Answers to Productivity Specific Questions
on the
Review of the Tasmanian Freight Equalisation Scheme (TFES or Scheme)

Executive summary

The Tasmanian economy depends almost entirely on sea transport for imports from and export to mainland Australia.

The TFES acts as a land transport infrastructure substitute, and is significant for correcting economic and social disadvantages that are created by the natural barrier – Bass Strait.

The Australian Government subsidises major land transport inter-city connections through its AusLink program of infrastructure development and maintenance funding. By being a substitute for land transport infrastructure, the TFES ensures that Tasmania is not unduly disadvantaged by being separated from mainland Australia.

Abolishing the TFES would produce long-run economic effects that have been modelled by the Centre for Policy Studies at Monash University (Appendix 1) and has concluded that the benefits to the rest of Australia by ceasing the Scheme are inconsequential.

The modelling highlighted the key impacts of the cessation of TFES on Tasmania to be:

- slowing of the Tasmanian economy
- loss of income tax revenue
- increased unemployment and subsequent increase in unemployment benefit payments by the Australian Government
- relocation of industry to interstate (at best) or overseas
- increase in consumer substitution for overseas products due to lack of Australian/Tasmanian alternative
- decreased capital investment in Tasmania or Australian industry
- the running down of existing plant, equipment and skill base
- business closure and relocation.

The impacts of the cessation of the TFES will go beyond Tasmania. Many of the industries located in Tasmania operate in the international market, not just the Australian market. As clearly demonstrated by McCain and McDonald's, there are cheaper labour sources available around the world. Industry relocation overseas would lose Australian jobs, impact on GDP and adversely impact on Australia's balance of payments.

In the Productivity Commission's Issues Paper, reference is made to cabotage and the operational circumstances of the Australian coastal shipping regime. As an island state, Tasmania is particularly concerned that there is a viable competitive and committed Australian maritime industry. As the Australian Government has carriage of the legislation, regulation and policy pertaining to maritime issues, for a competitive, viable industry to exist, the Australian Government needs to support the Australian shipping industry.

Tasmania is concerned that Australian Government policy appears to be in conflict with the best outcomes for a competitive Australian shipping industry and operators on the Bass Strait. Rather than make specific comment, the Productivity Commission is referred to attached paper/appendix 3, by the Australian Shipowner Association presented Friday 30 September 2005, which sets out the problems seen by the ASA in "*Australian Shipping Policy. Not".*

The Tasmanian Government's concern is that not only will Tasmania lose industry, but mainland Australia is not guaranteed to be the choice for industry relocation.

Questions and Answers

- What are the main differences in the composition and modal requirements of the freight task facing Tasmanian firms compared with their mainland counterparts?

There is little data available for comparing the freight task between Tasmanian firms and their mainland counterparts. With the Tasmanian economy being heavily based on fishing, farming, forestry and the processing of these products, the freight task across Bass Strait has a higher proportion of:

- Fresh fruit and vegetables and fish
- Frozen and processed food
- Logs
- Timber products
- Paper.

For Tasmania, there are a greater number of movements and personnel involved in delivering the task. The security and packaging requirements are significantly greater than mainland journeys.

The major difference in modal requirement is due to the Bass Strait journey - the movement of freight through a port at each end and the use of ships to move the equipment in which the cargo is contained. The sea journey is a far more unforgiving environment than the road or rail environment and greater care needs to be exercised. There is also considerably more equipment, facilities, security and infrastructure involved in the movement of sea freight and hence higher costs.

- Has the extent of these differences changed in recent years, and is it likely to do so in the future? If so, why?

With continuation of the TFES, the composition of the freight task is unlikely to change quickly, but this is dependent on decisions to be taken by major manufacturers.

Whilst major initiatives have taken place in ship design, material handling equipment and handling efficiencies for coastal sea freight journeys, the recent security requirements have added major costs to the journey. The difference between sea freight and road and rail is still significant and will probably widen with the introduction of higher productivity through Performance Based Standards (PBS) for road vehicles in the future.

- In the absence of subsidies for goods transported by sea, would there be greater use of air freight between Tasmania and the mainland? Where would the main opportunities lie and why?

Air freight costs 5 times more than sea freight and is best suited to high value, low volume and time critical cargo (ie gold, fresh and live seafood and machinery parts).

The removal of TFES would not make air freighting competitive with sea freighting.

