

3 March 2026

Dr Jenny Gordon and Mr David Parmeter
Independent Review
Tasmanian Transport Schemes

Dear Jenny and David,

Thank you for sharing the Tasmanian Consultations Presentation following your in-person consultations held in Tasmania from 11 to 13 February.

Fruit Growers Tasmania commends and appreciates the approach you have taken with these consultations. It has been true consultation and we feel heard and part of the process that we trust will lead to well considered recommendations for long term improvements to the focus and structure of the Tasmanian Freight Equalisation Scheme.

We hope this will continue and lead to the sharing of draft recommendations for comment prior to them being finalised.

We also appreciate the focus now shifting to possible approaches to setting the Scheme's rates of equalisation. This will ensure the key issue of alleviating the sea freight cost disadvantage will be addressed via a scheme that is more fit for purpose to deliver this.

Approaches to setting Tasmanian Freight Equalisation Rates

You outlined three options for providing equalisation and addressing the notional entitlement and a 4th (not mutually exclusive with the others) for addressing payments for small shipments within the Scheme.

In relation to Option 4, we understand and support the desire for a simple and accessible solution for small shipment users. However, the Scheme was designed for containerised freight to address the sea freight disadvantage faced by businesses in regular freight movements across Bass Strait. Any modifications should not diminish the needs of this target user group.

In assessing the merits of Options 1 to 3 our overarching benchmark has been to consider which option best delivers the stated objective of the Scheme namely alleviating the sea freight cost disadvantage.

Accordingly, we are not in favour of the flat rate Option 2. We recognise the simplicity of this option however a flat rate neither effectively nor equitably alleviates the sea freight disadvantage.

A flat rate would result in some being over compensated and others under compensated. Over compensation could be viewed as providing a subsidy. The Scheme is not and never should be a subsidy scheme - it is an equalisation scheme.

Option 3 offers a percentage of a calculated Notional Entitlement, the Notional Entitlement effectively being the sea freight disadvantage (over comparable road transport).

As discussed during consultations the logical suggestion for the appropriate 'percentage' is 100%. If the aim of the Scheme is to alleviate the sea freight disadvantage then 100% should be the obvious starting point. A reasonable criticism of the current class model is that only in Class1 is the sea freight disadvantage fully equalised.

However, while we have previously argued that 100% should be the aim of the Scheme in practice we accept that 100% is not appropriate.

If equalisation was set at 100% then there would be no incentive to negotiate a lower freight rate, except for those who received the maximum assistance. All shippers would get full equalisation and effectively pay the road freight equivalent no matter what their sea freight rate (except for those at the maximum). We accept therefore that there needs to be an incentive built into the Scheme to pursue lower freight rates by shippers and a restraint (if possible) on shipping companies to increase freight rates.

The dilemma is where to set the percentage assistance. While a lower percentage of assistance increases the incentive to seek a lower sea freight rate, a lower percentage also means a lower level of equalisation. Further, as we have previously argued, once there is any meaningful incentive to seek a lower freight rate the overriding competitive pressure on businesses is that they will pursue this as far as reasonably possible.

While Option 3 sounds straightforward it may not be so in practice. We have argued that there is not just one road freight equivalent. As is the case for sea freight rates, the higher the volume of freight transported by road the lower the freight rate. We suggest it would be very difficult to estimate fairly the road freight equivalent across different levels of volume shipped.

For this reason and the others mentioned below we support Option 1 - an amended and updated 4 class model.

The class model has a number of important and essential attributes.

- Class 1 applies to only the largest and most efficient shippers.
 - It is essential that the needs of these shippers are specifically addressed. They are significant employers and contributors to the Tasmanian economy and also underpin the feasibility of Bass Strait shipping through their base load volume. These companies operate in highly competitive, commodity and international markets where margins are low.
 - **Undoubtedly it is this class of shippers that should get the highest level of equalisation if not 100%.**

