



Australian Government

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

Tasmanian Freight Subsidy Reforms

**Consultation
Paper**

February 2008

Consultation on issues involved
in the implementation of
reforms to the Tasmanian
Freight Transport Programmes

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

The Department of Infrastructure, Transport, Regional Development and Local Government provides policy advice to the Minister for Infrastructure, Transport, Regional Development and Local Government and delivers a variety of programmes on behalf of the Commonwealth Government.

The Department conducts research, analysis and safety investigations; provides safety information and advice based upon these investigations; and performs regulatory functions. We have a strong policy development role, together with programme administration and service delivery responsibilities. We endeavour to involve key stakeholders, clients and customers in all stages of our work.

The Tasmanian Freight Equalisation Scheme and the Tasmanian Wheat Freight Scheme are administered by the Department, with the Tasmanian Assistance Services (Hobart), a business unit of Centrelink, delivering the Schemes on behalf of the Department under a memorandum of understanding.

Further information about the Department can be obtained from the Department's website at <www.infrastructure.gov.au>.

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Acronyms

BITRE	Bureau of Infrastructure, Transport and Regional Economics (formerly BTRE)
BTRE	Bureau of Transport and Regional Economics
Customs	Australian Customs Service
DITRDLG	Department of Infrastructure, Transport and Regional Development and Local Government (formerly DOTARS)
GT	Gross Tonnes
GRT	Gross Registered Tonnes
MP	Member of Parliament
IT	Information Technology
RFE	Road Freight Equivalent
TEU	Twenty Foot Equivalent Unit (Shipping container measurement)
TFES	Tasmanian Freight Equalisation Scheme
TWFS	Tasmanian Wheat Freight Scheme

1 Scope of the consultations

Tasmanian Freight Equalisation Scheme

The Australian Government has provided financial assistance to shippers of freight between Tasmania and mainland Australia under the Tasmanian Freight Equalisation Scheme since July 1976.

The scheme assists in alleviating the sea freight cost disadvantage incurred by the shippers of eligible non-bulk goods moved between Tasmania and the Australian mainland by sea.

Tasmanian Wheat Freight Scheme

The Tasmanian Wheat Freight Scheme provides a rebate to eligible shippers of bulk wheat across Bass Strait.

The objective is to assist in alleviating sea freight costs of shipping eligible bulk wheat on Bass Strait so that businesses in Tasmania relying on bulk wheat shipments are not unduly disadvantaged.

1(a) Background

In 2006, the former Australian Government directed the Productivity Commission to undertake a public inquiry into the arrangements for subsidising containerised and bulk shipping for Tasmania.

The inquiry examined the effectiveness of the current arrangements under the Tasmanian Freight Equalisation Scheme (TFES) and the Tasmanian Wheat Freight Scheme (TWFS) as a mechanism for addressing freight cost disadvantage to Tasmania, taking into account the costs and benefits of the arrangements. The Commission's report was tabled in Parliament on 24 May 2007.

In response to the Commission's report the former Australian Government released its response to the Commission's inquiry on 21 June 2007 (at [Appendix A](#)). On 9 September 2007, the shadow Minister for Transport, Roads and Tourism, Mr Martin Ferguson MP, announced that the Labor Party was committed to retaining the TFES and the TWFS, including the reform measures being implemented by the former Government (at [Appendix B](#)).

The Productivity Commission envisaged that a key element of the reforms would be restructuring the basis for claiming assistance under the TFES. Assistance under the TFES would only be payable on the basis of evidence of actual wharf-to-wharf costs. This would improve the effectiveness of the Scheme by refocussing the basis for assistance on the additional sea freight costs associated with crossing Bass Strait and by revising the Ministerial Directions under which the Scheme operates. Assistance for all unprocessed wheat shipments to Tasmania would be brought under the TWFS, by expanding that Scheme to include both bulk and containerised unprocessed wheat shipments, and removing the current cap of \$1.1 million per annum. As a result of this change, eligibility for unprocessed wheat under the TFES would be removed.

A review of the methodology for the parameters used to calculate assistance under the schemes is being undertaken to ensure that people sending eligible goods to and from Tasmania receive the appropriate amounts of assistance. As proposed by the Productivity Commission a key element of implementation of the reforms would be more information to be published about the TFES and TWFS to improve transparency and accountability.

1(b) The consultation process

The Department of Infrastructure, Transport, Regional Development and Local Government (the Department - formerly the Department of Transport and Regional Services), on behalf of the Australian Government is seeking comment from industry and stakeholders on the design and implementation of the reforms to the administration of the schemes through a series of public consultation workshops, individual meetings and through an invitation for written comments. The consultations will provide the opportunity for industry and stakeholders to provide input before options are considered by the Government.

