level of compensation they receive per container. This was meant to help encourage exporters to operate as efficiently as possible, which we agree is an important mechanism. However, the way in which exporters are divided into classes has not been updated to reflect the gradual increase in costs over the years. Because of this, some exporters are receiving far less in equalisation payments. We see this as an unintended, yet negative consequence of the initial design of the TFES.

It is vital that this mechanism is reviewed to ensure exporters are compensated fairly, which is the whole point of the TFES in the first place. The mechanism should be reviewed and updated periodically to ensure this situation doesn't arise again.

International freight

Similarly, with international exports, the flat rate per TEU has not been reviewed or indexed recently. With dramatic increases in international freight in recent years, we would like to see the TFES able to reflect any rapid changes in price into its formula and the way in which this happens should be regularly reviewed.

The TCCI welcomes this Inquiry and looks forward to working with Inquiry members and the Australian Government to ensure that the TFES continues to support Tasmanian businesses in a fair and equitable way.

The TCCI would be happy to provide further comment at any Inquiry hearing.

Yours sincerely

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