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# Issues Paper

## Independent Review of the Tasmanian Transport Schemes

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# 1. Introduction

The Australian Government is committed to ensuring Tasmanian businesses have access to other markets at reasonable freight rates across the Bass Strait. There is bipartisan support for the continuation of the Tasmanian Freight Equalisation Scheme (TFES) and the Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES).

The December 2024 [Senate Select Committee on the Tasmanian Freight Equalisation Scheme](#), recommended an independent review of TFES and BSPVES be undertaken. We, David Parmeter and Jenny Gordon, have been appointed by the government to undertake this review, to report to the government no later than the end of June 2026.

The review will address recommendations 1 and 5 of the Senate report:

## Recommendation 1:

The committee recommends that the Australian Government undertake a review of the Tasmanian Freight Equalisation Scheme with consideration given to:

- the original policy intent of the Scheme and whether it remains fit for purpose;
- options to alleviate the freight cost disadvantage incurred by shippers of eligible non-bulk goods between Tasmania, inclusive of the Bass Strait islands and the mainland; and
- the rates of assistance available and the class scale system.

## Recommendation 5:

The committee recommends that the Australian Government commission the Australian Competition and Consumer Commission to review the competitiveness of trade on Bass Strait and to the Bass Strait islands, considering both sea and air freight, including the rationale behind commodity pricing for the fresh produce sector.

The full Terms of Reference including the scope for the Review are on the department's [website](#).

# 2. Have your say

We are seeking submissions from interested stakeholders to inform the Review. Your input is extremely valuable to ensure the recommendations to the government are relevant and will positively impact Tasmanian businesses.

We encourage stakeholders interested in providing a submission to this paper to go to the Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts (the department) [Have Your Say page](#).

If you have previously provided a submission to the Senate Select Committee on the Tasmanian Freight Equalisation Scheme and have no extra input to what you had already provided, there is no requirement for you to make an additional submission to this paper, as we will consider all submissions to the Senate Select Committee.

# 3. Next steps

This paper is to assist with the identification of key issues with the schemes following a review of the submissions to the Senate Inquiry and a first round of in-person consultations with stakeholders. Further consultation will be conducted throughout the Review to test and refine the recommendations.

## 4. Tasmanian Freight Equalisation Scheme (TFES)

### 4.1. Context

The TFES provides freight assistance to eligible businesses that transport certain goods by sea across the Bass Strait. The objective of TFES is to provide Tasmanian industries with opportunities to compete in other markets, recognising that, unlike their mainland counterparts, they do not have the option of transporting goods interstate by road or rail.

The department has overall responsibility for TFES, is the policy agency responsible for the development of the TFES Ministerial Directions and supporting documentation, advice to government, and administers the funds set aside annually to pay claims under TFES.

The day-to-day administration of the TFES is managed and administered by Services Australia under a Head Agreement and Services Schedule between Services Australia and the department. Services Australia administers the TFES on the department's behalf, assessing and making payments to TFES claimants.

Services Australia is also responsible for determining eligibility of businesses and goods, the amount payable to TFES claimants, providing adequate systems to detect any incorrect payments, ensuring that necessary systems are in place to facilitate timely recording of customers claims, and making and checking payments and the provision of management information.

### 4.2. This review

The Review has been asked to investigate:

- the extent to which the fixed intermodal cost component of assistance reflects the actual intermodal costs paid by TFES claimants;
- whether the TFES assistance rates, including variable and fixed components, address the freight cost disadvantage and the suitability of the sliding class scale of assistance for domestic shipments compared to a fixed rate, as well as options to alleviate the cost disadvantage for goods shipped between Tasmanian ports and the mainland including:
  - non-financial options
  - alternative freight options;
- options to simplify the TFES to make it easier for Tasmanian businesses to understand and access, including improving and modernising the administration of the Scheme (including ICT options). This will include investigating the differential impacts of the Scheme on smaller businesses compared for larger businesses; and
- the competitiveness of trade, and the impact of TFES on competitiveness, on the Bass Strait and to the Bass Strait islands, considering both sea and air freight.