The consultation process will focus on a range of issues including:

For the TFES:

- (a) who should be eligible to claim for assistance;
- (b) how assistance is calculated - the proposed methodology for calculating the parameters used for the TFES;
- (c) documentation and evidentiary requirements for the revised TFES; and
- (d) other matters, including the scope of assistance for packaging designed and used for multiple trips;

For the TWFS:

- (e) who should be eligible to claim for assistance;
- (f) how assistance is calculated – the proposed methodology for calculating the rate of assistance; and
- (g) documentation and evidentiary requirements for the revised TWFS;

For both schemes:

- (f) designing an appropriate auditing, compliance and fraud prevention programme for the revised arrangements; and
- (g) updating and enhancing the information technology systems used to administer the schemes.

The Department invites submissions from those wishing to provide comments on issues raised within this consultation paper and any other issues of relevance. Interested parties can provide comments by written submission or by attending one of the public forums or individual consultation meetings.

Further information can be found in the consultation information box on the last page of this consultation paper.

2 Issues

The Productivity Commission recommendations involve retaining the basic structure of the TFES but simplify the administration of the Scheme by providing that assistance would only be payable on a wharf-to-wharf basis. The Productivity Commission recommended changes would mean TFES assistance would only be payable on the basis of evidence of actual wharf–

to-wharf costs, with the removal of the TFES parameter adjustment of \$230 per TEU or transport unit for each door-to-wharf and wharf-to-door task to a maximum of \$460 for a door to door task.

In the case of the TWFS the Productivity Commission recommended that it would be expanded so that it becomes the mechanism for the provision of assistance for all shipments of unprocessed wheat to and from Tasmania, covering both bulk and containerised cargoes. Consequently, claims for wheat shipments made after the reforms are implemented, would not be possible under the TFES.

The following issues are presented for discussion:

2(a) Who should be eligible to claim for assistance under the TFES?

In the Productivity Commission review process a number of parties argued that the current Ministerial Directions require clarification as to who can claim for assistance under the TFES.

The Ministerial Directions state that only persons who actually incur the costs of shipping eligible goods are eligible to claims assistance under the TFES. The Ministerial Directions also allow agents (as defined in the Directions) to act on behalf of TFES claimants for southbound shipments for the agricultural, forestry and fishing industries, with the exclusion of freight forwarders or freight logistics companies.

Under these arrangements, no requirements are placed on other third party players in the sector who, provided they incur sea freight costs, can lodge claims. As the Productivity Commission has noted, this leaves it open for third parties to take on a role in developing TFES claims.

This results in different rules for players within the sector. Further, the current arrangements do not enable clarity about who is actually claiming and receiving the benefit from the Scheme.

As a result of these considerations two options for claimants for TFES assistance are put forward:

Option 1

Consistent with the current Ministerial Directions, persons who incur the costs of shipping eligible goods would continue to be eligible to claim assistance. This would include persons other than manufacturers and producers of eligible goods where third parties have actually incurred the shipping costs. Freight forwarders (and any party involved in setting the prices or generating invoices and other paperwork for sea freight tasks) would continue to be ineligible to apply for assistance.

Option 2

Under this option, eligibility and claimant requirements would be aligned to more directly target those the TFES is intended to benefit. The use of agents would be more closely aligned with the legal principles of agency,

Under this option:

- An eligible claimant could choose to appoint an agent to act on their behalf for TFES purposes (nb in this context the term 'agent' is not the same as that currently outlined in the Ministerial Directions; rather, it would be aligned more closely with the legal concept of agency). The agent would not be a claimant in their own right. The agent would, however, be able to compile claims on behalf of the claimant, receive the assistance, and provide information about the claimant. A formal agency agreement between the agent and the eligible claimant would be required.
- All claims lodged by agents would be subject to the Ministerial Directions, including documentary requirements and new auditing and compliance arrangements discussed later in this paper. If information required for audit purposes about the claimant is physically held by the agent, then the agency agreement would require that the agent must give access to the information the Government requires.

This option would remove the current definition of 'agents' used in the TFES Ministerial Directions. Only producers, manufacturers or parties currently categorised as 'southbound agents' in paragraph 12.2 of the Ministerial Directions could be claimants.

Freight forwarders or parties involved in setting/negotiating the wharf-to-wharf charges or providing documentation, would not be eligible to either claim directly or to become agents.

