Cover image for the Australian Government Productivity Commission draft report titled 'Tasmanian Shipping and Freight'. Published January 2014.
This is a draft report
prepared for further public consultation and input.
The Commission will finalise its report after these processes have taken place.

Commonwealth of Australia 2014

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The Productivity Commission

The Productivity Commission is the Australian Government’s independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission’s independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

Further information on the Productivity Commission can be obtained from the Commission’s website (www.pc.gov.au) or by contacting Media and Publications on (03) 9653 2244 or email: maps@pc.gov.au

# Opportunity for further comment

You are invited to examine this draft and comment on it by written submission to the Productivity Commission by Friday 7 February 2014 and/or by attending a public hearing.

The final report will be prepared after submissions have been received and will be forwarded to the Australian Government in March 2014.

**Public hearing dates and venues**

|  |  |  |
| --- | --- | --- |
| **Location** | **Date** | **Venue** |
| Melbourne | Monday 3 February 2014 | Productivity Commission  Level 12  530 Collins Street |
| Hobart | Tuesday 4 February 2014  Wednesday 5 February 2014 | Old Woolstore Apartment Hotel  Merino Room  1 Macquarie Street |
| Launceston | Thursday 6 February 2014  Friday 7 February 2014 | Clarion Hotel City Park Grand  Tamar Room  22 Tamar Street |
| Canberra | Monday 10 February 2014 | Productivity Commission  Level 2  15 Moore Street |

If you wish to appear at a public hearing please register online at www.pc.gov.au/projects/inquiry/tasmanian-shipping

If you intend to appear at a public hearing and have not already made a written submission, a summary of the points you wish to discuss should be lodged with the Commission at least two days prior to your appearance.

**Commissioners**

For the purposes of this inquiry and draft report, in accordance with section 40 of the *Productivity Commission Act 1998* the powers of the Productivity Commission have been exercised by:

|  |  |
| --- | --- |
|  |  |
| Karen Chester | Presiding Commissioner |

# Terms of reference

I, Joseph Benedict Hockey, Treasurer, pursuant to Parts 2 and 3 of the Productivity Commission Act 1998, hereby request that the Productivity Commission undertake an inquiry into the current arrangements for supporting freight and passenger services between the mainland and Tasmania.

### Background

Tasmania is a small economy that relies heavily on sea trade. The shipping costs associated with getting goods to market are a concern for Tasmanian businesses and consumers. These transport costs create an additional cost burden for Tasmanian businesses compared to businesses on the mainland, which may be placing them at a disadvantage. While the Government operates three schemes to address the freight cost disadvantage, there is a concern that these are not delivering an efficient outcome or achieving the stated objectives.

### Scope of Inquiry

1. Examine shipping costs, competition and shipping industry competitive structures across Bass Strait.
2. Identify the factors inhibiting the provision of international shipping services to Tasmania.
3. Examine the competitiveness of Tasmania’s freight industry, economic infrastructure and possible reforms that would assist in enhancing effective competition, investment and productivity growth.
4. Assess the merits and weaknesses of the current arrangements for supporting freight and passenger services between the mainland and Tasmania and provide recommendations on an appropriate future approach and/or arrangements.
5. In making assessments in relation to matters in paragraph 4, the inquiry should:
6. report on the freight and passenger tasks and their costs between Tasmania, Flinders and King Islands and the mainland of Australia; and between Tasmania and international ports;
7. quantify any freight cost disadvantages for goods eligible under the Tasmanian Freight Equalisation Scheme and the Tasmanian Wheat Freight Scheme, identify their primary causes and assess the impact of that disadvantage on Tasmanian business;
8. quantify any cost disadvantages for passengers travelling to Tasmania who are currently eligible for support through the Bass Strait Passenger Vehicle Equalisation Scheme;
9. assess the effectiveness of the current schemes as a mechanism for addressing cost disadvantages, including identification of the costs and benefits, the impact on stakeholders, and any unintended consequences or distortionary effects of the current arrangements; and
10. identify any alternative mechanisms that could more effectively address cost disadvantages, including assessing the full economic costs and benefits of any alternative mechanism.

### Process

The Commission is to undertake an appropriate public consultation process including holding hearings, inviting public submissions and releasing a draft report to the public.

The inquiry will inform the broader ‘root and branch’ review of Australia’s competition laws and competition framework and will provide broad scope to identify areas where further competitive reforms of particular benefit to Tasmania could be introduced.

The Commission will conduct the inquiry in consultation with the Australian Competition and Consumer Commission.

The final report should be provided by 7 March 2014.

J. B. HOCKEY

Treasurer

[Received 29 November 2013]

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