

Summary of Public Consultation Sessions
on the Tasmanian Freight Equalisation
Scheme and Tasmanian Wheat Freight
Scheme
March 2008

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

1. Introduction

In early March 2008 the Department of Infrastructure, Transport, Regional Development and Local Government (the Department) hosted a series of public consultation sessions focusing on the Tasmanian Freight Equalisation Scheme (TFES) and the Tasmanian Wheat Freight Scheme (TWFS).

Held in Hobart (3 March 2008), Launceston (4 March 2008) and Devonport (5 March 2008) the purpose of these sessions was to gain stakeholders' input on possible changes to the design and implementation of the schemes following the Productivity Commission's inquiry in 2006-07.

Attendees at the sessions represented a wide range of stakeholder groups including:

- claimants (large and small)
- third party service providers
- freight forwarders
- shipping companies
- potential claimants
- government representatives
- Tasmanian State Government representatives.

Stakeholders provided their input on a range of key issues, including:

- who should be eligible to claim;
- the methodology for calculating assistance (including intermodal costs, road freight equivalents, high density goods and scaling factors);
- supporting information, audit and compliance/reviews;
- other issues (time limit to lodge claims, multi-use packaging and minimum amount payable/minimum volume eligible); and
- the Tasmanian Wheat Freight Scheme (including the definition of wheat and method for calculating assistance).

This document provides a summary of the discussions on each of these issues, which focused on questions, options and proposals put forward in a Consultation Paper prepared by the Department, a copy of which can be found at:

<http://www.infrastructure.gov.au/transport/programs/maritime/tasfreight.aspx>

2. General Points

General points raised by participants during the consultation sessions included their:

- support for the schemes;
- request for further consultation, particularly in relation to the parameters being considered by the Bureau of Infrastructure, Transport and Regional Economics;
- request for an extension of the deadline for written submissions; and
- need for a communication program prior to the introduction of the reforms to inform current and potential stakeholders.

3. Key issues

3.1 *Who should be eligible to claim?*

During the public consultation sessions participants were given the opportunity to provide input on who should be eligible to claim for the TFES. This discussion particularly related to the role of third-parties and the two options outlined on page 9 of the Consultation Paper were put forward to attendees.

Summary of discussion

- Option 1, as outlined in the Consultation Paper was preferred by most stakeholders in attendance
- Stakeholders on the whole did not believe there was a need for claims to be made by the ultimate beneficiaries (in fact some attendees indicated this may cause administrative difficulties).

3.2 *Methodology*

3.2.1 **Intermodal Costs**

Participants at the public consultation sessions were given the opportunity to provide examples of current costs they incur due to the need to transfer goods from sea to land transport and vice versa.

Summary of discussion

- Stakeholders strongly supported the retention of a component for intermodal costs, either as a separate component or as an inclusion under the wharf-to-wharf subsidy.
- Stakeholders generally believe that their actual intermodal costs are not aligned with the current subsidy, with most claimants estimating that the current rate underestimates their real costs.
- Additional costs involved with intermodal transport include, for example, specific types of packaging, equipment for packaging, specialist handling equipment, increased dwell time, lashing equipment and requirements, staffing costs, time lags, the need to service the market from the mainland, deconsolidation costs, pallet configuration and quarantine requirements.

Participants indicated that they believe intermodal costs should cover any additional costs incurred as a result of having to transport goods by sea and some participants indicated they believed rebates should be based on “the cost of shipping”.

Discussions in relation to how these intermodal costs should be demonstrated and rebated also took place during the public consultation sessions. While some claimants indicated that they could accurately calculate their intermodal costs to ensure they received an accurate subsidy, other participants suggested that because each transport task is unique, this would result in a significant burden on claimants.

The Department is seeking further written submissions on intermodal costs with specific examples and costing, as well as proposals for how these costs might be demonstrated.

3.2.2 Road Freight Equivalent

During the public consultation sessions there was discussion on the use of a B-double truck as the basis for calculating the “road freight equivalent” under the scheme (please see page 11 of the Consultation Paper).

Summary of discussion

- Stakeholders generally supported the use of a B-double to calculate road freight equivalents, and also suggested that calculations be based on an assumption that back freight should this be back loading? would be used.
- There are some exceptions to this, with single reefer or tautliner being more efficient for some products.
- Participants indicated that varying transport costs, both over time and between Tasmania and the mainland should be taken into account, and that there is no simple answer to calculating road freight equivalents.

3.2.3 Scaling Factors

During the public consultation sessions there was discussion on the option of abolishing “scaling factors” for goods not landed or shipped through Victoria.

Summary of discussion

- Stakeholders are generally supportive of the option of removing scaling factors, with the current system producing some anomalies.
- Some larger claimants are happy with the current arrangement, however do not oppose the abolition of this methodology.

3.2.4 High Density

Though not specifically covered in the Consultation Paper, discussion was invited at the public consultation sessions on the carriage of high density products under the TFES.

Summary of discussion

- Suggestions that high density goods make up a small proportion of products, and thus it may be questionable whether this category is needed at all.
- The current situation may disadvantage Tasmanian industry, by encouraging the processing of high density goods once they reach the mainland.

The Department welcomes further input from claimants in relation to high density goods under the TFES.