The Department is seeking a clear understanding of the implications of these two options.

Questions

- *What implications do stakeholders foresee from these options?*
- *Are there significant practical issues that would affect the implementation either of these options?*

2(b) Review of the methodology for the TFES parameters

The Productivity Commission recommended that the methodology of calculating the TFES parameter should be updated, with a particular focus on how wharf-to-wharf costs should be defined, and that the TFES parameters should be reviewed every three years.

The Bureau of Infrastructure, Transport and Regional Economics (BITRE) is currently undertaking a review of the parameters. The outcomes of this review will be released separately. While not yet complete, this work has raised issues around intermodal costs, the calculation of the road freight equivalent (RFE) and the scaling factors.

(i) Intermodal costs

The 1998 Review of TFES Rates of Assistance by the TFES Review Authority (the Nixon report), identified from a sample of shippers that in addition to wharfage / stevedoring charges and container hire, at least \$50 at each end of a sea freight task is likely to be incurred as intermodal costs, but which are not disclosed on consignment notes or invoices. The Authority did not identify or define the components of such costs.

The Productivity Commission found that the intermodal allowance is an incentive for shippers to seek wharf-to-wharf invoices that include as many intermodal services as possible, to which the intermodal allowance is then added.

BITRE research indicates that ports, government and stevedores levy a mix of service and usage charges on both the ship and TEU exchanged basis, which

vary significantly across ports. These variations appear to reflect the volume of TEUs exchanged, the terminal used, charging policies of the port, and variations in the cost of providing local port infrastructure. Currently these charges appear to be incorporated into sea freight and stevedoring costs, and hence are already reflected in charges paid by shippers that are used to calculate TFES assistance.

In light of this, consideration is being given to what costs would be appropriately regarded as intermodal costs. Consistent with the aim of improving the effectiveness of the administration of the programme, the intermodal allowance should cover types of costs necessarily incurred by shippers as a result of having to use sea freight for a transport leg which are not assisted through other elements of the programme.

Question

- *What types of costs incurred by shippers are appropriate for inclusion in the intermodal component, as defined above?*

ii) Road Freight Equivalent

BITRE is gathering data to enable the road freight equivalent (RFE) cost to be reviewed. The work to date suggests that while a diverse range of road vehicle types undertake freight movements, along the eastern seaboard the most representative vehicle type against which to benchmark the RFE is the B-double. This reflects a judgement that B-doubles would be commonly used for the mainland-Tasmania route if a road option was available. The B-double is a relatively efficient form of road transport and its use would, other things being equal, reduce the RFE.

Question

- *What are stakeholder views on using the B-double as a benchmark for RFE?*

iii) Scaling factors

The Productivity Commission report indicates that with the shift to wharf-to-wharf claims as the basis for TFES assistance, other things being equal the scaling factors would continue to be applied.

The Productivity Commission report also noted that a series of annual parameter reviews have found that estimates of the door-to-door scaling factors would generally have been lower than those recommended by the Nixon Report and in use since 1999. A reduction in route scaling factors would increase the nominal wharf-to-wharf sea freight cost disadvantage for affected routes, increasing the level of assistance where shippers are not receiving the maximum rate.

However, BITRE research indicates that slightly less than a quarter (around 23%) of TEUs receiving TFES assistance have an origin or destination outside Victoria. Given this, if the change to claims being made on a wharf-to-wharf basis were to take effect, the scaling factors would be applied to only this portion of claims. To further simplify the scheme, one option would therefore be to abolish the scaling factors. Claims for non-Victorian origin-destination freight would include documentation separating the Victorian-Tasmanian sector from other sectors. The BITRE analysis indicates that with most onforwarded freight passing through Melbourne, the additional documentary requirement may not prove to be overly burdensome or affect the overall operation of the scheme.

Question

- *Would there be any significant negative implications from abolishing the scaling factors?*

2(c) What supporting information must accompany the claim?

The Productivity Commission noted that along with other reforms, the administration of the Schemes should be enhanced. Three elements would be involved: the change to wharf-to-wharf claiming; strengthening the requirements for supporting evidence and documentation; and enhancing the audit and compliance requirements.

Consistent with the shift to wharf-to-wharf claiming and focusing more specifically on sea freight cost disadvantage, under the Productivity Commission's approach original or certified copies of the original carriers' invoice would be required as evidence for TFES claims.

This approach would be different to that currently in place for claimants who currently submit claims on a door-door basis and provide documentation that does not separately identify the wharf-to-wharf costs.

