

Addendum to ‘Tasmanian Freight Subsidy Reforms’
Consultation Paper



Australian Government

**Department of Infrastructure,
Transport, Regional Development
and Local Government**

**Tasmanian Freight
Intrastate Subsidy –
King and Flinders Islands**

1 Scope of the King and Flinders islands intrastate consultations

1.1 Background

Further to the 'Tasmanian Freight Subsidy Reforms' Consultation Paper that addresses the overall reform of the Tasmanian Freight Equalisation Scheme (TFES) – this Addendum addresses the extension of the TFES to include intrastate sea freight between King and Flinders islands and the main island of Tasmania.

In a media statement dated 2 November 2007 ([Appendix 1](#)), the shadow Minister for Transport, Roads and Tourism, Mr Martin Ferguson MP, committed a future Labor Government to extending the TFES to include intrastate sea freight between King and Flinders islands and the main island of Tasmania.

The TFES currently provides assistance to the King Island and Flinders Island communities for the interstate shipment of:

- eligible non-bulk goods to mainland Australia; and
- eligible business input items, raw materials and equipment from mainland Australia, for eligible businesses involved in agriculture, forestry, fishing, manufacturing and mining.

An extension of the scheme to intrastate sea freight to and from the main island of Tasmania will provide assistance to the King Island and Flinders Island communities for services which are currently unsubsidised.

1.2 The consultation process

Issues for discussion:

- (a) how the level of intrastate assistance should be calculated;
- (b) eligibility under the new intrastate arrangements;
- (c) prevention of "double dipping" claims under the existing interstate scheme and the new intrastate arrangements; and
- (d) data limitations surrounding the volumes of containerised freight shipped between King and Flinders islands, and the main island of Tasmania.

2 Issues

For the intrastate TFES extension between King and Flinders islands and main island of Tasmania, the most straight forward approach would be to retain the basic structure of the existing interstate TFES to the maximum

extent possible. However, consideration is being given to simplifying administration of the new intrastate arrangements where this can be achieved within the overall policy intent of the extension.

The intrastate sea freight issues are presented for discussion below.

2(a) Calculation of assistance

For intrastate shipments between King and Flinders islands and the main island of Tasmania, two options are proposed for calculating assistance:

- Option 1 – Develop a methodology that is fully consistent with the existing interstate scheme, with the level of intrastate assistance payable per twenty-foot equivalent unit (TEU) container calculated as:
 - the claimed and documented ‘wharf-to-wharf’ sea freight costs incurred;
 - minus the road freight equivalent (RFE); and
 - subject to applicable adjustments as per the existing scheme – for example, less than full container loads (LCL), reefer versus dry freight and high density freight – as specified in the Ministerial Directions.
- Option 2 – Develop an equivalent methodology that is consistent with the existing scheme, but with a fixed flat rate of assistance payable per TEU, with the only adjustment being for LCL.

Fully consistent with the existing TFES arrangements, the level of assistance payable under the first intrastate option would vary dependent upon the circumstances of each individual claim. The second option would simplify the new arrangements and would provide greater certainty as to the level of assistance payable from claim to claim.

The use of a flat rate was identified by the Productivity Commission in its inquiry into the broader interstate TFES as a means of simplifying the Scheme and minimising the risk of abuse. This option is not being pursued in the context of reform of the interstate scheme because of concerns about the effects on some existing assistance recipients from a flat rate. However, the extension of the subsidy to intrastate services involving King and Flinders islands would not be subject to such concerns, as there are no current assistance recipients for this freight.

Under Option 2, the Bureau of Infrastructure, Transport and Regional Economics (BITRE) would determine a fixed flat rate of assistance per TEU. A single flat rate of assistance would average out factors such as freight density, 'wharf-to-wharf' sea freight costs and the like.

Questions

- *What implications do stakeholders foresee from these options?*
- *If Option 2 was adopted, are there significant practical issues that would affect the formulation of a flat rate of assistance?*

2(b) Eligibility

If the new TFES intrastate arrangements were to be implemented consistent with the basic structure of the existing interstate scheme, eligible freight and goods would include:

- items listed in Schedule 1 of the TFES Ministerial Directions (Appendix 2);
 - for goods manufactured on the main island of Tasmania for permanent use or for sale on King or Flinders islands;
 - for goods manufactured on King or Flinders islands for permanent use on the main island of Tasmania; and
- non-consumer raw materials, machinery and equipment sourced from the main island of Tasmania – used in the manufacturing, mining, agriculture, forestry or fishing industries operating on King or Flinders islands.

The intrastate component would also be reviewed as part of the three yearly review of the schemes by the BITRE.

