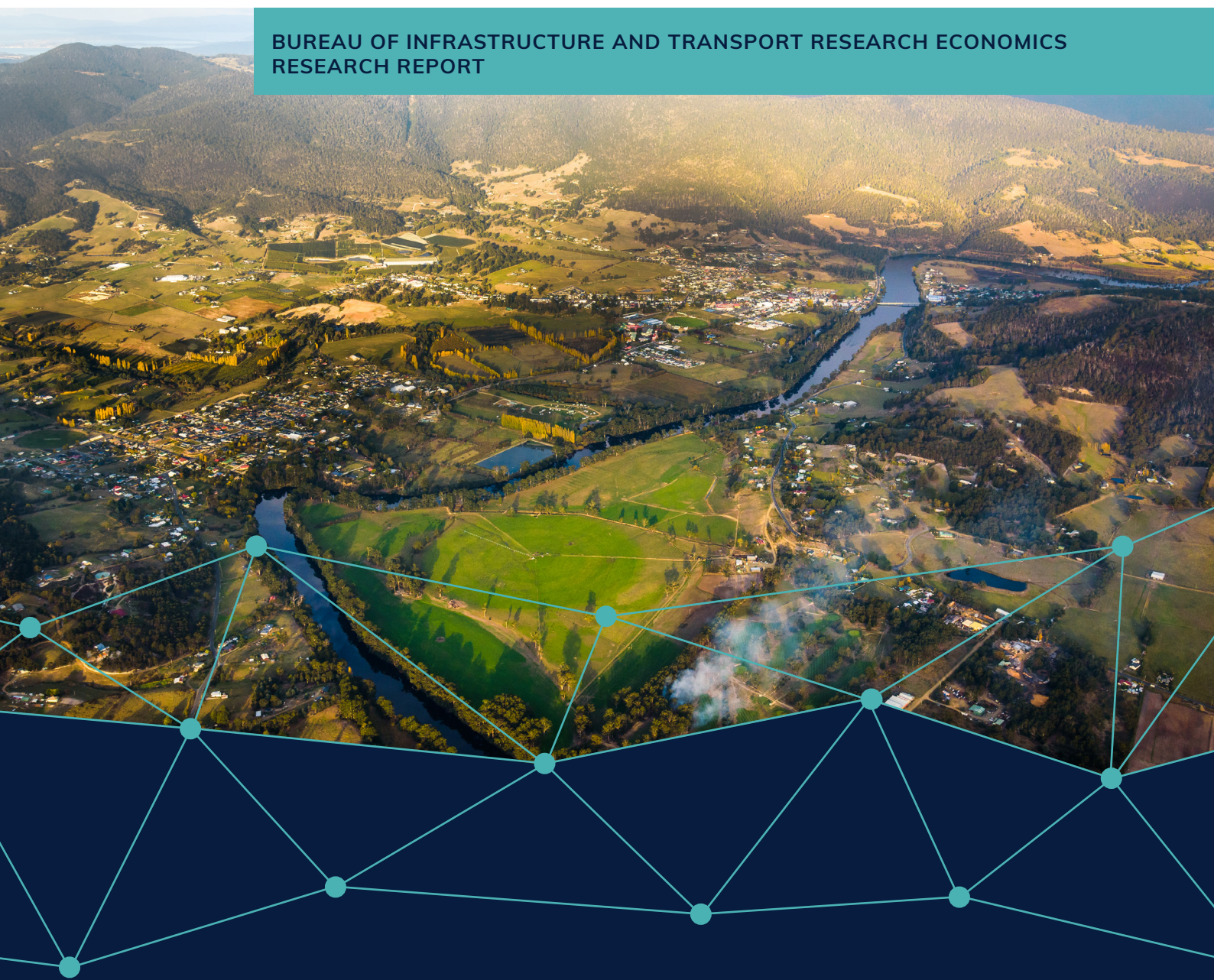




Australian Government

**Department of Infrastructure, Transport,
Regional Development, Communications and the Arts**

**BUREAU OF INFRASTRUCTURE AND TRANSPORT RESEARCH ECONOMICS
RESEARCH REPORT**



Tasmanian Freight Equalisation Scheme Monitoring Report 2024

January 2025

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Foreword

In March 2015, the Australian Government announced that the Tasmanian Freight Equalisation Scheme (TFES) would be subject to ongoing monitoring processes, with the Bureau of Infrastructure and Transport Research Economics (BITRE) conducting a four-yearly review of all components of the TFES, following an initial review of the expanded component (covering goods shipped to the mainland from Tasmania for transshipment) commencing in 2019. The first of these reports, covering the four years up to 2018-19, was published in 2020.