In 2004-05, sea freight moved 1.7 million tonnes of freight. If this freight was transported by air, it would equate to:

- 4,722 tonnes per night (over 360 days)
- at 20 tonnes a plane, this figures equates to 236 727F aircraft per night or
- at 110 tonnes per plane, 43 jumbos per night.

Note: At this point in time, Tasmania suffers from a shortage of airfreight capacity during seasonal peaks and due to the increased economic activity.

. Are there significant differences between wharf costs in Australia and other countries, such as New Zealand?

There is no reason to believe a significant difference between cost structures exists.

. Are the disadvantages calculated under the TFES broadly indicative of the cost penalties incurred by Tasmanian firms in freighting containerised goods to and from the mainland? For example:

- How closely does the notional 'efficient' cost of freighting goods a similar distance on the mainland reflect actual costs? How much variation is there across 'standard weight' commodities and what is the difference in the cost of transporting 'heavy weight' cargoes?

- Is the fixed allowance of $100 for intermodal transfer a reasonably accurate reflection of the additional costs of this nature incurred by Tasmanian firms needing to use sea freight across Bass Strait?

- Do Tasmanian firms face shipping-related freight cost disadvantages which are not encompassed by the TFES — for example, higher stockholding costs due to the lesser frequency of shipping services?

Little information is available from the transport industry and it is only the industry that can supply this information to reliably answer this question.

There is no "standard freight rate" for a commodity over a given distance. The price will be influenced by a group of circumstances such as density of product, nature of product, volume, frequency of sending and seasonality.

. How big are the cost disadvantages, if any, of transporting bulk commodities to and from the mainland? How does the subsidy of $20.65 per tonne payable under the TWFS compare to the actual cost disadvantages incurred by those shipping bulk wheat across Bass Strait? How do freight costs net of subsidies for bulk wheat compare to those for containerised wheat subsidised under the TFES?

Refer to the Appendix 2 - report by Centre for International Economics, "Review of the Tasmanian Wheat Freight Scheme" 2001 p 33-34.

. For what Tasmanian goods do freight-related cost disadvantages comprise a significant share of overall production costs? For such goods, how large is this share? Are there items of this sort that are not eligible for subsidies under current arrangements?

As the transport share of production costs vary widely between goods and producers, TFES recipients are best placed to answer this question.

The Tasmanian Government understands that individual companies will provide the Productivity Commission with this information on a commercial-in-confidence basis.

What are the key contributors to freight cost disadvantages confronting Tasmanian shippers?

- How significant are factors reflecting the intrinsic nature of the freight task relative to the impact of the current degree of competition in the provision of Bass Strait shipping services, and compared to broader government policies affecting the efficiency of coastal shipping and the costs of land-based transport? Have these relativities been changing over time and, if so, why?

There are two key drivers of the cost disadvantage confronting Tasmania – AusLink and Australian Government shipping policy.

The Australian Government subsidises major land transport inter-city connections through the AusLink National Corridors by $15 billion over the next five years. There are large distances of road and rail corridors between major cities that are enhanced, maintained and built under the AusLink program – but the corridor between Tasmania and the mainland is not included. TFES acts as a substitute for land transport infrastructure and inter-city connections for the sea journey.

By being a substitute for land transport infrastructure, the TFES ensures that Tasmania is not discriminated against for being an island with a mandatory sea journey.

Bass Strait is the significant domestic container freight route in Australia with other coastal shipping being bulk, moved by largely Australian operated vessels.

There are four shipping companies that operate across Bass Strait and a key cost disadvantage is due to Australian Government shipping policy. Refer to Appendix 3 – World Maritime Day speech by David Sterrett, Chairman, Australian Shipowners Association.

How important are quality of service advantages or disadvantages relative to cost disadvantages? To what extent are any service quality disadvantages ameliorated through paying a higher price for a premium shipping service?

This question implies that Tasmania has a premium shipping service. While the services are adequate, competition between the four service providers ensures that services are efficient within Australian Government imposed constraints.

In the absence of subsidies, for what particular goods and services would freight cost disadvantages have a significant negative impact on competitiveness in mainland markets? What would be the ensuing implications for Tasmanian activity, employment and investment?

The implications for Tasmanian activity, employment and investment are significant in the absence of the TFES.

The Tasmanian Government commissioned Monash University to model on the effects of the TFES on the Tasmanian economy using MMRF CGE modeling (Appendix 1).