### 4.3. Issues for consultation

TFES is a complex scheme that has been amended periodically. The concerns raised by stakeholders fall into four broad groups:

- **Rates:** the rates used to calculate the rebates, and how these rates should be indexed over time to maintain the competitiveness of Tasmanian producers;
- **Coverage:** what producers and products are eligible for TFES;

- **Complexity:** the costs to producers of submitting claims and the disincentive effect this has on eligible producers submitting claims; and
- **Competitiveness:** This has two aspects. The first is the reliability of freight services in the short and longer term and the ability of producers to negotiate with freight providers over access and prices. The second is the importance of the Scheme for businesses making investment decisions about business location or expansion.

#### 4.3.1. Rates

There are two rates of assistance that apply to northbound shipments. The variable rate of payment (based on an assessment of the notional entitlement (NE) of having to ship goods across the Bass Strait) and a flat rate of assistance for products going to export markets or imported.

The parameters used in assessing the variable rate of payment had not been adjusted since the 1998 Nixon Review. The flat rate of payment had not been adjusted since the northbound export program was introduced in 2016, and the southbound import program in 2021. Both payment types were increased by 25 per cent from 1 July 2025. This increase has been approved until 2027.

Prior to the 25 per cent interim increase in assistance for 1 July 2025 to 30 June 2027, the maximum amount of variable assistance paid was \$855 per TEU (presently \$1,070 per TEU). This rate is the rebate applied for freight in class 4. The flat rate of assistance paid was \$700 per TEU (presently \$875 per TEU).

For northbound shipments destined for permanent use or for sale on the Australian mainland, and for southbound shipments that are inputs into eligible Tasmanian producer's production TFES (per 20-foot equivalent unit (TEU)) the variable rate is calculated by:

- adjusting the actual freight rate to a wharf to wharf equivalent where the freight invoice was door to door, door to wharf, or wharf to door. The door to wharf cost is assumed to be \$230, adjusted by a scaling factor that reflects the additional distance travelled relative to freight moved between Northern Tasmania and Melbourne (box 1);
- estimating the notional entitlement (NE) as the difference in the cost of shipping a product across Bass Strait and transporting that product by road the same distance of 420 kilometres (the distance between Northern Tasmania and Victoria);
- testing which class the NE of the shipment belongs to based on the shipments NE relative to the median notional wharf to wharf entitlement. This class system was designed to provide an incentive for producers to seek out the lowest cost freight option, and reduce the incentive for the shipping lines to just absorb the subsidy;
- applying the class formula (box 2) to calculate the TFES rebate. Shipments falling into class 1 (NE less than half the median NE) received their estimated NE. Shipments falling into class 4 (NE more than 150 per cent of the median NE) received 112.5 per cent of the median NE. Hence the rebates for class 1 compensated for the full level of disadvantage, while for class 4 the rebate is capped; and
- the intermodal costs are added to the NE after the class classifications have been determined.

The parameters used to calculate the TFES payment are illustrated in figure 1.

Figure 1: How wharf to wharf costs are calculated



Northbound shipments which are bound for international markets receive a flat rate of assistance.

Southbound shipment of imported products receives the flat rate TFES per TEU for imported inputs into eligible Tasmanian producers production provided they were imported in the last 6 months and there is no Australian equivalent available.

#### Consultation questions

1. Many producers get a single invoice for the door-to-door costs of freight so do not see the wharf to wharf and/or the intermodal costs. For producers who get an itemised invoice that breaks out the door to wharf, wharf to wharf, and wharf to door costs, and/or the intermodal costs, how well do these costs align with the standardised cost used in calculating notional entitlement?
2. Should intermodal costs be adjusted annually? Is the Consumer Price Index an appropriate index to adjust the intermodal costs? Are there better alternatives?

#### 4.3.1.1. The class approach for variable rate TFES

The original design of the class structure allocated shipments into four classes based on the estimated NE relative to the median NE (this is the level of NE that is in the middle so half are higher and half are lower). However, over time as the cost of shipping has risen more shipments have fallen into the higher classes. In 2024, 84 per cent of TFES rebates were in class 4.

Annual updating of the median NE would maintain the class structure, but adjustments would be needed to return to this even allocation across the classes. Using the previous year's median NE in the rebate formula is an alternative to indexing as it would reflect the cost changes in the previous year.

An alternative to the complicated class approach is to provide a level of assistance equal to the NE or a fixed share of the NE. This still requires the complex estimation of NE, but more closely reflects actual cost disadvantage. Setting the share of NE below 100% provides producers with an incentive to negotiate the lowest shipping cost they can. Currently the full NE is only paid for shipments in class 1.