Question

- *Can stakeholders identify any freight issues specific to King or Flinders islands that should be considered in determining eligible goods under the intrastate scheme?*

2(c) Prevention of ‘doubling dipping’ claims for assistance

The new intrastate arrangements will be subject to the TFES reforms, specifically the development of more rigorous evidentiary requirements to substantiate claims and revised compliance and audit arrangements. The new arrangements will need to ensure that ‘double dipping’ of claims does not arise under the existing interstate TFES and proposed intrastate extension.

Where a claim for assistance has been paid under the existing TFES (for example eligible business input items shipped from Melbourne to Currie, King Island on a service that first docks on the main island of Tasmania), assistance will not then be able to be claimed a second time under the intrastate TFES provisions (for the intrastate leg to Currie, King Island).

Questions

- *Do stakeholders foresee issues regarding shipping documentation that may arise from the extension of the TFES to intrastate claims?*

2(d) Data limitations / volume of freight

Currently very limited data is available about the volume of non-bulk containerised shipments (by TEU and tonnage) and commodity type between King and Flinders islands and the main island of Tasmania. To assist in developing the implementation of the TFES intrastate extension, the Department seeks your assistance in providing reliable time series data sets of freight.

Question

- *What assistance can stakeholders provide to the Department on freight volumes, tonnage, number of containers and types (split between dry and reefer) shipped between King, Flinders and the main island of Tasmania?*

3 Appendices

Appendix 1 – ‘Media Statement by Martin Ferguson MP of 2 November 2007’

Appendix 2 – ‘Schedule 1 to the TFES Ministerial Directions’

APPENDIX 1

Federal Labor invests almost \$143 million in better transport links for Northern Tasmanian industry

2 November 2007

A Rudd Labor Government will invest more than a hundred and forty million dollars in major road and rail projects to improve freight transport for the forestry, mining, manufacturing and agri-food industries that are the lifeblood of Northern Tasmania.

The investment will also be good for local communities and the tourism industry, separating heavy freight vehicles from light vehicle traffic and improving road safety and amenity.

Shadow Minister for Transport, Roads and Tourism, Martin Ferguson, said the \$143 million package was about Labor's core business – jobs.

“Labor's \$143 million investment in the north will build infrastructure to support industry, economic development and wealth creation for Tasmania – meaning jobs for the future.

“The key to Labor's plan is improving regional freight links with Northern Tasmanian ports.

“It's also about improving quality of life and safety by shifting heavy trucks, especially log trucks, out of local streets and towns.

“That's a win for the community and the economy.

“The Tasmanian Labor Government has worked hard to increase the competitiveness of the Tasmanian economy and create more jobs and wealth for hard-working Tasmanian families.

“Now a Federal Labor Government will end a decade of Howard-Costello neglect of Tasmanian transport infrastructure and get Tasmania moving again.”

Federal Labor's investment in Northern Tasmania's road and rail network includes:

- \$4.5 million towards a \$5.6 million upgrade of the Midland Highway;
- \$34 million towards a \$42.5 million investment in North East Freight Roads to cater for higher mass limits (HML)
 - includes Tebrakunna Bridge, Branxholm to Tebrakunna Road, Camden Road, the Tasman Highway and Prossers Forest Road, and Bridport Main Road between Bell Bay and Scottsdale;
- \$5.2 million towards a \$6.5 million improvement of the Bell Bay Intermodal;
- \$31.6 million for Main North-South Line rail capacity improvements;
- \$30 million to upgrade the Wiltshire Rail Line;
- 11.7 million to upgrade West Coast Rail spurs to Hellyer Mine and from Melba Flats to Zeehan;

- Ongoing funding for the Tasmanian Freight Equalisation Scheme and the Tasmanian Wheat Freight Scheme;
- \$2.8 million over the forward estimates to extend the Tasmanian Freight Equalisation Scheme to cover shipping movements between mainland Tasmania and King and Flinders Islands;
- \$15.7 million over the forward estimates to increase the Bass Strait Passenger Vehicle Equalisation Scheme (previously announced 9 September 2007).

Federal Labor will also make a significant investment in local transport projects through the Strategic Regional Program:

- \$2 million towards a \$4 million upgrade of Formby Road at Devonport;
- \$1 million towards a \$4 million upgrade of Port Sorell Road;
- \$3.1 million towards a \$6.2 million upgrade of the Illawarra Link Road;
- \$500,000 for the Oakleigh Park pedestrian overpass in Burnie (previously announced 6 September 2007); and
- \$350,000 for traffic lights or a roundabout at the Westbury Road/Mt. Leslie Road intersection in Launceston (previously announced 6 September 2007).

The projects, worth a total of nearly \$162 million, will be fully funded and delivered in partnership with the Tasmanian Labor government and local councils from now through to 2014.

And federal road maintenance funding for Tasmania will receive a boost with a \$31 million commitment over the AusLink II period, as announced yesterday.

The upgrade of the Midland Highway will include improvements at Constitution Hill and an audible tactile centreline from Launceston to Granton, delivering better road safety on this important north-south link.