In summary, TFES facilitates:

- 4,280 jobs
- $304 million in real GSP
- $209 million in real private consumption
- $55 million in real State Government consumption
- $61 million in real investment
- $42 million in real international imports
- $217 million in real interstate exports
- $192 million in real interstate imports.

. Are there significant numbers of goods and services sold in Tasmania for which the protective effect of the freight cost disadvantage would outweigh the adverse impacts of (uncompensated) higher costs for any inputs imported from the mainland?

We understand this question to be asking: Without TFES, does Bass Strait provide Tasmanian produced goods with a natural competitive advantage over mainland-produced goods in the Tasmanian market? The answer is that there could be but these goods would be provided at a higher cost to Tasmanian customers and economy.

TFES only applies to goods (not services).

Would freight cost disadvantages otherwise sustain greater Tasmanian production of wheat for feedstock and/or inputs which are currently subsidised under the southbound provisions of the TFES? Would there be greater processing of some primary products within Tasmania?

There is little scope for Tasmania to produce commercial quantities of hard wheat that is suitable for flour milling for human consumption without suitable infrastructure and economies of scale. Hard wheat production in Tasmania is unlikely to be viable. There would be some ability to expand the capacity of the local wheat producing industry for feedstock. However, that in itself is limited by a number of factors, including the geography and agro-climatic conditions faced by Tasmanian primary producers which limits the ability to expand wheat growing in Tasmania.

Further, the ability to source wheat used in production of primary products at a competitive price does support further processing within Tasmania. As mentioned, it supports flour milling in Tasmania, also dairy production plus pig and grazing industries, poultry meat and egg industries, as well as aquaculture and beef feedlot operations.

Do shipping companies have significant market power in setting freight rates and is there evidence that they been using this power to appropriate part of the subsidies intended to assist Bass Strait shippers?

According to the Centerlink data, mean container pricing for 6 and 12 meters containers, sea freight rates have not moved significantly for the past 5 years. It is not known if fuel surcharge are included in this data. See Appendix 4 for container rates analysis. However, industry has indicated that prices have risen in line with CPI. There is no evidence of market power abuse.

. What is the scope for route-specific innovation to reduce the cost of Bass Strait shipping services? Are there examples where high rates of subsidy (relative to freight cost disadvantages) have led to delays in the implementation of cost effective innovation, or the failure to investigate ways of overcoming identified inefficiencies in these services?

The Tasmanian Government does not believe that the TFES has impeded innovation in Bass Strait shipping.

. How do shipping costs on the Bass Strait route compare with the costs of coastal shipping services over comparable distances between mainland ports (eg. Perth to Geraldton or Brisbane to Rockhampton)? What conclusions can be drawn from any differences?

There are currently 93 Australian owned and/or operating vessels

- 56 operate on the Australian Coast.
- Of those 56, 10 have the ability to transport containers (3 are container vessels and 7 are RoRo (roll on roll off)
- 8 operate on Bass Strait.

Given the small number of ships operating in the container movement market, the Tasmanian Government is not aware of any detailed analysis of the cost variances between these 10 vessels for freight rates.

This highlights the extent to which the Bass Strait container movement market is a niche market.

Most coastal journeys in Australia are for the carriage of bulk commodities with the exception of the new Pan service Melbourne-Perth-Melbourne. The Western Australian service Perth to the Kimberly is directly targeted to compete with road freight and is subsidised ($8 million) by the Western Australian Government to reduce road infrastructure maintenance costs and support the mining and resource industries with heavy lift capability.

In the WA context, the subsidisation is necessary for sea freight to be competitive and demonstrates sea shipping is less efficient than road or rail transport.

Refer to Appendix 3 – World Maritime Day speech by David Sterrett, Chairman, Australian Shipowners Association.

What are the costs to firms of complying with the administrative and procedural requirements of the TFES and TWFS? Has the attempt to increase the ‘precision’ of TFES subsidies resulted in significantly higher compliance costs?

TFES recipients are best placed to answer.

To what extent have the TFES and current and previous subsidy arrangements applying to the freight of wheat across Bass Strait encouraged relocation of production to Tasmania from the mainland? What have been the consequences for activity and employment in these mainland areas?

The Tasmanian Government is not aware of any activities that have relocated to Tasmanian from the mainland due to the TFES.

. Have freight subsidies also induced movements of resources in the other direction — as reflected, for example, in increased processing of Tasmanian livestock on the mainland?

The Tasmanian Government is not aware of any examples of transfer of activity for which TFES had a major impact.