Another option is to provide a flat rate of assistance. The flat rate option has the benefit of predictability and simplicity. But it may benefit large businesses who are currently able to negotiate a lower cost of shipping due to their volume and frequency of freight demand. It would also make administration of the Scheme easier and potentially increase access for small producers, who currently lack the time and knowledge to estimate if it is worth their time to apply for the rebate.

**Figure 2: The class formula**

$\text{notional\_entitlement} = (\text{freight\_rate} - \text{door\_wharf\_adjustment}) \div \text{scaling\_factor} - \text{road\_freight\_equivalent}$

MWW (\$671) is the median notional entitlement for wharf to wharf, full container load, and main TAS-VIC route in the data.

Intermodal cost is \$100.

TFES<sub>paid</sub> per TEU is calculated using the class structure, for each claim:

- Class 1: if  $\text{notional\_entitlement} < 0.5 \times \text{MWW}$  then  
TFES paid =  $\text{intermodal\_cost} + \text{notional\_entitlement}$
- Class 2: if  $\text{notional\_entitlement} < 1.0 \times \text{MWW}$  then  
TFES paid =  $\text{intermodal\_cost} + \text{MWW}/2 + 0.75 \times (\text{notional\_entitlement} - \text{MWW}/2)$
- Class 3: if  $\text{notional\_entitlement} < 1.5 \times \text{MWW}$  then  
TFES paid =  $\text{intermodal\_cost} + \text{MWW}/2 + 0.75 \times \text{MWW}/2 + 0.5 \times (\text{notional\_entitlement} - \text{MWW})$
- Class 4: if  $\text{notional\_entitlement} > 1.5 \times \text{MWW}$  then  
TFES paid =  $\text{intermodal\_cost} + \text{MWW}/2 + 0.75 \times \text{MWW}/2 + 0.5 \times \text{MWW}/2$

E.g. For class 4, TFES paid per TEU = \$100 + \$335 + \$252 + \$168 = \$855

(source: TFES Ministerial Directions)

Note: For goods with a date of shipment from 1 July 2025 to 30 June 2027 (inclusive), the amount of assistance able to a claimant under Part 3 will be increased by 25 per cent.

#### Consultation questions

3. Does the class approach encourage producers to negotiate lower freight prices?
4. Would a flat rate make it easier to estimate your rebate, and would this be helpful?
5. Would a fixed share of NE be easier to calculate than the current class system? What share of NE should be applied and why?

#### 4.3.1.2. King Island and the Furneaux Group Rates and eligibility

King Island and Flinders Island producers are eligible for shipments to and from the Tasmanian mainland, as well as northbound direct from their islands to the Australian mainland and southbound shipments direct from the Australian mainland.

They are entitled to an extra 15 per cent on flat rate TFES. There is currently no regular northbound direct service from the islands to the mainland.

Under the Furneaux Group Additional Assistance provision, Flinders Island producers are eligible for both legs of a shipment which is shipped south bound to the Tasmanian mainland, undertakes a land transfer, and is then shipped northbound to the Australian mainland. This provision does not apply to King Island producers as at the time of the last review they had a direct King Island to Melbourne service. This service stopped in 2022 as the new SeaRoad vessel was too long for the Grassy wharf.

Both King Island and the Furneaux Group are eligible for northbound TFES for products produced or manufactured on the main island of Tasmania for permanent use or sale on these islands. This includes products used for consumption and not for production by eligible producers on the Islands. The need to verify these goods have been produced on the Tasmanian mainland adds to the complexity of lodging TFES claims (see below).

#### Consultation questions

6. Is the differential treatment of Flinders Island and King Island producers justified? What is the best way to help the Island producers remain competitive with their Tasmanian and Australian mainland peers?

## 4.3.2. Scope

### 4.3.2.1. Who is eligible for TFES

With the exception of King Island and Furneaux Group imports of Tasmanian mainland products, TFES is only available for eligible producers, those that operate businesses in agriculture, fishing, forestry, mining or manufacturing. Rules apply about substantial transformation in production for goods to be eligible. Producers have to be mainly engaged in activities that can be classified in the [Australia and New Zealand Standard Industry Classification](#) (ANZSIC) divisions of Agriculture, Fisheries, Forestry, Mining or Manufacturing. The Australian Taxation Office (ATO) has a [business industry code tool](#) which helps producers find the right code to report on their tax return. Services Australia assess the location of the business and the activities undertaken by the business entity to determine eligibility and consider the ANZSIC code. Businesses have to register and be approved to claim by Services Australia before they can submit claims for TFES in relation to the shipment of their product to mainland Australia, or imports from mainland Australia.

