



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

24 September 2024

Dear Senator Tyrrell

#### **SUBMISSION TO INQUIRY ON TASMANIAN FREIGHT EQUALISATION SCHEME**

Thank you for calling on the Senate to conduct an inquiry into this scheme, which has significant social, business and economic impacts on the daily lives of King Islanders and all Tasmanians.

In this submission, King Island Council calls on the Committee to consider the following key changes to the scheme:

1. The value of TFES assistance must be indexed and the maximum assistance available increased to maintain the intended benefit to shippers.

*The amount payable to shippers has reduced in real terms since the scheme's introduction. A number of King Island businesses have raised this with Council, with one providing evidence that showed the assistance paid on shipment of a livestock trailer from King Island to regional Victoria had decreased from 28% of the total freight cost in March 2012, to just 15% of the freight cost in February 2024.*

2. Additional costs incurred by King Island shippers should be acknowledged with additional assistance payable.

*Practically all goods shipped to King Island on a regularly scheduled shipping service are currently transhipped in Devonport. A mainland Tasmanian business and a King Island business are eligible for the same value of TFES assistance, even though the King Island business incurs additional costs including:*

- *Transhipment between vessels at Devonport*
- *Freight, fuel surcharge, infrastructure levy, and wharfage for Devonport > KI for the laden container or trailer*
- *Freight, fuel surcharge, infrastructure levy, and wharfage for KI > Devonport for the empty container or trailer*

*By way of example, this is an additional cost of approximately \$3,000 for a 20' container.*



3. Additional provision should be increased for King Island goods travelling northbound for permanent use or sale in mainland Australia.

*The TFES provides additional assistance to both the Furneaux Group and King Island for goods travelling northbound to mainland Australia for transshipment, but King Island is not provided additional assistance for goods intended for permanent use or sale in mainland Australia. As noted in the previous item 2. there are significant additional costs to King Island businesses shipping to and from mainland Australia due to the need to tranship in Tasmania.*

4. All goods shipped to and from the Bass Strait Islands should be eligible for TFES assistance.

*Limiting the classification of goods eligible for TFES assistance further disadvantages the Bass Strait Islands over their mainland Tasmanian counterparts, as it ignores the impossibility of significant manufacture or processing on our Island. Simply put, we are reliant on over-sea freight for the vast majority of products needed by our community and economy on a daily basis.*

*Two classes of goods expressly excluded from the TFES are provided below as examples of how significant this disadvantage is for our Island.*

- *Fuel and lubricants*

*Fuel is a significant input cost for any business, and shipping is no different. Sea freight between Tasmania and King Island will attract a variable fuel surcharge on top of the published freight charge. In an example given to Council for shipment of a livestock trailer late last financial year, this was 7.03% of the shipping cost of \$5,000.*

*If fuel shipped from mainland Australia to Tasmania was eligible for TFES assistance, then the cost to vessel operators would be lower and the fuel surcharge applied to all King Island freight would also drop.*

*If fuel shipped from Tasmania to the Bass Strait Islands was eligible for TFES assistance, then the on-Island cost of this significant business input would also be reduced.*

*It is not easy to obtain the necessary information to establish the difference between the terminal gate price for fuel on King Island versus the price on mainland Tasmania, but a recent comparison of bowser prices found that unleaded petrol on King Island was \$2.61/litre compared to \$1.97/litre in Devonport.*

- *Construction and building materials*

*To facilitate the sustainability and growth of our Island's economy and community, maintenance of existing infrastructure and construction of new infrastructure will be a continuous requirement. This work requires construction and building materials as an essential input. The cost of freight, unassisted by the TFES, is a significant part of any development on King Island and can be a contributing factor in development not going ahead.*



*By way of example, in a recent project undertaken by Council, materials valued \$210,000 cost almost \$80,000 to bring to the Island from Victoria as containerised freight and represented 17% of the total project cost.*

*Council also notes that the industry training levy, calculated as a percentage of the total cost of development, is a higher value when applied to King Island development, as a building contract will generally include the cost of providing materials, including freight.*

5. The administration of the TFES should be changed to be comparable to the Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES).

*The process for claiming assistance under the TFES is complex and time consuming, with many steps susceptible to misunderstanding and human error. The process can only be completed once the shipment has been completed and all fees paid in full, meaning claimants have to fund the full cost freight and then wait for reimbursement in arrears, impacting on their cashflow. Compare this to the BSPVES, where assistance is provided to the driver of an eligible passenger vehicle in the form of a reduced fare charged by the service operator. The service operator is then reimbursed by the Government on a monthly basis for the total rebate provided to eligible persons under the scheme.*

*Altering the TFES to this kind of model will not only remove the administrative burden from businesses, it will improve the accuracy of claims made, increase the benefit realised by small business, and avoid the cashflow impost on business.*

*Further to this, 3.3.1 excludes the amount paid to a claims agent from the amount against which the TFES can be applied, even though only persons who “make a high volume of claims” are able to be invited to be self-assessed claimants. If the administrative burden is to remain with the user, rather than be amended as suggested, then amounts paid to claims agents should be considered part of the eligible freight costs, in the same way that the cost of engaging an accountant to calculate income tax is considered in assessing the income tax payable.*

6. The list of eligible claimants be increased to include businesses and persons operating outside manufacturing, mining, agriculture, forestry and fishing.

*The cost of freight has a significant impact across our Island’s economy and community. Any business operating in the industries currently eligible for TFES assistance are also impacted by the cost of freight on their general cost of doing business, and the amount they need to pay their staff will be impacted by the cost of living. By limiting the TFES to certain industries and category of goods, businesses operating on King Island are more disadvantaged than their Tasmanian and mainland Australian peers. This makes it harder to attract investment and retain large employers on our Island, despite the many opportunities our Island offers.*

7. Airfreight should be acknowledged as a regular form of transport for which the TFES applies for the Bass Strait Islands.

*The Directions currently allow for the Secretary to make an Exceptional Circumstances declaration, enabling the TFES to be payable on goods transported by air. Exceptional circumstances are defined as including circumstances where goods would normally be*



*shipped by sea, but can't because of the temporary unavailability of a regular shipping service.*

*For a business in northern Tasmania, there are 44 vessels scheduled to travel north in the current week which can carry freight. The SeaRoad Mersey schedule indicates the journey from Devonport to Melbourne is approximately 12 hours. This is a reasonable "regular shipping service" for short shelf-life product travelling from northern Tasmania to mainland Australia.*

*For King Island, there are just two sailings scheduled, both requiring transshipment in northern Tasmania, and both will cancel their trip in the case of poor weather. On top of the ~12 hour journey from Devonport to Melbourne, King Island produce will also have a similar journey from Grassy to Devonport and an indeterminate amount of time on the wharf at Devonport awaiting transshipment. This is not a "regular shipping service". As such, King Island producers with short shelf-life and other time-sensitive freight have to rely on air freight.*

*Council requests that the TFES be expanded to include air freight as a standard form of transport for short shelf-life or other time-sensitive goods, both to and from mainland Australia, recognising air access as our Island's Highway #1.*

This submission is a short summary of the hours of conversation our Councillors and staff have had with business and community since the announcement of this inquiry. Management of freight is a long term and significant issue for our community and our economy. I encourage you and all members of the Select Committee to visit our Island so that you may hear from more of our residents and businesses directly, and to include that feedback in your considerations and final report.

I thank you again for conducting an inquiry into the TFES and sincerely hope that your efforts will lead to tangible improvements for King Islanders and Tasmanians alike.

Yours sincerely

Cr Marcus Blackie  
Mayor

