

Opening Statement to the Senate Select Committee on the Tasmanian Freight Equalization Scheme hearing in Hobart – 13th November 2024

- The **very first Senate Select Committee** of the Australian Parliament was in July 1901 given the task of investigating the need for the newly established Commonwealth of Australia to improve the steamship service between Tasmania and the mainland. It concluded that an improved service was indeed required, and that the Commonwealth Government should consider acquiring the ships required to operate it.
- The **1926 Lockyer Report** on Tasmania's financial position observed that "the maintenance of an adequate and economical means for the transport of products to the Mainland is a matter of vital importance to Tasmania". Lockyer's Report noted that **Tasmania carried "more than a fair and proper share of the ... burden" imposed by the then recently-imposed Navigation Act**, which required that all coastal shipping be undertaken by Australian-owned and crewed vessels.
- The **1976 Nimmo Commission Report** noted that "the comparative interstate freight disadvantage suffered by Tasmania is not simply a consequence of the fact that the State is an island; rather, **it is the practical result of policies which increase freight rates of coastal sea transport and reduce land transport freight rates, particularly those applying to rail transport"**.
- This stated objective was, from the TFES' inception in 1976, grounded in a recognition that, **as a sovereign founding member of the Australian federation, Tasmania has been disadvantaged** not simply by its physical separation from the rest of Australia, but **by the policies which successive Australian Governments have for many years pursued in order to maintain a national coastal shipping industry, and the working conditions of those employed in it**. Those disadvantages have been recognized by numerous enquiries, national and state, over the past 120 years.
- **For the first 35 years of its operation, the TFES broadly met this objective** of ensuring that "the cost of transporting goods between Tasmania and the mainland is approximately the same as moving similar goods by land across the same distance on the mainland" – as confirmed by a succession of external reviews by a number of different official agencies and others – largely because Bass Strait shipping freight rates and freight rates for road or rail transport over similar distances on the mainland increased at broadly similar rates.
- Since 2010, however, **Bass Strait freight rates have risen a great deal more** (in the order of 115% up to 2022-23, after including TFES assistance) **than mainland road or rail freight rates** (around 42%), according to estimates compiled by the Bureau of Infrastructure, Transport and Regional Economics (BITRE). Yet **the 'parameters' used to determine the level of assistance** payable under the TFES **have remained unchanged since 1999**.

- One obvious consequence of this is that **the proportion of freight movements covered by the TFES which are classified as 'Class 4'**, receiving the maximum dollar amount of assistance (capped at \$855 per TEU) now represents over 78% of the total, compared with 25% in 2009-10 and just 8% in 2000-01. Because this maximum figure, like the other parameters of the scheme, hasn't changed for 25 years, **the maximum amount of assistance represents a diminishing proportion of shipping costs across Bass Strait.**
- As another way of illustrating this point, the average payment per TEU under the TFES has risen from \$739 in 2014-15 to \$782 in 2022-23 – an increase of 5.9%. Over the same period the CPI has risen by 23.0%. In real terms, therefore, **between 2014-15 and 2022-23 the average payment per TEU under the TFES has declined by 13.9%.**
- As a result, **the TFES is no longer meeting its stated objective** of offsetting the difference between the cost of moving goods between Tasmania and the mainland, and the cost of moving goods an equivalent distance on the mainland.
- Such assistance to businesses moving goods between Tasmania and the mainland **should be viewed in comparison to the assistance** which the Commonwealth has historically provided **to businesses moving goods to and from other relatively remote parts of Australia** – such as the construction of railways and roads linking Western Australia to the eastern States, or the Northern Territory to South Australia, or to Commonwealth funding for 'beef development roads' and other roads across the northern parts of Australia.
- Such assistance can also be compared to the different **forms of assistance provided by the Government of Canada** – the federation more like Australia than any other – to businesses needing to transport goods between its two island provinces (Prince Edward Island and Newfoundland) and the Canadian mainland. In 1988, the Canadian Government and the Newfoundland and Labrador Provincial Government formally agreed that "freight rates for inter-modal traffic to, from and on the Island of Newfoundland" charged by CN would be based on the principle set out in Clause 32 of the Newfoundland Act: and that this meant that this meant that railway rates would apply to the transportation of goods to Newfoundland whether by rail, water or truck.
- If action is not taken to address the growing divergence between the cost disadvantages faced by businesses operating in Tasmania, and the assistance provided under current TFES arrangements, there will be **a growing risk** that **investment** which would otherwise be undertaken, **and jobs** that would otherwise be created, **in Tasmania**, will instead be **diverted to other parts of Australia.**