Northbound products produced by an eligible producer for sale on the mainland have been eligible for TFES since 1976, with the current rates in place since 1998. TFES for Northbound shipments destined for export markets have been eligible for TFES since 2016. All claims must be lodged within 6 months of the date of shipment.

Southbound shipments to eligible producers for products used in their production have been eligible for TFES since inception. Since 2021 imported goods have been eligible for southbound assistance, but only if there is less than 6 months between the date of import and the date of shipment to Tasmania and the goods are not available from Australian producers. The difference in the rate of assistance between high density goods and other goods was removed in 2019.

The goods in southbound shipments being claimed by manufacturers or miners have to be registered with Services Australia before a claim can be made for their shipment. Considerable additional detail is required on the goods if they are imported from overseas (see below on complexity).

There are several special categories which are eligible for assistance. These are professional entertainers, sportspersons competing for prize money, and brood mares.

One area that needs clarification about eligibility is services to agriculture, fishing and forestry, mining or manufacturing. This includes Tasmanian businesses who provide services to the mainland which require moving equipment between Tasmania and the mainland. It also includes the purchase of service inputs by eligible producers where those service providers need to move equipment between the mainland and Tasmania in order to provide those services.



**Consultation questions**

7. What would be the benefit in reduced administrative costs of removing the 6-month requirement on imported inputs shipped south, and/or the requirement to demonstrate the input is not available in Australia?
8. What would be the benefit to Tasmanian producers of expanding TFES to the southbound shipment of reusable packaging used to ship products north?
9. What would be the benefit to Tasmanian industry of expanding TFES to include specialist services in the currently eligible industries?
10. Is the requirement to submit a claim within 6 months of the date of shipment difficult to comply with? What would be an appropriate time limit and why?
11. Is there a need to have a separate category for brood mares?

**4.3.2.2. What is eligible for TFES**

Apart from concerns about the rules associated with eligible products, a number of submissions to the Senate Inquiry, and participants during stakeholder consultations, proposed expanding the products that would be covered by the Scheme. These include:

- fuel imports, which are an important input into production. However, with the exception of the Islands, Tasmania is served directly by tankers from the refineries, not putting Tasmanian producers at a disadvantage relative to mainland producers;
- bulk shipments of fertiliser, which are not covered by TFES unless they are repackaged into bags or containers which makes them eligible;
- building materials, in part as retailers have to keep account of what materials they sell to eligible producers for production purposes, and what is sold to others, whether non-eligible industries or households;
- air freight for the Islands, where TFES is accessible in special circumstances under an Exceptional Circumstances Declaration. The Ministerial Directions state: “(a) in normal circumstances the goods would have been shipped by sea; and (b) the goods were, or will be, transported by air because of the temporary unavailability of a regular shipping service.” This provides for time sensitive freight to be shipped by air when it would be delayed due to weather conditions or other reasons for ships to not to be able to dock at the Islands. With the exception of special circumstances, air freight is not covered under TFES as it does not disadvantage producers relative to other producers which rely on airfreight, as is the case for those using road and rail freight; and
- reusable packaging used to ship product northbound and then returns to Tasmania empty is not eligible for TFES when it is returned southbound. Wooden apple crates were a particular concern. New packaging is eligible for TFES southbound where it is an input into eligible industry’s production.

Expanding the scope of TFES raises its cost. Any expansion of scope would need to be carefully considered by all stakeholders and Government as it potentially will require reductions in existing parts of the scheme or increased cost.

**Consultation questions**

11. Should TFES be applied to the return of reusable packaging? What would this cover? Should this be limited to the return of fruit crates?
12. Should there be an exemption for bulk shipments of fertiliser or other produce that if repackaged qualifies for TFES?
13. What would be the benefit to Tasmanian producers of expanding coverage to building materials? Would this assist these producers to compete with mainland producers?
14. How can the definition of special circumstances be improved to provide greater clarity on when they apply? Should this definition be expanded to cover all time sensitive production on King Island and Flinders Island given they do not have an alternative of road or rail freight? Would this same logic apply for all Tasmanian

producers of time sensitive freight? Would this give Tasmanian producers of fresh product an advantage over mainland producers?

15. Are there other products that should be covered? What are they and why would their coverage assist Tasmanian industry to grow?