This report presents results of the second four-yearly review of all components of the TFES as directed under Clause 10.5.2 of the TFES Ministerial Directions (Department of Infrastructure, Transport, Regional Development and Communication 2024). This report covers the four years up to 2022-23.

Jack McAuley and Thomas Rutherford prepared this report. The Regulation and Programs team in the Maritime and Shipping Branch within the Department provided valuable input and advice.

Georgia O’Cianain
Head of Bureau
January 2025

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Regulation and Programs team in the Maritime and Shipping Branch within the Department of the Department of Infrastructure, Transport, Regional Development, Communications and the Arts.

At a glance

- The Tasmanian Freight Equalisation Scheme (TFES) provides financial assistance for cost incurred by shippers of eligible non-bulk goods moved by sea across Bass Strait. This report is BITRE's second four-yearly monitoring review of all components of the TFES. The focus is the volume and value of eligible claims for goods shipped between Tasmania and the mainland in the four years from 2019-20 to 2022-23.
- For shipments in 2022-23 \$181.9 million was paid under the TFES, covering the equivalent of 232,520 Twenty-foot Equivalent Units (TEUs) of freight¹, a volume 11 per cent higher than four years earlier.
- 86 per cent of total TEUs in 2022-23 were shipped to or from Victoria, with the next most common state New South Wales.
- Claims were made for 197 commodity classes over the four-year period. The top three commodity classes were 'Vegetables – frozen/processed/prepared' (34,974 TEUs), 'Wood – processed' (17,242 TEUs) and 'Newsprint' (16,607 TEUs).
- 40 per cent of TEUs shipped under the TFES in 2022-23 were in the broad commodity category 'Food products, beverages, tobacco, textiles, apparel, leather products'. The next largest broad commodity class was 'Agriculture, forestry and fishery products', accounting for 20 per cent of TEUs.
- In 2022-23, the average time between shipment and payment of the TFES assistance, weighted by TEUs, was 94 days and the maximum was 608 days. This was a reduction from an average of 109 days in 2018-19. In 2022 the average processing time for Services Australia was 10 days.
- Pre-TFES assistance freight rates have risen over the last four years, with nominal rates growing at 5.7 per cent per annum. With assistance growing relatively slowly as an increasing proportion of claims are reaching the maximum payable under the scheme, and given that the assistance covers the majority of costs, this has resulted in the nominal post-assistance rate per TEU growing at 12.3 per cent per annum over the three years.

¹ For the purposes of the TFES, all freight volumes are converted into TEU equivalents, regardless of the method of carrying the freight. The conversion factors are explained in an information paper available at <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/maritime/tasmanian-transport-schemes/tasmanian-freight-equalisation-scheme>

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Chapter 1 Introduction

Background to the Tasmanian Freight Equalisation Scheme

The Tasmanian Freight Equalisation Scheme (TFES) was originally introduced in July 1976. The Government's objective was to alleviate the freight cost disadvantage incurred by shippers of eligible non-bulk goods moved between the mainland and Tasmania by sea (Productivity Commission 2007).

The TFES has undergone review in 1985, 1998², 2007³, 2014, and 2019. Recent significant changes to the TFES include:

- In 2015, following the Productivity Commission's (2014) report, the Australian Government announced the expansion of the TFES to provide assistance from 1 January 2016 to goods transhipped at ports on the mainland.
- Another important change to improve the operation of the Scheme in 2015 was to reduce the period for claiming TFES assistance from two years to six months after the date of shipment.
- On 1 October 2019, the rate of assistance for high density goods increased to 100 per cent, claim processing time was reduced from 35 to 30 days, and interest began to be applied to late claim payments (after 30 days).
- From July 1 2021, southbound imported goods became eligible for TFES assistance where there is no Australian equivalent good.
- On 19 July 2024, Senator the Hon Carol Brown, extended TFES eligibility of fodder donated from mainland Australia to drought-affected King Island farmers by charitable organisations under the Scheme. These amendments are in place for shipments made retrospectively from 1 May 2024 to 30 June 2025 and will be assessed in early 2025 to ensure they are achieving the intended purpose.

The current TFES operates under the TFES Ministerial Directions (Department of Infrastructure, Transport, Regional Development and Communications 2024).⁴

Monitoring requirements

This report presents results of the Bureau of Infrastructure and Transport Research Economics' (BITRE) second four-yearly review of all components of the Tasmanian Freight Equalisation Scheme (TFES) as directed under Clause 10.5.2 of the TFES Ministerial Directions (Department of Infrastructure, Transport, Regional Development, Communications and the Arts 2024).