The Productivity Commission report acknowledged that freight forwarders may consider that the requirement for original or approved copies of the original carriers' invoices could undermine the confidentiality of their freight rates. However, given the issues created by the current arrangements, the Productivity Commission considered on balance that the arguments against such an approach are outweighed by the benefits, and that the market for freight services would adjust to the new requirements.

Based on these considerations two options for evidentiary documentation are put forward for discussion:

Option 1

For each shipment eligible claimants would need to provide:

- the original or approved copy of the sea carriage document (ie a Bill of Lading, contract of carriage or consignment note) as provided in original form from the sea carrier; and
- the original or approved copy of the sea carrier tax invoice, or a dated current contract with fixed rates.

If claims are lodged by an agent, in addition to the documentation above the agent would have to provide documentation indicating the claimant on whose behalf the claim was lodged. Centrelink would need to have an approved copy of the current agency agreement.

Documentation would also need to be held by the claimant (or their agent) for future audit / compliance requirements.

Option 2

While the requirements in relation to documentation to support claims would be similar to Option 1, claimants would not be required to lodge the documentation with every claim. However, claimants would be required to be able to produce this supporting documentation as required for audit and compliance purposes.

Questions

- *Are the suggested arrangements workable?*
- *What issues may arise?*
- *How significant are commercial confidentiality issues associated with these arrangements?*
- *Are there any variations to this approach which could meet these concerns?*

2(d) Audit and Compliance Arrangements

The Productivity Commission recommended that together with the change to wharf-to-wharf claiming under the TFES, the auditing arrangements should be enhanced. This is the third component of strengthening the administration of the scheme, and enhancing the focus on sea freight cost disadvantage.

Revised claimant registration and eligibility assessment for new claimants and agents would be put in place at the front-end of processing, along with a programme of auditing involving regular, targeted and randomised audits.

At the front end of the process, this would include ensuring that claimants are clearly identified for current and future claims, and that the supporting documentation is provided. For claims lodged by agents, a current agency agreement would be required by Centrelink. Periodic confirmation of claimants' information and eligibility will be undertaken.

The new audit arrangements would mean claimants (and agents) would be required to hold documentation for 5 years and would place requirements on

claimants / agents to cooperate and comply with TFES auditors. This would include access to premises and original documentation; that is, the documentation cannot be altered or manipulated once stored, and must be capable of being retrieved and read at all times until the five-year period has expired. This documentation should substantiate the shipper's claims, including the eligibility of claimants and goods, wharf-to-wharf costs, bill of lading, proof of payment and all other documentation requirements as set out in the revised Ministerial Directions.

Where agents have lodged claims on behalf of claimants, the claimant would remain responsible for complying with the audit requirements. Claimants who choose to use agents would need to ensure that they hold the appropriate documentation and information, or that they have arrangements in place with their agent that enable the documentation to be available for audit activity.

Consistent with this approach information would be published on an annual basis about claimants, including claimants' names, the amount of assistance received, their industry classification, and the goods for which they have received assistance.

Consideration is being given to possible sanctions for those failing to comply with the Ministerial Directions. These possible sanctions include some or all of the following, depending on the severity of the breach, or failure to rectify a breach:

- future payments being withheld (for example, until audit requirements are met), any overpayments / ineligible / incorrect / unsubstantiated payments are recovered;
- should option 2 at 2(c) be adopted, the requirement to provide full documentation with every claim;
- removal of privileges, e.g. agency or self assessor status;
- publishing details of claimants / agents who have been found to have incurred a breach; and
- criminal processes under existing legislation such as corporations and trade practices law.

Questions

- *Would a period of 5 years to hold documentation be problematic for claimants?*
- *Do claimants have a view about the suggestion that this time period would also apply as the period from which the government can audit claimants and applied sanctions?*
- *What information about the schemes should be published? Annually?*
- *Are the possible sanctions identified appropriate and adequate?*

2(e) Review Mechanisms

The Productivity Commission recommended that the methodology of the TFES parameters be reviewed each three years. This would include a review by the BITRE of the TFES parameters and the rate for the TWFS, with the results of the parameter review to be published.

Consideration is also being given to amendments to the Ministerial Directions to provide a clear mechanism to review administrative decisions. This would involve a process within Centrelink with a hierarchy of review points: 1. initial review by assessor, 2. review by an independent assessor, 3. review by team manager; and 4. review by the Department.

Under the current Ministerial Directions, the key review mechanism is through provisions creating a TFES Review Authority, to review decisions made pursuant to the Directions by or on behalf of any person whose interests are affected by the decision. The Authority may also be convened by the Minister or the Secretary to provide an advisory opinion on any matter or question relating to the administration of the TFES or interpretation of the Ministerial Directions.