. Is there evidence to support the argument that the 'incremental' Tasmanian production made possible by freight subsidies is inherently more efficient from a national viewpoint than the production it has supplanted?

Companies with production in Tasmania and mainland Australia are better placed to answer this question.

. Have the subsidy arrangements had any incidental or unintended impacts on the way particular goods are transported across Bass Strait? For example, has the major shift in the nature of the Bass Strait wheat trade induced by the recent extension of TFES subsidies to containerised wheat, improved or detracted from efficiency? Are there other incidental or unintended impacts that are relevant to the Commission's assessment of the overall efficiency impacts of the current subsidy arrangements?

The issue is that wheat in bulk will always be cheaper to ship than wheat in containers. But, the total delivered cost from sender to the final receiver may not be much different for a container movement. And by allowing wheat to be included in the south bound component there has been a change in the way wheat is moved into the State.

The benefits to the receivers of containerised wheat include the shortened order periods, greater wheat varieties and order size better suited to on site storage.

Is the freight 'problem' confronting Tasmanian businesses any greater than that facing businesses in other parts of regional Australia? Is there freight-related assistance available to regional areas on the mainland, which is not available to Tasmania?

The certainty of delivery associated with road or rail means that the rest of regional Australia has a far higher guarantee and lower cost structure than Tasmania for freight movement. The extra care and packaging and occasional disruption for Tasmanian intermodal sea freight journeys coupled with the higher costs are part of the Tasmania's transport disadvantage.

Other than the WA Government, which subsidises sea freight service to northern WA, the Tasmanian Government is not aware of any other freight related assistance available to mainland regional areas for surface or sea freight.

- Has the strength of second best efficiency arguments for Tasmanian freight subsidies diminished over the years as a result of reforms in the coastal shipping sector in particular? Are there any such efficiency arguments for freight subsidies that do not relate to the transport sector?

No, the strength of the second best efficiency arguments has not diminished over the years. Whilst the shipping industry has undergone reform and made efficiencies, so have the road transport sector and the fact still remains that Tasmanian producers are disadvantaged by the Bass Strait and the associated costs of taking goods to market by the sea crossing.

It has been argued that TFES has served to address some pricing distortions in the transport sector and that to the extent that these distortions still exists, the Scheme has an allocative efficiency benefit.

Removing the TFES will increase prices and squeeze out Tasmanian products that cannot compete in the mainland markets against those produced there, hence increasing the likelihood of closure of many Tasmanian businesses. This is demonstrated through the CGE modeling (Appendix 1).

- Do current subsidy arrangements bear any relationship to second best efficiency rationales for such support? Would it be administratively feasible to compensate only for that component of freight cost disadvantage that is directly attributable to transport-related distortions (as previously proposed by the Inter-State Commission (1985)?

Yes, The Tasmanian Government believes that the current subsidy arrangement is close to the second best efficiency rationale in light of AusLink and caboatage free market distortions for land and sea transport.

In 1985, the Inter State Commission (ISC) inquired into TFES and recommended a fundamental departure to TFES assistance. The ISC recommended assistance based around categories of containerised cargo and eliminated the effects of distance on rates. The distance component was eliminated via the recognition of the concept of Inter State Freight Cost Disadvantage (ISFCD).

The ISC determined that the ISFCD was borne by shippers moving general cargoes between Tasmania and the mainland who could not avoid using sea transport. The ISFCD was confined to the shortest sea journey between Tasmania and the mainland. This distance determines the extent of the disadvantage facing shippers, where as any remaining distance may be undertaken by road/rail, which does not impose a disadvantage over mainland shippers. It should be noted that the ISC did not take account of the cost of inter modal transfer facing shippers.

The Scheme existed in the form recommend by the ISC from 1986 through to 30 June 1999. In 1997, the Australian Government requested the TFES Review Authority to undertake a review of the TFES and report to Government.

The current Scheme, recommended by the Review Authority, provides a more transparent and appropriate basis for assistance than the previous form of the Scheme and clearly defines the basis for assistance. The Scheme has also removed a number of anomalies, including the arbitrary reduction in assistance for large volume shippers and the previous ability of some shippers to obtain assistance that was equal to their freight cost.

Yes, it would be administratively feasible, but the various reviews over the life of the Scheme have shown that the current Scheme provides a better outcome for Tasmanian industry and the Tasmanian economy as a whole than previous arrangements.

