

Productivity Commission's Draft Report - HFE inquiry

Submission by Peter Brohier, Chairman of the former Committee for Bass Strait Transport Equality and the National Sea Highway Committee

"More generally, there are long-running concerns that HFE leads to grant dependency in the smaller States and a failure to pursue economic development. Again, these in-principle incentive effects are hard to substantiate."HFE Draft Report 2017

I believe that the primary intent of federation of, 'integrating the colonies into a national economy through the movement of people and freight', should be met before there is any assessment of subsidies, grants or the level of HFE allocation between states.

This intent is not being met in respect of Tasmania. All other states and territories are interconnected. The recommendations of the draft report to HFE should only have application after Tasmania is similarly connected.

Both my committees acted as catalysts and lobbyists for the introduction of the Bass Strait Passenger Vehicle Equalisation Scheme 'BSPVES' and associated National Highway Bass Strait promises. The BSPVES has a net present value in the billions.

The following outlines how Tasmania can reverse its economic fortunes overnight using existing resources, reduce its dependence on HFE and other subsidies and increase its GST collections.

The intent of federation was to link all the colonies into an integrated national economy through the movement of both, people and freight.

In the case of Tasmania, a vital, well-funded, federal ferry - based passenger and vehicle equalisation scheme, aimed at delivering this integration, has been reversed and has now failed.

With Canberra's compliance and now encouragement, the scheme has been turned into subsidies.

These subsidies do not link or integrate Tasmania into the national economy. They are now mainly applied to meet the needs of the intended beneficiaries in ways often contrary to the objective of moving normal highway traffic into and out of Tasmania.

Turning an equalisation entitlement into such a discretionary subsidy has savagely restricted the movement of people into and out of Tasmania. It possibly drives about 7% of Tasmania's GDP.

This approach, also maintains what can be seen by some to be a 'poor disadvantaged Tasmania' surrounded by water. Canberra then feeds interest groups on a 'cap in hand' basis with further subsidies.

The PC's suggestion, in its Tasmanian Freight and Shipping inquiry, of replacement of the equalisation schemes by unspecified 'discretionary' subsidies is an example of such an approach.

Consequently, a fear of losing existing subsidies permeates the Tasmanian community, not the strength of an 'entitlement'.

The PC also recommended some unspecified national solution, without referring to a sea highway link - leaving the issue of a 'sea highway' to a Federal Minister's belated, and somewhat negative, response.

By retaining the Bass Strait barrier, Tasmania is prevented from effectively using much of its natural and developed strengths.

As a result, many people related activities lack critical mass - only mainly secondary benefits flow to a wider community from subsidies. Existing and future Commonwealth investments are tarnished by this impediment, let alone those in the private sector.

This approach is making Tasmania unnecessarily dependent on HFE and other federal payments. The flow of passenger traffic, both ways through Melbourne to Tasmania, is also restricting growth in the Victorian economy.

To correct this imbalance, the Tasmanian Government can, overnight, easily restore the 'highway equivalent' application of this valuable and nationally supported equalisation scheme. It can do so by moving the focus of its large capacity ferries from leisure holiday travel to highway transport.

Instead, for over twenty years it has not done so. Perhaps Tasmania is waiting for Canberra to hand over more equalisation benefits.

The Tasmanian Government could, right now, link its people and largely service-based economy, contributing about 70% of its gross state product, to the largest population corridor in our nation, at its doorstep. Population, investment and jobs will soon follow as the nation's shortest interstate, inter-capital highway is opened for business. The Hume highway would then connect Sydney to Hobart, via Melbourne.

This would promptly increase Tasmania's and Victoria's GST contribution and make Tasmania far less reliant on Western Australian taxpayers and others. It would also provide all travelers with significantly lower, all - year, highway cost access by ferry to and from Tasmania.

HFE payments to Tasmania can then be rapidly reduced as economic activity within Tasmania increases to normal interstate levels – not one based on its own closed economy.

If Tasmania is properly linked, the BSPVES could then justify its existing exclusion from calculations of Federal fiscal distribution to Tasmania -as the scheme will substantially benefit travelers, not Governments.

In 1996, my two committees performed the difficult task of encouraging both Prime Ministers Keating and Howard to fully address our concerns. This is documented.

Accommodating 'cap in hand' approaches begging for subsidies, instead of equalisation, destroys the integration of economies by restricting the movement of people and people-related freight.

Tasmania is entitled to benefit from its geographical location - not be viewed as a disadvantaged state because of the nature and treatment of access across the surrounding terrain. As a broad-based state economy, it is entitled to competitive air and surface links, as other states. Expected sea-based competition would also help.

Ferry operations should run compatibly with the highways it links, not limit or destroy the interstate use of those existing, billion-dollar highways.

The impediment of crossing Bass Strait or, what the Coalition described as “the single most serious impediment to growth in jobs, investment and population for Tasmania” should be removed. The BSPVES was the centerpiece and part of raft of measures to do just that, regardless of what the Minister for Transport now says.

Instead, the scheme the Coalition introduced, and which was supported across Australia was, in 2001, trashed or skewed and the benefits given to others, without justification and under a promise of ‘expanding ‘the BSPVES.

At the time an intended offer by Prime Minister Howard of a \$50 foot passenger fare was rejected, on top of a car being carried free under the BSPVES.

Ongoing funding of the scheme is now based on CPI, not as before on the cost of road travel and - \$50 fares are now few and far between.

The justification for continuance of effectively applied, equalized interstate transport cannot be questioned - subsidies can be. How can Canberra equalize the movement of freight, but not people? What is going on here?

The history of the BSPVES seems the clearest example of policy corruption. Compared with its introduction, almost no effort was required to remove ‘equalisation’ from a scheme capable of integrating a nation.

Through this process, a very grave injustice has been suffered by the people of Tasmania - also by the rest of the nation. They are denied access across the Victorian - Tasmanian border and economic growth because of an unnecessary gap in our multi- billion dollar National Highway network.

It now seems illogical that Canberra or Tasmania are to try to set a framework for fair HFE payments to Tasmania without taking account of the impact of this impediment.

The flow on impact of this gap is now being unnecessarily felt by Western Australian taxpayers through unjustified, ongoing allocations of HFE payments to Tasmania when, Tasmania can be encouraged to first build its economy through access, before levels of HFE are set.

This nation voted for an equally linked and strong Tasmania - not a subsidy now offering comparatively, almost nothing but waste, fear and uncertainty.

Prime Minister Turnbull’s office has undertaken to consider our concerns – the PC should do likewise – confidence in governance is clearly at stake.

Tasmania is not a weak state – it is being made weak by policies that subsidize but don’t integrate.

Peter Brohier 14th November 2017

This paper should be read in connection with submission number 8 to the HFE inquiry and its annexures.