However the TFES Review Authority has not been convened for a number of years, and the ongoing mechanisms outlined above may create more

transparent and expeditious processes than is possible under current provisions.

Questions

- *Do the possible new arrangements outlined above provide sufficient opportunity for the review of administrative decisions?*
- *Is there any need to retain references to the TFES Review Authority in light of these arrangements?*

2(f) Other Matters

i) Time Limit to Lodge Claims

The Ministerial Directions currently provide a two-year time limit from the date of shipment for claims to be made. The number of claims extending to this limit are significant; 70 per cent lodged within the financial year of shipment, and 30 per cent occur across the following two financial years. This provision contributes to unnecessary administrative and data complexity. Views are being sought on whether to reduce this time limit to 12 months.

Question

- *Would a time limit of 12 months lead to significant issues for claimants, such as imposing requirements additional to standard business practices, or tax corporations law / end of financial year processes?*

ii) Multi-use Packaging

Consideration is being given to whether multi-use packaging should be eligible for TFES assistance. Multi-use packaging is that which is specifically produced to be used for repeated freight tasks / movements of a specified

product. The examples commonly cited include beer kegs and selected specialised fruit crates that are refillable.

Multi-use packaging does not include packaging which is used once only, nor does it include materials that are transported for the purpose of undergoing a recycling process at the end of their economic life. It would not include shipping containers, pallets, trailers, or other packaging items that are not intrinsic to a specific good or product.

In determining which packaging products are eligible for assistance, there would always be consideration of the specific details and use of the packaging. However, given the changing nature of freight, the emergence of new products and technologies, as the Productivity Commission has noted, eligibility of packaging often needs to be considered on a case-by-case basis.

Questions

- *Do stakeholders agree it is desirable to introduce assistance for multi-use packaging?*
- *What containers could be classed as multi-use packaging?*
- *What products do they transport? What volumes of these products are shipped? What is the volume of the multi-use packaging?*
- *Are there specific examples where TFES currently provides less assistance because the multi-use packaging is excluded?*

iii) Minimum Amount Payable / Minimum Volume Eligible

While the limitations of the current database present some difficulties in differentiating between a complete claim and 'lines' within a claim, the data indicates processing of very small claims is being undertaken, and that approximately 5 per cent of claims processed provide less than \$100 in assistance.

Clause 11.5 of the TFES Ministerial Directions currently provides that assistance is not payable for manufacturing and mining industries under the southbound component unless the assistance payable is more than \$100 in a twelve month period.

Consideration is being given to implementing a general minimum eligible payment, or minimum eligible volume. This would involve setting a minimum eligible threshold per financial year for assistance payable (for example \$100). This would be a cumulative amount - that is assistance would not be paid until the minimum threshold in a financial year had been reached. The onus would be on claimants to keep track of their claims in relation to the new threshold.

Question

- *Stakeholder views are sought on adopting a minimum threshold for assistance payable per financial year.*

2(g) Tasmanian Wheat Freight Scheme

The Productivity Commission recommended that a new methodology for calculating assistance under the TWFS be developed and that the scheme be expanded to include both bulk and containerised unprocessed wheat shipments, with the same rate of assistance to be paid for both bulk and containerised wheat shipments.

From the implementation of the reforms, a new rate of assistance would be put in place, the cap on annual funding would be removed, and unprocessed wheat would not be eligible for TFES.

The new TFES definitions of claimants and agents would apply to the TWFS, together with the same documentary requirements for claiming, the same audit and compliance arrangements, and the same review arrangements,

would be in place. That is, the administrative requirements of the two schemes would be the same as much as is practical.

The Productivity Commission recommended that the new TWFS rate be based upon the least cost method of shipping wheat across Bass Strait and a rail freight equivalent cost, and that given the lack of recent data on these measures, the Bass Strait wharf-to-wharf container rate and the TFES road freight equivalent should be used in the interim. These rates would be flat rates with no scaling factors or inter-modal components. The BITRE is currently considering the appropriate levels of the parameters for the revised TWFS on this basis.

To implement these reforms to the TWFS, the following definition of unprocessed wheat is suggested:

Unprocessed wheat includes wheat of the species *Triticum durum*, *Triticum spelta*, *Triticum aestivum* and *Triticum tauschii* and may have been cleaned of chaff, husks, backbones and undersized, cracked or shrivelled grains but is otherwise whole grains that has not been subject to gristing, crushing, grinding, milling or other processing and is not mixed with other grains or materials.