Labor's investment in North East Freight Roads will provide a dedicated freight link for HML vehicles from regional centres in north-east Tasmania through to Bell Bay.

The projects include:

- The reconstruction of Tebrakunna Bridge and a HML route from Branxholm through Pioneer to Tebrakunna Road which will get East Coast log trucks off the Tasman Highway before the Weldbrough Pass and onto a dedicated freight route;
- Construction of a Tasman/Prosser B-double freight route along Camden Road, the Tasman Highway and Prossers Forest Road, and an upgrade of the log route bypass of Launceston to link with the Blessington catchment and get log trucks out of the city centre; and
- Improving alignment, widening lanes and shoulders, and strengthening pavement on the Bridport Main Road between Scottsdale and Bell Bay to safely and efficiently cater for HML vehicles, significantly improving access for the forestry and forest products industry.

Port rail and roads at the Bell Bay Intermodal will be improved to handle massive 200 per cent growth in freight handling expected over the next 15 years.

The Main North-South Rail Line will be upgraded to remove tight curves and allow for increased speeds, longer trains and heavier loads, significantly improving productivity and the ability for rail to compete with road for freight.

The Wiltshire Rail Line to Burnie Port will be upgraded to get logs from the north-west to the pulp mill and reduce trucks on the Bass Highway and other northern roads.

Two West Coast Rail spurs to Hellyer Mine and from Melba Flats to Zeehan will be upgraded, shifting 520,000 tonnes per year of mining products from road to rail and reducing truck movements by more than 140 a day.

In recognition of Bass Strait's important role as a sea highway connecting Tasmania with the rest of the nation, Federal Labor will maintain the Tasmanian Wheat Freight Scheme, extend the Tasmanian Freight Equalisation Scheme to include King and Flinders Islands, and increase the Bass Strait Passenger Vehicle Equalisation Scheme as promised on 9th September 2007.

A commitment of almost \$7 million will be made to local transport projects across the north, improving road safety, amenity and access for people going about their daily business – getting kids to school, accessing medical facilities and community services, and commuting to and from work. (Project details in separate releases.)

“Federal Labor's \$143 million commitment to Northern Tasmania is good for jobs, good for business and good for local communities.

“Federal Labor's Senators, members and candidates have been right behind this proposal to separate freight from people movement and I look forward to working with them to deliver this important transport infrastructure for Tasmania after more than a decade of neglect by the Howard-Costello government.

“This initiative recognises the importance of Northern Tasmania's vibrant forestry, mining, agri-food, manufacturing and tourism industries and the need for modern efficient, land, sea and air transport networks to connect them with global markets,” Mr Ferguson said.

Together with yesterday's \$303 million commitment to Southern Tasmania's roads, rail and ports, today's announcement takes Federal Labor's total AusLink II commitment to Tasmania to almost half a billion dollars - \$446 million.

In partnership with the Tasmanian Government, this funding will deliver transport infrastructure projects worth \$544 million, an enormous boost for the State's productivity.

APPENDIX 2

TASMANIAN FREIGHT EQUALISATION SCHEME (TFES)

MINISTERIAL DIRECTIONS

SCHEDULE 1

**GOODS ELIGIBLE FOR ASSISTANCE UNDER
THE NORTHBOUND COMPONENT OF THE SCHEME**

Aluminium powder metal, paste and ingot
Asbestos cement articles

Bakery products
Beer
Beverages
Blankets
Bottled/ mineral water
Bricks

Calcium Carbide
Carbon, activated
Carbon, black
Casein
Cement, bagged
Cereals and cereal preparations
Cheese
Cleansing and stripping products, liquid or powder
Coal
Colouring materials
Concrete products
Confectionery and chocolate products

Eggs and egg pulp

Feeding stuffs - animal
Ferric and Ferrous Sulphate
Fibreglass and plastic materials and products
Fish and Fish products
Fertilizers, manufactured
Floor coverings
Flour
Footwear
Fruit and Fruit preparations
Furniture

Glassware
Gravel aggregate
Grinding ball millstones

Hardboard
Hides and Skins
Honey and beeswax

Hops

Livestock

Machine and hand tools

Machinery and transport equipment

Malt

Margarine

Meat and meat products

Metals and Metal products

Milk and Milk Products

Newsprint

Ores and concentrates

Paper and paper products

Particle board

Pesticides

Plastaid

Plywood

Sand

Sausage Casings

Sedge

Seeds

Seedlings, rootstocks etc

Silica Fume

Soil conditioners

Stone, quarried

Tallow

Textile yarns and articles of clothing

Timber

Tree ferns

Turf

Vegetables and vegetable products

Waste oil

Waste rag

Whiting (carbonate of lime)

Wine

Wood and Cork products

Wood pulp, baled and pellets

Wool

Wool grease

Yeast

Zinc