How well do the TFES and TWFS perform against the generic criteria spelt out in Box 2, or any other relevant evaluation criteria?

The Tasmanian Government considers that the first 6 principles in Box 2 of “Enhancing Program Efficiency and Effectiveness” are embedded in the current TFES.

The desired economic and social outcomes are to compensate Tasmanian industries for the freight cost disadvantage. The current Scheme does this and provides social outcomes in the form of:

- 4,280 jobs
- $209 million in real private consumption.

Without access to detailed data, the Tasmanian Government is unable comment on the final point in box 2 (ie appropriate mechanisms to minimise Scheme manipulation) and DOTARS and/or Centrelink should be approached in relation to this item.

In relation to the TWFS there should be support for those “principles” outlined in box 2. What appears to be missing, is the underlying rationale for providing assistance. That is, the TFWS compensates producers for the cost disadvantage incurred by the need to utilise the Bass Strait route to import wheat and other grains for primary production and value chain processing.

The Tasmanian Government’s position is that the cost disadvantage principle is to underpin the level of assistance available.

The real concern relates to how this principle is implemented in practice.

There are several issues relating to inclusions or exclusions in the determination of the cost disadvantage. For example, should it include just the wharf to terminal costs of loading, shipping and unloading product or should it also cover other costs of the supply chain.

It would be a concern if the TFES was extended to cover door to door costs as it would seem beyond what should be included in determining the level of assistance under the cost disadvantage principle. Certainly the CIE, in its report on the review of the TWFS, specifically excluded a whole range of costs from its calculations of the costs disadvantage faced by Tasmanian importers of wheat.

There are other issues that arise. The determination of the cost disadvantage relies on comparing the costs involved in the Bass Strait sea route (whatever they may be) against the costs of a hypothetical calculations of a “rail freight equivalent” (RFE), which is viewed as the most efficient means of transporting goods like wheat over long distances. Not only does the determination of the costs of the sea route have to be based on actual real costs incurred, there also needs to be an accurate determination the RFE. There is also an argument to ensure an effective determination of the level of assistance for cost disadvantage needs to take into account supply chain costs incurred by Tasmania that would not otherwise be incurred if there was a rail bridge between Tasmania and the mainland that would enable the transport of goods by train to Tasmania.

Scope for changes to improve current arrangements

The only requests for changes to the Scheme made to the Tasmanian Government since the last review are for the inclusion of fertiliser to the Bass Strait islands from Tasmania.

To improve the efficiency and effectiveness of the current arrangements, what changes if any could be made in regard to:

- their coverage
- levels of broad configuration of assistance
- the specific parameters used to determine assistance
- procedures for claiming assistance
- auditing, fraud prevention, and other review requirements and
- any anomalous outcomes or unintended consequences.

Recipients of the Scheme are best suited to answer this question.

In respect of the provision of assistance to meet the cost disadvantage faced by Tasmania in importing wheat and other grains into the State, the application on a consistent basis of the cost disadvantage principle to the determination of the level of assistance needs to be the underlying principle of any system. The concept of the Tasmanian Grains Freight Scheme (TGFS) proposed by the CIE in its report into the TWFS is supported by the Tasmanian Government. The issues date back to the determination of the level of assistance that is appropriate to meet the cost disadvantage.

Should any extensions of the coverage of TFES subsidies — for example, to eligible goods freighted between Tasmania and the mainland by air — be offset by reductions in the rates of subsidy payable?

No. Airfreight should not be included in the Scheme as the costs are the same for airfreight Australia wide and are essentially distance dependent.

More broadly, should expenditure under the TFES be capped rather than open-ended? Would the possibility that excessive demands on the scheme could lead to a temporary suspension of support enhance incentives for efficiency improvements in the provision of shipping services and reduce any inflation of freight rates to take account of subsidy payments? Would reduced certainty for firms in relation to subsidy entitlements have significant costs?

No, TFES expenditure should not be capped.

The Scheme should retain the principles and processes that exist. Capping the TFES would create further distortions and compromise TFES' principles.

The Tasmanian Government acknowledges that an uncapped TFES creates budgeting difficulties for the Australian Government.

However, is not clear how a capped Scheme could operate equitably and effectively. In some years either:

- late in each financial years some firms will be unsuccessful (while their competitors may have received payments) or
- all will receive some payment but it will not equate to the full freight cost disadvantage.