This definition has been derived from the *Non-bulk Wheat Quality Assurance Scheme 2007*, the *Wheat Industry Stabilization Act 1974 No 62, 1974* and consultations with officers from Department of Agriculture, Fisheries and Forestry, Customs and industry representatives.

Questions

- *Is the proposed definition of unprocessed wheat feasible?*
- *Are there circumstances in which wheat is shipped northwards?*
- *Could TWFS be restricted to southbound shipments of wheat?*

Appendix A

PRODUCTIVITY COMMISSION RECOMMENDATIONS AND FORMER COMMONWEALTH GOVERNMENT RESPONSE

Productivity Commission Inquiry Report No. 39 “Tasmanian Freight Subsidy Arrangements”

The Commonwealth Government (‘the Commonwealth’) recognises that Tasmanian producers can be at a freight cost disadvantage when competing in mainland markets by not having land access to the mainland states and territories. The Commonwealth therefore remains strongly committed to the programmes it has in place to alleviate the cost disadvantages faced by passengers and freight across Bass Strait.

In this context, the Commonwealth agrees with the findings of the final Productivity Commission (‘the Commission’) Report and will implement its substantive recommendations. In particular the Commonwealth will ensure the Tasmanian Freight Equalisation Scheme (TFES) and the Tasmanian Wheat Freight Scheme (TWFS) (‘the Schemes’) more strongly focus on effectively addressing sea freight cost disadvantage, and will put in place further reforms ensuring that the Schemes operate effectively and to the benefit of the people of Tasmania.

Key changes to be implemented as a result of this decision are:

- (a) restructuring the basis for claiming TFES assistance to minimise the adverse incentives the current TFES generates. This will involve ensuring that, as far as is practicable, assistance is paid on the basis of the demonstrated sea freight cost disadvantage as a result of having to ship goods across Bass Strait;
- (b) enhancing the administration and auditing of the TFES, involving updating and enhancing systems and more comprehensive public reporting of information;
- (c) revising the methodology for setting and updating the parameters used to calculate TFES assistance;
- (d) expanding the TWFS to include all bulk and containerised unprocessed wheat shipments, and for eligible shipments to be paid at the same rate and not be subject to the current cap on TWFS payments; and
- (e) unprocessed wheat will no longer be eligible under the TFES.

These reforms will be subject to a report to the Commonwealth in three years from implementation to assess their effectiveness.

The Commonwealth intends to implement the changes from 1 July 2008. Prior to this date there will be extensive consultation with stakeholders to ensure the

revised Schemes are implemented in a practical manner that minimises any additional burdens on claimants and other parties. The consultation process will focus on:

- (a) documentation and evidentiary requirements for the revised Schemes;
- (b) updating and enhancing the information technology systems used to administer the Schemes;
- (c) designing an appropriate auditing, compliance and fraud prevention programme for the revised arrangements;
- (d) updating the methodology for calculating the parameters used for the Schemes, and ensuring the parameters are reviewed every three years in future; and
- (e) designing the new methodology for calculating assistance under the TWFS.

In addition to these improvements, the Commonwealth has agreed to give further consideration to:

- (a) specific circumstances facing King and Flinders islands; and
- (b) assistance for packaging designed and used for multiple northbound trips.

The Commonwealth will finalise the details of the revised Schemes early in 2008 following consultations with stakeholders on the matters raised above.

The Commonwealth's responses to the individual Commission recommendations are as follows:

Recommendation 1

The basis for claiming TFES payments should be restructured to minimise the adverse incentives that the current Scheme generates.

Recommendation 2

Assistance under the TFES should only be payable on the basis of evidence of actual wharf-to-wharf costs:

- *Centrelink should specify the documentary evidence that it will accept as proof of wharf-to-wharf costs. As far as practicable, this should be based on original carrier wharf-to-wharf invoices.*
- *Parameter adjustments of \$230 per twenty foot equivalent unit (TEU) for door-to-wharf and wharf-to-door costs should no longer apply. Other parameter adjustments would continue to be used.*

Recommendation 4

Department of Transport and Regional Services (DOTARS) and the Bureau of Transport and Regional Economics (BTRE) should revise the methodology for setting and updating the remaining parameters, and review them every three years. In particular, they should review how wharf-to-wharf costs should be defined. The results of parameter reviews should be published.