- Equally important is the fact that the setting of the road freight equivalent is primarily relevant for those paying the lowest sea freight rates, hence particularly those participants in Class 1. This is because it is only in Class 1 that the road freight equivalent is used to calculate the sea freight disadvantage. For these largest shippers the relevant road freight equivalent is the lowest and most efficient road freight equivalent, given their volume.
 - **Accordingly, the road freight equivalent should not be set at the average but at the lowest economically practicable rate.**
 - While road freight rates are higher for increasingly smaller freight movers, this can be accommodated within the percentage of assistance paid to Classes 2 and beyond.
- The parameters of Class 1 must be set wide enough to capture the very largest shippers. Based on the Bureau of Infrastructure and Transport Research Economics (BITRE) 2024 Report the top 5 claimants under the Scheme represent 29% of the volume. All of these claimants should be included in Class 1. **Accordingly, Class 1 parameters should be such that 30% of freight movements fall within this class.**
- Classes 2 and 3:
 - Classes 2 and 3 represent those categories of shippers who continue to receive assistance under the Scheme but at a declining rate.
 - Currently those shippers in Class 2 or above only receive 75% of their sea freight disadvantage that falls between \$335.50 and \$671. Hence 25% of this sea freight disadvantage is not equalised.
 - We suggest that 25% not being equalised is too high and not equitable. We accept that there needs to be an incentive to pursue and put downward pressure on freight rates. We also accept that the road freight equivalent for shipments covered by Class 2 would be higher than those under Class 1 and that this should be included in a lower level of assistance.
 - Taking these two factors into account and with the stated objective of the Scheme to alleviate the sea freight disadvantage we suggest that **the Class 2 marginal rate of assistance should be set at no lower than 90%.**
 - The parameters of the Scheme should also be set to ensure a sufficient proportion of freight movements fall in Class 2.
 - The BITRE Report showed that the top 20 claimants under the Scheme account for 56% of all freight movements. All of these claimants should be included in Class 1 or 2.
 - **Accordingly, Class 2 parameters should be such that 30% of freight movements fall within this class.**
 - Currently those shippers in Class 3 or above only receive 50% of their sea freight disadvantage between \$671 and \$1,006.50. Hence 50% of this sea freight disadvantage is not equalised.
 - This is not only inequitable but punitive. The lower level of assistance from Class 2 already provides an incentive to pursue and put downward pressure on freight rates. Accordingly, there is no rationale for such a significant further

decrease in equalisation for those paying amongst the highest sea freight rates and having little if any ability to negotiate those rates.

- We accept that the road freight equivalent for shipments covered by Class 3 would be higher than those under Class 2 (i.e. the lower the volume the higher the road freight cost). The class model can address this through a lower level of assistance for Class 3. However, this change should not be overstated.
- Taking these two factors into account and with the stated objective of the Scheme to alleviate the sea freight disadvantage we suggest that **the Class 3 marginal rate of assistance should be set at no lower than 80%**.
- The parameters of the Scheme should also be set to ensure a sufficient proportion of freight movements fall in Class 3 and Class 4.
 - We have argued above that 30% of freight movements should fall in both classes 1 and 2. We argue below that no more than 10% of freight movements should be subject to the cap of assistance and hence fall in Class 4.
 - **Accordingly, Class 3 parameters should be such that 30% of freight movements fall within this class.**
- Class 4:
 - Those in Class 4, which in 2022-23 represented 78.4% of freight movements, are the group treated most inequitably under the current settings of the Scheme. Once they are above the cap they get no equalisation for any additional sea freight disadvantage. This is simply unacceptable and inconsistent with the stated objective of the Scheme.
 - While we appreciate they may need to be some cap on assistance under the Scheme, this surely must be set at a high enough level that only a small proportion of shipments fall in this category. Shippers in Class 4 get no further equalisation from the Scheme and hence bear the full cost of the freight rate above the cap on assistance.
 - The fact that 78.4% of freight movements fall in Class 4 demonstrates the Scheme can only influence rising sea freight rates at the margin.
 - Hence we suggest that a judgement needs to be made about what proportion of freight movements should face this costly situation. We note that in 2000-01 only 8.1% of shippers were in Class 4. **In our judgement even 10% falling in Class 4 would represent too high a percentage.**
- The median notional entitlement:
 - We question the relevance of the median notional entitlement. Apart from being a reference point as to where the middle of freight movements fall, **we suggest the more relevant discussion needs to be around what proportion of shipments fall in each of the classes.** We have provided our views on this above.

The Intermodal Component

As mentioned in previous submissions the Intermodal allowance which covers costs associated with moving and holding freight from road to sea and back again is significantly higher than the \$100/ TEU. The current interim 25% increase is insufficient. We believe the

intermodal must be doubled as soon as possible (\$200/TEU) and then further indexed probably using Consumer Price Index or another appropriate index annually.

Exports and Imports

In relation to the flat export rate for goods going overseas, we suggest that exports and imports should be treated no differently to other freight movements.

Periodic Review

We support the notion of a periodic review of the Scheme every three to four years with an indexation of the intermodal cost every year.

Certainty

As has been stated many times during the review process, the Scheme is vital to the Tasmanian economy and any diminishment would be catastrophic for industry. We would greatly encourage the Reviewers to recommend that the Scheme remain a demand driven scheme and implore the Government not to place restrictions on the Scheme's budget.

Such action would be counterproductive. The Scheme represents great return on investment for the Australian Government particularly when compared to the infrastructure costs of the mainland national road network.

Providing certainty for the Scheme well into the future remains an important issue. Tasmanian industry continually needs to make long term investment, and unfortunately, divestment decisions and the uncertain status of the Scheme provides significant and unreasonable risk.

Draft Recommendations

Lastly, we strongly support the independent review process and would be happy to comment on draft recommendations and facilitate, if necessary, testing of the model parameters against some examples of freight movement over the recent Tasmanian fruit season. Testing the model will be important to ensure that it meets the Scheme's objectives.

Thank you for your commitment to this work and the opportunity you have given everyone to provide further comments.

We look forward to understanding and supporting the final stages of the review process.

Yours sincerely,



Peter Cornish
Chief Executive Officer
Fruit Growers Tasmania