TFES is a very targeted scheme and provides demonstrable benefits to Tasmania and Australia (by keeping industry in Tasmania rather than overseas). The decline in real investment can be seen in the CGE modeling results over a 10 year period on page 12 of Appendix 1.

Shipping service providers are continually working on containing and reducing their costs as a means of staying competitive and ensuring that their Tasmanian clients' costs and products are competitive thereby ensuring their own survival.

It is likely that reduced certainly in TFES would lead to uncertainly for business in Tasmania and have a negative effect as modeled by the CGE model (Appendix 1) over a 10-year period.

What would be the implications for scheme administration?

To what extent is it possible to overcome unintended effects of the current arrangements through changes to subsidy design? For example, would differentiation in the TFES deduction used to convert freight bills submitted on a door to door basis to wharf to wharf equivalents and/or changes to the regionally-based subsidy scaling factors, reduce the subsidisation of land based freight costs? Would a requirement for all bills to be submitted only on a wharf to wharf basis improve the scheme's effectiveness? Or would any such changes simply open up new opportunities for manipulation of the arrangements, as well as adding to administrative complexity?

Recipients of the TFES are best suited to answer.

The Tasmanian Government supports a fair system that minimises the burden on the applicant and the administrator.

Assistance to 'heavy weight' cargo

Has the basis for reducing assistance to 'heavy weight' cargo under the TFES — a uniform 40 per cent deduction from the assistance that would have been payable for 'standard weight' goods in that particular circumstance — led to any anomalies, or distortions in the way that such goods are shipped across Bass Strait? Are the arguments advanced by the TFESRA (1998) against effecting such adjustments through increasing the road freight equivalent for heavy weight goods still valid?

Recipients of the TFES are best suited to answer.

Annual reviews and parameter changes

If the current configuration of the TFES is retained, are annual reviews of Scheme parameters necessary or efficient? Given year to year volatility in some of the key parameters, would annual indexation increase uncertainty for firms about their likely future entitlements?

It would depend upon how the annual indexation was determined and how often it was brought back to the market. The key consideration is to retain the principles under which the TFES was established.

Form of assistance and administration/compliance costs

Would reversion under the TFES to a single dollar rate of subsidy per container, irrespective of a recipient's actual shipping costs, significantly reduce administration and compliance costs and opportunities for scheme manipulation and fraud? Assuming that total subsidy payments were the same, would there be any major costs from such a change for Tasmania or Australia as a whole?

The current TFES aims to provide equalisation to cover the cost differences in rates paid by the many shippers across Bass Strait. A single rate per container is likely to increase the payments to major shippers and reduce payments to smaller shippers (due to volume based discounts), which is not the rationale for providing assistance. The Tasmanian Government prefers the current arrangements.

Other matters

Beyond changes to scheme design, are there other ways to reduce the scope for scheme manipulation, or the leakage of subsidy support to those providing shipping services?

Centerlink and DOTARS, as administrators of the TFES, are in the best position to answer this question.

The Tasmanian Government is not aware of any “leakages” to major shipping companies.

Are there any particular matters that need to be addressed in relation to the subsidisation of freight movements to and from the major offshore islands?

As part of Tasmania, the offshore islands (Flinders and King Islands) receive the same level of TFES. The issues for the Islands are: extended logistic chains, the economies of scale and coupled to the frequency of service.

What other approaches could be considered as an alternative to freight subsidies? What objectives would they be addressing?

The current TFES has provided a solid basis for the growth and emergence of new Tasmanian producers for the past 30 years and major changes should not be considered.

. What transport sector reforms would be most beneficial in alleviating the cost disadvantages facing Tasmanian shippers? For example, are there changes that could be made to the single and continuous voyage permit regime that would make these arrangements more accessible for the State’s shippers?

Given that Bass Strait is a niche market, the need for a daily service to provide certainty for Tasmanian industry, current international ships used to and from Australia are not suitable to provide this service across Bass Strait.

However, the regime in which foreign ship owners operate provides a much lower cost structure than is available to comparable Australian ship owners.

Australia needs to consider how to participate in the coastal shipping market – either as a shipping nation or as user of shipping services given our trade dependence on shipping to trade in the global economy.

The broad questions revolve around: ship building, ship repairing and ship ownership: none of which, under the current tax regimes, are attractive in comparison with other nations.

“The government should be moving to remove the anti-competitive barriers to investment in Australian domestic shipping by Australian enterprises”

Extract from, Appendix 3 – World Maritime Day speech by David Sterrett, Chairman, Australian Shipowners Association.