16. What products could be removed to allow other products to be covered?

### 4.3.3. Complexity

A great deal of the frustration with TFES comes from the cost of lodging claims, and uncertainty around whether a claim will be paid and how much it will be. This complexity comes largely from the tightly defined eligibility requirements to make sure a shipped product is within the scope of the Scheme. The Scheme is complex both for claimants and Services Australia staff who administer the Scheme.

Services Australia have a small, specialised team trained to process claims but also undertake other work. The IT system was put in place in 2009 and updated as required to meet the new needs as the Ministerial Directives that set out rates and coverage changes. The IT system underpinning TFES claiming needs to be upgraded to ensure it remains robust and in line with the Data and Digital Government Strategy.

Claimants can submit their claim in paper, via a portal, or through a portal in batches. Documents to validate the claim must be put in a CSV file and submitted in zip files of no greater than 10Mb per file. Documents can include the freight invoices, supplier invoices, consignment notes, packing slips, and other documents to substantiate the claims being made.

For imported inputs the documents must demonstrate the product is not available in Australia, and the date the product was imported. This involves identifying that a Tariff Concession Order applies to their imported good under the Department of Home Affairs Tariff Concession System or a Statutory Declaration declaring the imported good has no Australian equivalent providing concise evidence to substantiate this declaration (no more than two pages). This could be a statement from an Australian manufacturer, supplier, industry body or own research to substantiate the claim.

Claimants are notified if their claim did not provide the required evidence so they can provide this evidence. Uncertainty over exactly what is needed, and the difficulty in some cases of getting the freight provider, shipping line, or sales team for purchases to provide the necessary information, make filing a claim stressful and time consuming for those who ship small or irregular volumes, and for unique input purchases.

The need to assess each claim against the invoices and other information submitted is a detailed and time-consuming process. Services Australia also regularly audit claimants

A Self Assessed Claimant is a claimant who is invited to apply if the entity makes a high volume of TFES claims and has a demonstrated history of compliance with the TFES Ministerial Directions.

If approved, the claimant will need to enter into a Self-Assessment Service Deed of Agreement with Services Australia. Being a self-assessed claimant means the claimant is able to submit claims without providing supporting documentation to Services Australia for each claim. Self-Assessed claimants must provide a Reasonable Assurance Report prepared by an independent auditor annually to Services Australia.

#### Consultation questions

16. Are there better alternatives to the current system for lodging claims? Can the portal be made easier to use and how?

17. While confidence that claims being paid by TFES are not fraudulent is important for public support for the Scheme, is there a better way to demonstrate claims are eligible? Do audits provide a required level of confidence?
18. Is there any potential to use the Business Activity Statement information submitted quarterly to the ATO to confirm the accuracy of shipment cost and product eligibility?
19. Can the need to register southbound inputs be streamlined and improved?
20. Apart from reducing the tight definitions of who and what is in scope, and/or introducing a flat rate for the currently variable rate products, what other ways could the administration of TFES be streamlined?

#### 4.3.4. Competition

##### 4.3.4.1. Competition in the freight market

There are three main shipping companies who provide freight services across Bass Strait:

- TT-Line, which is owned and operated by the Tasmanian Government, operates a daily roll-on roll-off (roro) services for freight, as well as the passenger and passenger vehicle service from Devonport to Geelong;
- SeaRoad, which is a privately owned Tasmanian based company, operates daily freight services for roro trailers, containers, and vehicles between Devonport and Melbourne; and
- Strait Link, previously owned by Toll Holdings and sold to Allegro Funds in 2021 (an Australian private equity firm), operates a daily service roro trailers and containers between Burnie and Melbourne. Strait Link is currently up for sale.

King Island services (port is Grassy), and Flinders Island services (port is Lady Barron) are provided by:

- Bass Strait Freight (BSF), which is privately owned and operates out of a private port at Bridport. BSF currently only provides services to the Furneaux Group. It provides regular services to the island for roro trailers, pallet freight, containers, and an on-deck livestock service.
- Eastern Line Shipping (ELS), which is a privately owned Tasmanian based company operating out of Melbourne, with depots in Stanley and Launceston. ELS provides monthly services to King Island and Flinders Island including to the Melbourne port of Welshpool (mostly cattle). It ships general freight and RoRo trailers.
- Bass Island Line (BIL), which is owned by the Tasmanian Government and operated by TasPorts. BIL operates out of Grassy, and weather permitting, provides daily services out of Devonport to King Island.

