



# Tasmanian Farmers & Graziers Association

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Tasmanian Freight Intrastate Subsidy – King & Flinders Islands  
Dept of Infrastructure, Transport, Regional Development & Local Government  
Canberra ACT 2601

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Dear Sir,

## **Submission on the Tasmanian Freight Intrastate Subsidy – King and Flinders Islands**

### **Introduction**

The commitment by the Australian Government to extend the TFES to include intrastate sea freight between King and Flinders islands and the main island of Tasmania, will enhance trading options for primary producers on both islands.

The rationale for the new scheme will see equitable treatment of industry with respect to intrastate trade and specifically, access to production inputs, and the markets for goods produced.

The intrastate subsidy will ensure King and Flinders Island receive equity with the rest of Tasmania, which in turn seeks equity with the rest of Australia.

### **About TFGA**

The Tasmanian Farmers and Graziers Association (TFGA) is the State's peak representative body for farmers. Membership totals some 3,600 members and extends across the wool, meat, dairy, vegetables and cereals and seed industries. Members are also involved in a range of other agricultural activities, including poppies, berries and pyrethrum, and private forest management and wood production in both native forest and plantations.

## **Intrastate Addendum Issues for Discussion**

### **a) Calculation of Assistance**

A fixed rate approach is opposed as an alternative method for delivering assistance as it fails to recognise two key features embodied in the current scheme:

1. responsiveness to fluctuations in freight rates; and
2. the different levels of disadvantage faced by shippers.

Example of current shipping costs for livestock (cattle and sheep) to King Island:

	<b>TAS to Vic</b>	<b>King Island to VIC</b>	<b>TAS to King Island</b>
<b>Gross Cost</b>	4,350	5,075	4,660
<b>Less TFES</b>	1,710	1,710	0
<b>Net Cost</b>	<b>\$2,640</b>	<b>\$3,365</b>	<b>\$4,660</b>

There may be scope for some application of a flat rate assistance approach as a supplementary alternative for those shippers who find the current approach administratively onerous.

**It is submitted that the basis of assistance calculation and delivery should be based on actual wharf-to-wharf costs and a flat rate of assistance approach should only be pursued as an administrative alternative for claimants to consider at their discretion.**

### **b) Eligibility**

The majority of goods, exports and imports, transported to King and Flinders islands is by sea and therefore an essential service, a major cost and has unique logistic issues.

The freight issues specific to King and Flinders islands that should be considered in determining eligible goods under the intrastate scheme, include:

1. Empty containers of general cargo and refrigerated containers (meat and cheese) are an additional cost to ship. King and Flinders islands do not have the flexibility and advantage of road transport to move empty containers about, and the only option is to ship all empty containers.

**It is submitted that containers shipped intrastate with the intention of being filled/refilled as part of production, manufacturing or packaging cycle be classified as eligible to receive freight assistance.**

2. Fertilizer should be included as eligible to receive assistance as there is a fertilizer manufacturer of single super in Hobart. Therefore, as the fertilizer is manufactured in mainland Tasmania both King and Flinders Island are eligible to receive assistance.

**It is submitted non-bulk fertilizer should be eligible to receive assistance under the freight intrastate assistance.**

3. Fuel is received in isotainers as neither island has the infrastructure to receive bulk shipments of fuel.

Primary producers and key industries (meat and cheese processing, fishing, manufacturing) on both islands rely on the imported fuel from mainland Tasmania as there is no other alternative. There is a significant cost disadvantage for users of fuel because of the freight component and lack of alternatives.

**It is submitted that a special component be created to make non-bulk fuel eligible for primary producers and other key industries on King and Flinders Island, to ensure equity with the rest of the State.**

4. Steel gates, bagged cement and poly pipe are all important aspects to primary producers on both islands and need to be reconsidered as part of the intrastate freight assistance scheme.

**It is submitted that clarification is required to investigate that steel gates, bagged cement and poly pipes receive assistance under the intrastate scheme.**

### c) Prevention of 'Double-dipping'

The TFGA submit that double dipping will not be a problem. As both schemes, interstate and intrastate, will be administrated and audited under the current Centrelink process that should prevent the issue of 'double-dipping'.

### Other Matters

#### **Intermodal Costs:**

These undisclosed costs include intermodal dislocation; additional dwell; deconsolidation costs; and additional equipment and delivery costs.

The additional intermodal costs that should be taken into consideration include;

- Longer curfew times to ship livestock incur additional costs because of environmental reasons (effluent)
- Restriction on containers shipping in and out of King Island to 23.5 tonne resulting in :
  - weighbridge costs incurred at both ports
  - cost of repacking container larger than TEU

#### Intermodal Costs to transport wool bales from King Island:

The wool bales are picked-up from King Island, consolidated (packed into containers) and delivered to store in Melbourne.

Cost per bale sea freight	\$40.70
Plus 9.75% fuel surcharge	\$ 3.97
Intermodal cost per bale	<u>\$13.30</u>
Total cost per bale	<b>\$57.97</b>

Cost per container (45 bales per container)	
○ Sea freight (45 x 44.67)	2,010.15
○ Intermodal (45 x 13.30)	<u>598.50</u>
Total freight cost per container	<b>\$2,608.65</b>

From this example the intermodal costs equate to \$299.25 for each end of the shipping journey.

**It is submitted the current basis, under the Tasmanian Freight Assistance Arrangements, for intermodal costs are reviewed and analysed to form an up-to-date recalculated set allowance.**

### **Conclusion**

The TFGA is broadly comfortable with using the assistance calculation methodology and the administrative elements surrounding the Tasmanian Freight Equalisation Scheme for the intrastate subsidy on King and Flinders islands.

However, the full benefits of providing King and Flinders islands with equitable access to mainland Tasmanian markets will only be achieved if the assistance provided reflects the actual level of sea freight cost disadvantaged experienced.

The freight disadvantage experienced by primary producers on the islands is going to be addressed with the introduction of the intrastate subsidy, and will be further enhanced by utilizing the recommendations outlined in TFGA's submission.

Yours sincerely,



Roger Swain  
**President**