

## Senate Standing Committee on Community Affairs

### ADDITIONAL ESTIMATES – 24 FEBRUARY 2011 ANSWER TO QUESTION ON NOTICE

#### Human Services Portfolio

**Topic:** Tasmanian Freight Equalisation Scheme

**Question reference number:** HS 17

**Senator:** Abetz

**Type of question:** Hansard CA pages 101-102

**Date set by the committee for the return of answer:** 8 April 2011

**Number of pages:** 3

#### Question:

- a) **Senator ABETZ** - If you could, I would be much obliged. Was a similar review done in relation to Compact Designs?

**Mr Maloney** - I am not aware of that particular organisation, but I am happy to take that on notice.

- b) **Senator ABETZ** - If you could take that on notice and if that assessment report could be made available, you could please forward that to me. I would be much obliged. In relation to times between lodgement of requests and payments, how are we going? In recent times there have been significant improvements and I have had no complaints, so I am assuming that things are going well. Take on notice the average time between lodgement and payment and also the one that has been outstanding the longest.

**Mr Maloney** - I can provide you with some information, if you like, and I can take the rest on notice. As at the end of January this year, we had 295 claims outstanding. Some 95 per cent of those were less than 28 days old, which is inside the standard. We were seeking additional information on all of those that are outside the standard at the moment.

**Senator ABETZ** - That there was some dispute or question about—good. You are administering the aspect in relation to Flinders Island and King Island as well?

**Mr Maloney** - Our administration covers the Bass Strait Passenger Vehicle Equalisation Scheme, the Tasmanian Wheat Freight Scheme and Tasmanian Freight Equalisation Scheme.

- c) **Senator ABETZ** - And there has been added to TFES, the freight equalisation scheme, as I understand it, an intrascheme in relation to reverse carriage of goods. As always happens when you interfere with the market, there are always perverse outcomes, and it then became beneficial to ship your cows and products from King Island to Victoria rather than to the mainland of Tasmania. To overcome that, both parties, at the 2007 election, instituted a special addition to the freight equalisation scheme, and of course my friends in the Labor party got the privilege of administering that because they happened to win the election. I am just wondering how that aspect is going and whether there have been any issues or

problems associated with its administration given that it has now been running for what would be a couple of years or so now.

**Mr Maloney** - I do not have any information on that scheme, but I am happy to take that on notice.

**Senator ABETZ** - Could you provide me with information as to the number of claims and also the processing of those claims, because I would assume it is a subset of the total TFES claims. Have we made any progress at all in relation to the issue of multiactivity businesses or is it still required that, to qualify, that aspect of the business that is seeking freight equalisation has to be the majority part of that business?

**Mr Maloney** - Yes, the policy remains that it has to be the predominant part of the business.

**Answer:**

- a) Net Sea Freight submitted a Tasmanian Freight Equalisation Scheme (TFES) Manufacturers and Miners Business Registration application on behalf of Compact Designs Pty Ltd, indicating that 70 per cent of the activities of this company related to the manufacture of knock tubes.

Centrelink's Tasmanian Transport Program team investigated this registration application by contacting the supplier and conducting a site visit to Compact Designs. These investigations led to the decision by Centrelink that Compact Designs was ineligible to claim TFES assistance for the southbound component of the Scheme under Clause 9.1 of the Ministerial Directions for the operation of the TFES, on the basis that they were not engaged in manufacturing as defined by the Australian and New Zealand Standard Industrial Classification. Specifically, the supplier indicated their knock tubes were shipped to Compact Designs as a finished product, requiring only assembly of the various parts to make it functional. Centrelink concluded the assembly processes undertaken by Compact Designs, which included some superficial enhancements to the Clayton Plastics produced product, was not a manufacturing process involving any significant transformation of a raw material into a new product.

Compact Designs, through Net Sea Freight, requested a review of this decision in August 2010. Despite additional information submitted by Net Sea Freight in support of Compact Designs' application, Centrelink affirmed the original decision. Compact Designs, through Net Sea Freight, subsequently requested a further review of the decision by the Department of Infrastructure and Transport (DOIT). In December 2010, DOIT affirmed the original decision by Centrelink, noting in its decision that "Compact Designs is not engaged in manufacturing and mining industries as defined by the Australian and New Zealand Standard Industrial Classification. This view has been supported by advice from the Australian Bureau of Statistics."

- b) As at 15 March 2011, Centrelink's Tasmanian Transport Program team has 829 claims on hand, the oldest of which is 127 days old. This claim is one of a small number of claims that is the subject of a current fraud investigation by Centrelink's Business Integrity Branch and the Australian Federal Police.

Of the 829 claims on hand they are, in terms of timeliness, distributed as follows:

<b>Age of Claims On Hand</b>	<b>Number of Claims</b>	<b>Percentage of Claims</b>
0 – 1 week	193	23.3
1 – 2 weeks	222	26.8
2 – 3 weeks	203	24.5
3 – 4 weeks	129	15.6
4 – 5 weeks	49	5.9
5 – 6 weeks	17	2.1
6 – 7 weeks	1	0.1
7 – 8 weeks	5	0.6
8 – 9 weeks	2	0.2
9 – 10 weeks	1	0.1
> 10 weeks	7	0.8
<b>TOTAL</b>	<b>829</b>	<b>100.0</b>

From this table, 50.1 per cent of claims on hand are between 0–2 weeks old, 90.1 per cent are between 0–4 weeks old, and 9.9 per cent are more than four weeks old. The average time between the lodgement of TFES claims and payment currently approximates five weeks, but the recent addition of further resources to improve capacity to process TFES claims should see this figure reduce to a more commercially acceptable norm.

- c) On behalf of DOIT, Centrelink’s Tasmanian Transport Program team has delivered the service of the King Island and Furneaux Group intrastate component (KIFG) of the TFES for:
- shipments of eligible goods and materials between the main island of Tasmania and either King Island or Flinders Island between 1 July 2008 and 15 November 2008 inclusive; and
  - shipments of eligible goods and materials between the main island of Tasmania and either King Island or any island in the Furneaux Group from 16 November 2008 onwards.

Since 1 July 2008 to the end of January 2011, Centrelink has paid the following amounts of KIFG assistance:

<b>Financial Year</b>	<b>KIFG Claims Paid</b>	<b>KIFG Assistance Paid (\$)</b>
2008-09	108	830,699.41
2009-10	183	1,369,312.07
2010-11 (to 28/02/11 included)	73	776,222.81
<b>TOTAL (01/07/08 - 28/02/11)</b>	<b>364</b>	<b>2,976,234.29</b>

There are no current issues of concern with administering this component of TFES assistance.