Commonwealth response:

The Commonwealth accepts recommendation 1, recommendation 2, and recommendation 4. The TFES is based on alleviating the cost disadvantage associated with being unable to use land transport across Bass Strait, and assistance is based on the sea freight cost disadvantage. The Commonwealth agrees that restructuring the TFES by making actual wharf-to-wharf costs the basis for assessing TFES claims will minimise the potential for a component of land freight costs to receive assistance, contrary to the Scheme objectives. The abolition of the \$230 per TEU door-to-wharf and wharf-to-door parameter adjustments is consistent with this.

The move to the sole use of actual wharf-to-wharf costs, and the associated removal of the parameter adjustments for land-based costs, will necessitate the introduction of new evidentiary requirements for Scheme claimants and a revision of the methodology for setting the remaining parameters. DOTARS will consult with the transport industry and other stakeholders about the documentary evidence required to support wharf-to-wharf claims. The intention of these consultations will be to ensure that a practical and sustainable approach to documentation is established, that will be consistent with audit and compliance requirements into the future. The Commonwealth will review the parameters every three years and results of the review will be published.

The Commonwealth will specify the documentary evidence required for wharf-to-wharf claims and the updated parameters in revised ministerial directions for the TFES to be in place when the revised arrangements are introduced, from 1 July 2008.

Recommendation 3

The administration and auditing of the TFES should focus more intensively on the verification of wharf-to-wharf costs:

- *The system required to administer the Scheme should be updated in the light of the more detailed evidence and data processing needed to verify wharf-to-wharf costs.*
- *There should be more comprehensive public reporting of information, including the annual payments to recipients.*

Commonwealth response:

The Commonwealth accepts recommendation 3. A new approach to verifying wharf-to-wharf costs will be developed and supported by an upgraded computer system and risk management approach. The consultations with industry and other stakeholders will also canvas options for best practice approaches to lodging claims and compliance measures.

From 2008, the Commonwealth will publish comprehensive information about the TFES and TWFS. This will include:

- (a) payments to claim recipients receiving \$1,000 or more in a financial year;
- (b) the break down of assistance by industry/goods;

- (c) the results of the methodology and parameter review for 2008 and subsequent reviews; and
- (d) annual reporting on the Schemes and their audit/compliance.

Recommendation 5

DOTARS should monitor the operation of the revised Scheme to investigate whether there is evidence of ongoing gaming and overcompensation under wharf-to-wharf claiming arrangements. It should report to Government on this matter during 2009.

The report should also examine:

- *The effectiveness of administration and audit controls.*
- *The role of all actual and potential claimants who are not producers and shippers of goods assisted under the TFES.*
- *Any aspects of the ministerial directions judged to be causing difficulty at that time.*

If the Government concludes that gaming and overcompensation of freight cost disadvantage remain significant issues, it should introduce a flat-rate of assistance per TEU as per finding 7.1 to operate from 1 July 2010.

Commonwealth response:

The Commonwealth accepts recommendation 5 in part, with the report to the Commonwealth to be made within three years of the implementation of the revised arrangements and with the form and content of the review to be determined by the Commonwealth in 2010. The Commonwealth will monitor the Schemes and any amendments will be considered as part of this review in 2010.

Recommendation 6

The TWFS should pay the same level of assistance per tonne to wheat shipped in containers and in bulk:

- *Payments under the TWFS should not be capped.*
- *Wheat should no longer be eligible for assistance under the TFES.*

The level of assistance should be based on the least cost method of shipping wheat across Bass Strait and a rail freight equivalent cost:

- *Given the lack of recent data on these measures, the Bass Strait wharf-to-wharf container rate and the TFES road freight equivalent should be used in the interim. As such, for three years, the TWFS should pay assistance of \$23.12 per tonne, or the shipper's actual wharf-to-wharf costs, whichever is the lesser.*
- *In concert with the first three-year parameter and operational review of the TFES, the BTRE should estimate the cost of bulk shipments of wheat and the rough rate equivalent, to update the rate of subsidy from that time.*

Commonwealth response:

The Commonwealth accepts recommendation 6 in part. The TWFS will be expanded to include both bulk and containerised unprocessed wheat shipments, and the current cap of \$1.1 million per annum will be removed. The interim rate to be applied will be determined as part of the methodology review to be undertaken by the BTRE, and implemented from 1 July 2008. This rate will be reviewed on a three yearly cycle along with the parameters for the TFES, and the results of this published.

Appendix B

Federal Labor increases Bass Strait Passenger Vehicle Equalisation Scheme and reaffirms support for Tasmanian freight schemes.