Other general cargo shipping services:

- COSCO, which ships from Bell Bay to international markets
- Mediterranean Shipping Company (MSC), which ships from Bell Bay to Sydney and international markets
- Move Logistics, shipping from Bell Bay to New Zealand and Queensland

There are also bulk carriers and tankers servicing Tasmanian industry that are not eligible for TFES.

With the exception of Bridport, all the ports in Tasmanian supporting freight in Bass Strait are government owned and operated by TasPorts, a state-owned company.

A number of issues were raised in the Senate Inquiry Submissions and consultations in relation to the reliability of services. This is particularly the case for services to the Furneaux Group and King Island. Bass Strait is a difficult stretch of water to cross due to its location and relatively shallow nature. Weather has a considerable impact on the ability of boats to cross the Strait to the Islands safely. The BSF shipments are regularly delayed due to weather. This is difficult for perishable products, meaning they are often shipped by

air to ensure delivery. Cargo to the islands that needs to be protected from weather needs to be containerised, which adds to cost.

The BIL was established by the Tasmanian Government to ensure continuity of shipping services to King Island in 2022. Previously King Island had had a regular triangular service to the Tasmanian mainland provided by SeaRoad, which ceased in 2022.

There are a number of freight forwarding companies that arrange door to door freight services for Tasmanian producers. Many also provide freight consolidation services. The ability to consolidate freight varies with the type of freight, whether it is perishable, and the need for timely shipment of product for reasons other than perishability. Producers with small volumes would benefit from a greater opportunity to consolidate freight, but in some industries, opportunities for consolidation are hampered by a lack of firm to firm cooperation.

Differential shipping prices for similar products was raised in the Senate Inquiry and in consultations. The example given was different rates for onions and carrots. Differential rates may arise from differences in costs due to volumes, weights, need for refrigeration or other difference. But they may also reflect differences in the market power of the purchasers of shipping services. In some cases this the difference may have been historical and shipping prices reflect past rather than current cost differences.

#### Consultation questions

21. What leverage do producers have to negotiate freight prices and/or reliable access to a freight service? Can that leverage be increased and, if so, how?
22. What are the challenges in providing an efficient freight service by freight forwarders and the shipping lines? How can these challenges be addressed?
23. TasPorts operate most of the ports in Tasmania. Is there effective oversight on their investment planning and delivery, and administration by the State Government? Would more competition from private ports be beneficial, and how could this be achieved?
24. Are there changes that could be made to improve the economic viability of shipping services to the Furneaux Group and King Island? What improvements in these services would promote economic activity and the demand for shipping services on the Islands?
25. How common are shipping price differences for similar products that cannot be explained by the actual costs of handling? What approaches could be made to reduce unwarranted pricing differentials?

#### 4.3.4.2. Competitiveness of Tasmanian industry

Submissions to the Senate Inquiry and consultations confirmed the importance of TFES to the ability of business to continue to operate from Tasmania. Several businesses raised how important ongoing and guaranteed access to TFES was in their investment decisions. This includes being able to make the case to the owners of the business, especially when head office is not located in Tasmania or the Australian mainland. While the Australian Government cannot offer guarantees on any publicly funded scheme, bipartisan support is welcomed. It is not just the existence of TFES, but also the extent to which it compensates for the freight cost differential facing Tasmanian producers which matters for investment decisions. Large investments often require a 20-year pay-off period so continued support through TFES factors into these decisions.

Tasmanian producers have a number of sources of advantage ranging from access to mineral deposits, good agricultural land, climate and rainfall, hydroelectric and increasingly wind power, and a reputation for 'clean and green' product. The productivity of Tasmanian industries depends in a large part on their ability to scale. But to scale they need access to bigger markets than available locally, which is why freight costs are a major factor affecting productivity. Tasmania has also excelled at developing more 'niche' specialisations, notably in wine, dairy and some horticultural industries. While the value of scaling to firms targeting niche markets is limited as volume can reduce the niche margin, there are considerable potential benefits that come from scaling these industries in terms of access to suppliers, to skilled labour, and as an element in marketing their

products. Time to market is important for many agricultural based niche products, including non-perishable, where clients want quick delivery.

Good internet connections and being a lovely place to live can support Tasmania's growth in digital services. The BSPVES supports tourism to Tasmania (see below). But many of opportunities for growth in the Tasmanian economy will still rely on freight to the mainland and to international markets.