10.5.2 Every four years commencing 2019, the Bureau must review all components of the Scheme. The Bureau must give the Secretary a written report on the review before the end of the calendar year in which the review is required to be undertaken.

² The 1998 review (the Nixon Report) was conducted by the TFES Review Authority (1998) chaired by the Honourable Peter Nixon (AO)

³ The Productivity Commission made a series of findings and recommendations to improve the operation of the Schemes (Productivity Commission 2007). The Australian Government (2007) responded to the report by recognising that Tasmanian producers can be at a freight cost disadvantage when competing in mainland markets by not having land access to the mainland States and Territories.

⁴ The last variations to the TFES Ministerial Directions 2015 were approved on 19 July 2024, including Clause 2.11A, and subclause 4.9.1(i).

10.5.3 Before giving the Secretary a report ... the Bureau must allow interested parties to comment on a draft of the report.

Monitoring reports will be delayed relative to the end of the financial year, as there is a six-month delay between the end of a reporting year and the required lodgement of claims, as well as some additional time for the data to be complete, extracted, integrated, and the report prepared.

Overview of the scheme

The TFES comprises several components, as described by Services Australia (Services Australia 2024). This report uses the following categorisation of the components for reporting:

- Domestic component:
 - Northbound – domestic: for eligible goods produced or manufactured in Tasmania for permanent use or sale on the Australian mainland.
 - Southbound – domestic: for persons or businesses engaged in manufacturing, mining or agriculture, forestry and fishing industry in Tasmania.
- Expanded component:
 - Other markets – northbound: covering goods that are shipped to the Australian mainland and then transported to other markets.
 - Imported – southbound: covering imported goods for manufacturing, mining, agriculture, forestry and fishing businesses.
- Intrastate – covering good shipped between King Island or Flinders Island and the main island of Tasmania.
- Special categories covering:
 - equipment for sportspersons and entertainers
 - brood mares and foals

The TFES also includes a special component category for charitable organisations providing hardship relief to King Island. However, nothing was reported under this category in the reporting period as this amendment applies to shipments from May 2024.

Goods that are eligible for Northbound assistance are identified in detail in Schedule 1 to the Ministerial Directions (Department of Infrastructure, Transport, Regional Development and Communications 2020). There is also provision in the Ministerial Directions for the Minister or Secretary to consider applications for the inclusion of other goods in Schedule 1. Goods shipped as air cargo, except in special circumstances, or shipped as bulk cargo are not eligible for assistance.

Administration of the TFES

Eligibility to claim assistance under the TFES is limited to persons (including partnerships, companies and other bodies) who have incurred and paid the costs of shipping the eligible goods between Tasmania and the mainland, between the main island of Tasmania and King Island, or between the main island of Tasmania and the Furneaux Group.

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts is responsible for funding and policy issues associated with the TFES. Funding is demand-driven and expenditure is ongoing over the forward estimates.

Administrative matters, such as the processing of claims for assistance, are handled by Services Australia on behalf of the Department of Infrastructure, Transport, Regional Development, Communications and the Arts.

Data used in this report

All TFES related data used within this report is as at August 2024, unless otherwise noted.

All data refers to claims that have been accepted (or recalculated) and paid. Payments are at a claim level but parts of a claim (a claim line item) may have different status (i.e. Accepted, Recalculated, Rejected or Unassessed).

A single claim may consist of a single or multiple claim line items. Each line item of a claim reflects a freight shipment.

Chapter 2 Payments and volumes

This chapter summarises payments and volumes (in twenty-foot equivalent units, TEUs) up to 2022-23. All figures are in terms of shipment date rather than payment date.

Payments and volumes by TFES component

Total payments made through the Tasmanian Freight Equalisation Scheme for shipments in 2022-23 were \$181.9 million.

The largest components were the domestic component with \$149.1 million (82 per cent of the total) and the expanded component with \$27.7 million (15 per cent of the total). Table 1 shows total payments by component of the TFES from 2018-19 to 2022-23, in nominal terms, and Table 2 shows total payments by component in real terms, adjusted by the ABS Consumer Price Index. Table 3 shows total TEUs by component. Note that TEUs do not necessarily denote that freight is containerised. Figure 1 shows the share of the total by each component in 2022-23.