3.3 Supporting information

At the public consultation sessions, views were sought on the supporting information required for claims and how changes to documentary requirements could be implemented. Two options are outlined on pages 12 and 13 of the Consultation Paper.

Summary of discussion

- Generally stakeholders were happy to support option 1 as outlined in the Consultation Paper (documentation being submitted with every claim).
- Some larger claimants thought that option 2 (an auditing approach) would be preferable from an administrative perspective and should be available to claimants at the Department’s discretion.
- There is concern regarding confidentiality from some participants and the need to disclose wharf-to-wharf costs.
- Some stakeholders stated that freight forwarders’ invoices, with a line item relating to the cost of shipping, should be sufficient to disperse with the need for claimants to liaise with shipping companies with whom they do not have a direct commercial relationship.

Some stakeholders also indicated that in the instance where a freight forwarder is charging a margin for shipping services, this should also be included in the calculation of support.

3.4 Audit and Compliance

Pages 14-16 of the Consultation Paper outlined the Department’s proposed changes to auditing the scheme and sanctioning compliance, and these issues were discussed in some depth during the public consultation sessions.

Summary of discussion

- Stakeholders were generally supportive of improving the auditing processes – some stressed that having a dedicated team of auditors would streamline the system and avoid the need for re-educating auditors each year.
- Stakeholders were generally happy with the first three sanctions outlined on page 15 of the Consultation Paper, however were concerned about the final two proposals for sanctions – in particular “naming and shaming” was not supported by consultation attendees.
- Some stakeholders expressed concern with annual publishing on the scheme, indicating that data should be put in context and stakeholders should be informed prior to data being released.

One participant also indicated that following a period of satisfactory compliance, claimants should be able to have their status reinstated.

3.5 Review authority

The Department also facilitated discussion relating to the proposed formal mechanisms for dealing with reviews of the scheme, as well as the current TFES Review Authority as outlined in pages 16-17 of the Consultation Paper.

Summary of discussion

- Stakeholders were generally supportive of retaining the Review Authority as an independent authority to deal with reviews and other larger issues.
- Participants supported the proposal to have day-to-day enquiries dealt with by Centrelink and the Department through formal procedures outlined in Ministerial Directions.

3.6 Other Issues

3.6.1 Time Limit

A proposal to alter the time limit for lodging claims under the TFES was discussed at the public consultation sessions.

Summary of discussion

- While larger claimants indicated in most instances they can lodge claims within a year, in instances where an audit reveals there has been underpayment, one year may not be sufficient.
- Representatives representing small to mid-sized claimants also indicated that 12 months is not sufficient to process claims, particularly in instances where a business may not have been aware they were eligible for assistance.
- It was suggested by some participants that claimants be given until the end of the following financial year to process claims.
- A limited number of participants indicated that two years may be too long and exceeds community expectations.

3.6.2 Multi-use packaging

Page 18 of the Consultation Paper outlines key questions the Department is seeking input on in relation to multi-use packaging. These matters were part of the public consultation sessions.

Summary of discussion

- Attendees indicated their support for the introduction of subsidies for multi-use packaging and provided a range of examples of such products that could possibly be eligible for rebates, these included but are not limited to:
 - Beer kegs
 - ISO tanks
 - Vegetable produce packaging
 - Work in progress bins
 - Tank containers
 - Material holders

- Flexible bulk bags.

Discussion also centred on the correct terminology to be included in the Ministerial Directions. Generally, stakeholders indicated that while a list of products may be useful, more generic terms or a definition may help to ensure that some products were not excluded.

Other stakeholders suggested that a clause in the Ministerial Directions may be useful in order to ensure that future products can become eligible, without the need for an update to the definition.

The Department is seeking written submissions outlining specific multi-use packaging which stakeholders feel should be included in the scheme and an indication of how these costs could be demonstrated.

3.6.3 Minimum amount payable/minimum volumes

In the public consultation sessions, the Department sought input from stakeholders on introducing a minimum claim amount, which would require claimants to aggregate claims before submitting them to Centrelink as detailed on page 19 of the Consultation Paper.

Summary of discussion

- While most participants at the public consultation sessions did not indicate a preference in relation to minimum amount payable, third party service providers representing small-medium sized claimants advocated against this change, indicating it may prevent some businesses who are eligible from being able to claim.
- Participants also indicated that this proposal could also have a negative impact if it coincided with a shortening of the time limit for claims.

3.7 Tasmanian Wheat Freight Scheme

The Wheat Freight Scheme was also addressed during the discussion sessions. Participants were provided the opportunity to discuss how wheat should be defined in terms of the scheme, and also the method for calculating assistance.

Summary of discussion

- Stakeholders support moves to bring all wheat under the TWFS, to avoid anomalies.
- In general stakeholders felt that a too specific definition of wheat may exclude future varieties and in some instances suggested further consultation with other stakeholders – for instance the Department of Agriculture in Tasmania.

4. Next Steps

The Department will be accepting submissions on the issues raised during the public consultation sessions and in the written Consultation Paper up until 2 May 2008.

Written submissions can be sent by email, post or fax, as follows:

Email: tasfreight@infrastructure.gov.au

Post: Tasmanian Freight Subsidy Reforms
Department of Infrastructure, Transport, Regional Development and Local
Government
GPO Box 594
Canberra ACT 2600

Fax: 02 6274 7884