**Consultation questions**

26. What are the growth opportunities for the Tasmanian economy? How dependent are these opportunities on the availability of TFES?

## 5. Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES)

### 5.1. Context

The BSPVES was announced in August 1996. It aims to reduce the cost of seagoing travel between the mainland and Tasmania, by providing a rebate for the transportation of an eligible passenger vehicle across Bass Strait.

The BSPVES reduced the cost of sea travel but does not directly equalise it with equivalent road travel. BSPVES is an uncapped and demand driven program. The rebates are adjusted annually by the Consumer Price Index (CPI) and reflected in the government's budget estimates. This takes effect from 1 July each year. The rebate is applied against the passenger vehicle fare charged by a ferry operator.

The BSPVES operates under a set of Ministerial Directions (administered by Services Australia on behalf of the department) which took effect from 1 September 2002. Services Australia administers BSPVES on behalf of the department by assessing and making payments to two service operators and eligible individuals who have not received the rebate from a service operator. The department provides the policy direction and funding to Services Australia who administers the Scheme on the department's behalf.

In 2024-25, the government provided assistance for approximately 180,746 eligible passenger vehicle movements totalling \$53.9 million under the Scheme.

- BSPVES is uncapped and demand driven program. BSPVES is indexed in accordance with the Consumer Price Index on 1 July each year (3.2 per cent in 2024-25).
- The Bureau of Transport and Infrastructure Research Economics (BITRE) Monitoring Report for 2021-23 notes visitors by sea spend an additional \$1,347 per visitor in Tasmania than visitors by air. Visitors by sea are also more likely to visit regions of Tasmania outside Hobart.
- TT-Line offer a tiered passenger fare structure. This allows passengers to choose different standards and prices of accommodation i.e. recliners or an added additional costs fare for cabin upgrades.

Further information can be found in the [Monitoring Report No. 19 BSPVES](#).

### 5.2. This review

The Review has been asked to investigate

- the extent to which the BSPVES achieves its stated objectives of reducing the cost of sending eligible passenger vehicles across the Bass Strait. This includes whether the BSPVES benefits the public and/or Service Operators, and the impact, unintended consequences, or distortionary effects, of the current arrangements.
- the Consumer Price Index increase to the BSPVES rates that is applied annually to establish if this is the optimal method of addressing the cost disadvantage for people travelling by sea across the Bass Strait.
- any alternative mechanisms that could more effectively address the costs of shipping passenger vehicles across Bass Strait, including assessing the economic costs and benefits of any alternative mechanism.

### 5.3. Issues for consideration

The Senate Inquiry did not look at BSPVES, and to date few issues were raised in consultations about the design or operation of the Scheme. What issues were raised fall into three categories:

- what vehicles are eligible for BSPVES;
- whether the rate of assistance is sufficient to generate significant benefits to tourism and to Tasmanians seeking to travel to the mainland for holidays; and
- the competition between passenger vehicles and freight for space, and consequent rationing of passenger vehicle places during peak tourism periods.

At this stage, there do not appear to be any concerns in regard to the administration of the scheme.

#### Questions to consider

26. Is the policy objective of BSPVES defined well enough to communicate the objectives of the program other than reduce the cost of sea going travel?
27. Is the intent mainly to increase tourism to Tasmania? Is it also to assist Tasmanians to visit the mainland in their own vehicle?

### 5.3.1. Vehicle eligibility

The BSPVES rebate is provided to the driver of an eligible passenger vehicle in the form of a reduced fare charged by a service operator, for example TT-Line. The service operator is then reimbursed by the government for the total rebate provided for eligible passenger vehicles under the Scheme. Services Australia makes payments under the Scheme on behalf of the department.

The Scheme is also available to eligible persons to transport a car between mainland Australia and King Island or the islands of the Furneaux Group who have to take a flight due to the absence of a ferry service which can carry passengers between the islands and mainland Australia.

A person eligible for BSPVES must be the driver of the eligible vehicle. This means one person (the driver) may be eligible for a rebate if the vehicle is deemed eligible. In the case of bicycles, an adult may receive a rebate but a child travelling by bicycle would not be considered eligible as they are not considered a driver (an adult) under the BSPVES Ministerial Directions.