9 September 2007

Shadow Minister for Transport, Roads and Tourism, Martin Ferguson is in Devonport today to announce that a Rudd Labor Government will increase the rebate for taking passenger cars across Bass Strait on the Spirits of Tasmania by \$30, reducing the fare from \$79 to \$49 each way.

This measure would cost up to \$10 million per year taking into account the increased number of tourists expected to take advantage of the scheme.

Bass Strait is Tasmania's highway to the mainland, linking it by sea instead of bitumen.

But in 2005-06 the number of visitors travelling by sea to Tasmania declined by 5,500 – or almost 4 per cent – with the number of Tasmanians travelling by sea to the mainland also declining by 3 per cent.

Mr. Ferguson said "The cost of travel across Bass Strait is clearly a major impediment to travel between the mainland and Tasmania."

"Without the passenger vehicle rebate, 4,375 new tourists would not have visited Tasmania in 2005-06 and the State would have missed out on \$9.4 million in tourist spending."

"But there has been no increase in the rebate for a family sedan since it was set at \$150 eleven years ago in 1996."

"It is time for it to be increased to move towards the current cost of driving similar distances on the national highway network," he said.

Mr. Ferguson said that under a Rudd Labor government the rebate will increase from \$150 to \$180 per passenger car and for the first time will also be indexed annually to the CPI.

Rebates for other eligible passenger vehicles, including motor homes, buses, motor cycles, vehicles towing caravans, and bicycles would also be increased in consultation with the Tourism Industry Council Tasmania and the Tasmanian government.

"The Coalition has been asleep at the helm and sea travellers have been paying a hefty price," he said.

“Labor’s Tasmanian Senators, Members and Candidates have been lobbying me hard to put this right after eleven years of inaction by the Federal government and I’m pleased to do so today.”

“A healthy tourism industry is vital to the economy and jobs here in Tasmania and this measure will deliver more affordable links to the Australian mainland and provide increased confidence for tourism operators to further invest and grow their businesses,” Mr. Ferguson said.

Labor’s candidate for Braddon, Sid Sidebottom welcomed the additional funding and predicted it will boost Tasmania’s tourism industry as a whole, particularly in the North-West and West Coast regions.

“Visitors bringing their cars to Tasmania generally stayed longer, travelled more widely to regional areas and spent more in the communities they visited,” Mr. Sidebottom said.

Jodie Campbell, Labor’s candidate for Bass, also welcomed the funding and the flow on benefits for tourism in the North-East region of the State.

“The rising costs have been a deterrent for people wishing to take their vehicles either to or from Tasmania and this will help restore the balance,” Ms. Campbell said.

Mr. Ferguson also reaffirmed that a Rudd Labor government will retain the Tasmanian Freight Equalisation Scheme and the Tasmanian Wheat Freight Scheme, including the reform measures currently being implemented by the Coalition government.

So far Federal Labor has promised:

- \$15 million for the Kingston Bypass south of Hobart
- \$500,000 for the Oakleigh Park pedestrian overpass in Burnie
- \$350,000 for traffic lights or a roundabout at the Westbury Road/Mt. Leslie Road intersection in Launceston
- Up to \$10 million additional funding for the Bass Strait Passenger Vehicle Equalisation Scheme
- Ongoing funding for the Tasmanian Freight Equalisation Scheme and the Tasmanian Wheat Freight Scheme

Consultation information

This consultation paper is intended to assist those proposing to attend one of the public forums or individual consultation sessions conducted by Department of Infrastructure, Transport, Regional Development and Local Government or in providing comments in writing to the Department. It provides administrative information, outlines the scope of the consultations and lists matters on which the Department is seeking comment and information to assist in finalising the details of the revised arrangements for the Schemes.

Key consultation dates

- Public forum / individual consultation session dates

Hobart	3 March 2008
Launceston	4 March 2008
Devonport	5 March 2008
King Island	6 March 2008
Flinders Island	7 March 2008

Information about dates and venues will be available from the Department's website at <www.infrastructure.gov.au/tasfreight>

How to provide comments in writing

There is no specified format for comments made in writing, however, comments should focus on issues noted in this paper for discussion and should accord with the reforms announced by the Australian Government in its response to the Productivity Commission inquiry into the Tasmanian Freight Subsidy Arrangements. Where appropriate, supporting data and documentation should be provided.

Comments can be submitted via email as a text document (.txt, .rtf), a Microsoft Word document (.doc) or a similar text format. Please remove any drafting notes, track changes, annotations and other hidden text and marked revisions, as well as any internal links and large logos and decorative graphics (to keep file sizes down). Comments may also be sent by mail or fax.

Due date for comments: 25 March 2008

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