

## **Inquiry into Tasmania's Shipping Costs and Competitiveness of Tasmania's Freight Industry**

### **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:
  - a) 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;
  - b) 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;
  - c) quantify any cost disadvantages for passengers travelling to Tasmania who are currently eligible for support through the Bass Strait Passenger Vehicle Equalisation Scheme;

- d) 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
- e) 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

A handwritten signature in black ink, appearing to read 'J. B. Hockey', is written over a horizontal line. The signature is stylized and cursive.