Eligibility for BSPVES is restricted to motor cars, buses, motorhomes, eligible passenger vehicles towing a caravan, motorcycles and bicycles. Where vehicles are shipped on BIL, passengers may travel by air to collect the vehicle on its disembarking of the ship. Proof of such travel is required in order for the shipping line to claim BSPVES.

Several areas came up in consultations where the Scheme could be amended or clarified in regard to what is eligible for BSPVES. These are:

- bicycles are only eligible if the passenger using the bike as transportation is over 18. This leads to the unfortunate outcome where the teachers in a school group on a bicycle tour pay less than the students who are under 18.
- boats on trailers for pleasure use, which are not included.
- foot passengers on the TT-Line. The BSPVES was designed to assist with the freight cost, so expanding the Scheme to foot passengers would change the nature of the Scheme.

There were also concerns about eligibility when the passenger travels separately from the vehicle, but for reasons including the difficulty booking the vehicle passage, or its delay, arrive at separate times.

#### Questions to consider

28. Should the Scheme be opened up to include any passenger (child or other foot passenger)? What would be the benefit of this expansion?
29. Should the age requirement on passenger vehicle eligibility be removed?



30. Should boats on trailers be included in BSPVES? Would this increase the number of tourists and their length of stay?

### 5.3.2. Rates of assistance

In 1996, the passenger vehicle rebate was calculated on the basis of charging a net fare for an eligible passenger vehicle plus driver, travelling in standard share cabin accommodation, that was comparable to the notional cost of driving an equivalent distance on a highway.

- The equivalent highway cost was based on a sea distance of 427 kilometres between Devonport and Melbourne multiplied by an estimated running cost for an average family vehicle (40 cents per kilometre, based on an NRMA study). This provided an equivalent cost of \$170 for a one-way trip.
- Since 1996, the rebate has been increased annually using the Consumer Price Index.
- The rebate has not been adjusted to account for the shorter journey from Devonport to Geelong following its relocation from the Port of Melbourne.

The current rebates for the following eligible passenger vehicles, effective 1 July 2025, are:

- up to \$275 each way for a motor car;
- up to \$275 each way for a bus;
- up to \$552 each way for a motor home;
- up to \$552 each way for an eligible passenger vehicle towing a caravan;
- up to \$141 each way for a motorcycle; and
- up to \$42 each way for a bicycle.

The rebate is available from King Island to the Tasmanian mainland, however it is not adjusted for the higher cost of shipping the vehicle in a container.

#### Questions to consider

31. Does the 1996 calculation for the basis of charging a net fare for an eligible passenger vehicle plus driver, travelling in standard share cabin accommodation, that was comparable to the notional cost of driving an equivalent distance on a highway, need to be recalculated?
32. Is the 1996 calculation methodology appropriate for use in 2025?
33. Is this the optimal method for calculating rates of assistance?
34. Is the Consumer Price Index the best way to adjust BSPVES rates? Are there better options and why?
35. Should the BSPVES rebate reflect additional costs of containerisation when required for shipment on the BIL?

### 5.3.3. Competition for passenger vehicles

There are currently two Service Operators under the BSPVES: BIL and TT-Line. TT-Line, which operates the two Spirit of Tasmania vessels, accounts for over 99.95 per cent of the total expenditure under the BSPVES annually. BIL operates the *John Duigan* catering mainly for containerised, bulk and vehicular cargo (0.5 per cent of BSPVES expenditure) and livestock. BIL provides a service to and from Tasmania to King Island in conjunction with Strait Link Shipping for the Bass Strait Melbourne to Tasmanian leg.

TT-Line provides freight services as well as the passenger and passenger vehicle service. Concerns were raised that at certain times of year when fresh produce is being shipped north, freight takes priority over passenger vehicles. This means vehicle places need to be booked well in advance, and many people miss out. The delivery of larger ships for TT-Line in 2026 will alleviate some, if not all of this space constraint, but market growth for both freight and passenger vehicles could see it reemerge.



**Consultation questions**

- 35. Could other vessels provide this service (other than TT-Line and BIL)?
- 36. Should shipping lines eligible for receiving the BSPVES be required to provide a minimum level of spaces for passenger vehicles? How would these minimums be determined?
- 37. How should the freight passenger vehicle trade-off be determined? How could the current arrangements be improved?

# Document Control

Refer to the following table for the approver and latest version of this document.

Version	Release date	Approver	Reason for update
1.0	Dec 2025		Initial release of document.