Table 1 TFES payments by component: 2018-19 to 2022-23 (million \$, nominal)

		2018-19	2019-20	2020-21	2021-22	2022-23
Domestic	Northbound	85.9	88.1	95.4	100.5	110.4
	Southbound	31.7	36.1	38.1	38.9	38.7
Expanded component	Other markets	34.4	33.8	30.9	28.9	27.7
	Imports	-	-	-	1.8	2.7
Intrastate		2.4	2.1	2.4	2.3	2.3
Sportspersons/Entertainer		0.1	0.1	0.1	0.1	0.1
Brood mares and foals		0.0	0.0	0.0	0.0	0.0
Total		154.5	160.3	166.9	172.5	181.9

Note: Claims accepted and paid. Excludes entries with nil payments.

Source BITRE analysis of TFES database, August 2024 update.

Table 2 TFES payments by component, adjusted by CPI (million \$, 2022-23 prices)

		2018-19	2019-20	2020-21	2021-22	2022-23
Domestic	Northbound	98.9	100.1	106.6	107.6	110.4
	Southbound	36.5	41.0	42.6	41.6	38.7
Expanded component	Other markets	39.6	38.4	34.5	31.0	27.7
	Imports	-	-	-	1.9	2.7
Intrastate		2.7	2.4	2.7	2.5	2.3
Sportspersons/Entertainer		0.1	0.1	0.1	0.1	0.1
Brood mares and foals		0.0	0.0	0.0	0.0	0.0
Total		177.8	182.1	186.5	184.6	181.9

Notes: Payments adjusted by ABS Consumer Price Index.

Claims accepted and paid. Excluded entries with nil payments.

Source BITRE analysis of TFES database, August 2024 update and ABS (2024a).

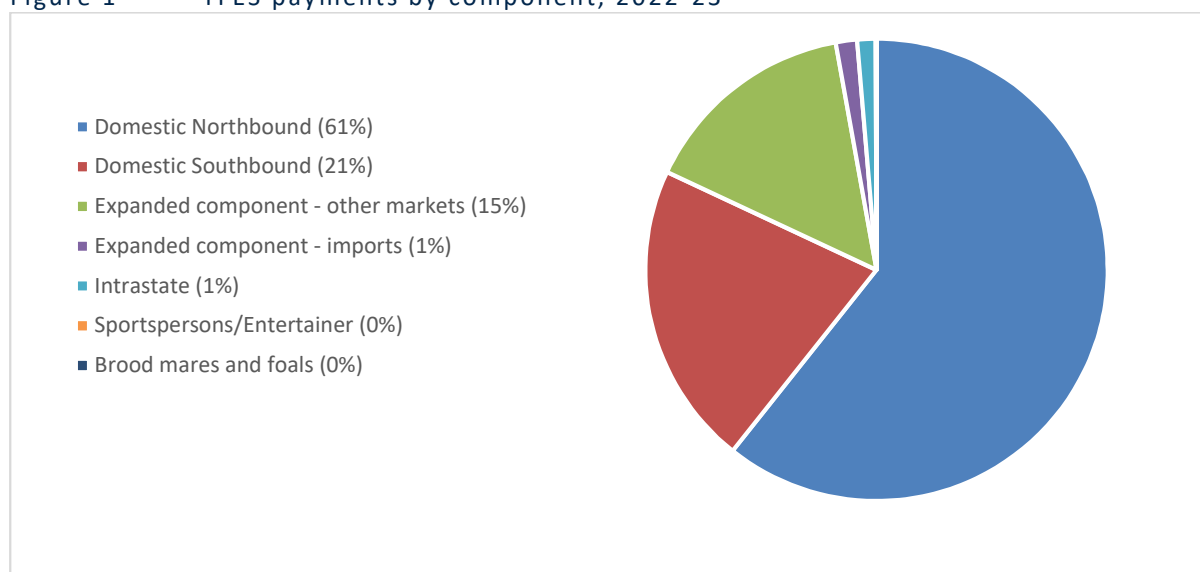
Table 3 TFES volumes by component: 2018-19 to 2022-23 (TEUs)

		2018-19	2019-20	2020-21	2021-22	2022-23
Domestic	Northbound	113,931	115,864	125,544	127,512	137,039
	Southbound	43,108	46,025	47,867	48,268	49,089
Expanded component	Other markets	49,134	48,301	44,383	41,465	39,645
	Imports				2,509	3,872
Intrastate		2,873	2,547	2,827	2,731	2,722
Sportspersons/Entertainer		126	86	113	122	133
Brood mares and foals		21	21	21	26	21
Total		209,192	212,845	220,754	222,632	232,520

Notes Shipments for relevant year, claims accepted and paid. Excludes entries with nil payments.
Trade summarised as TEU equivalents

Source BITRE analysis of TFES database, August 2024 update.

Figure 1 TFES payments by component, 2022-23



Note Shipments for relevant year, claims accepted and paid. Trade summarised as TEU equivalents. Excludes entries with nil payments.

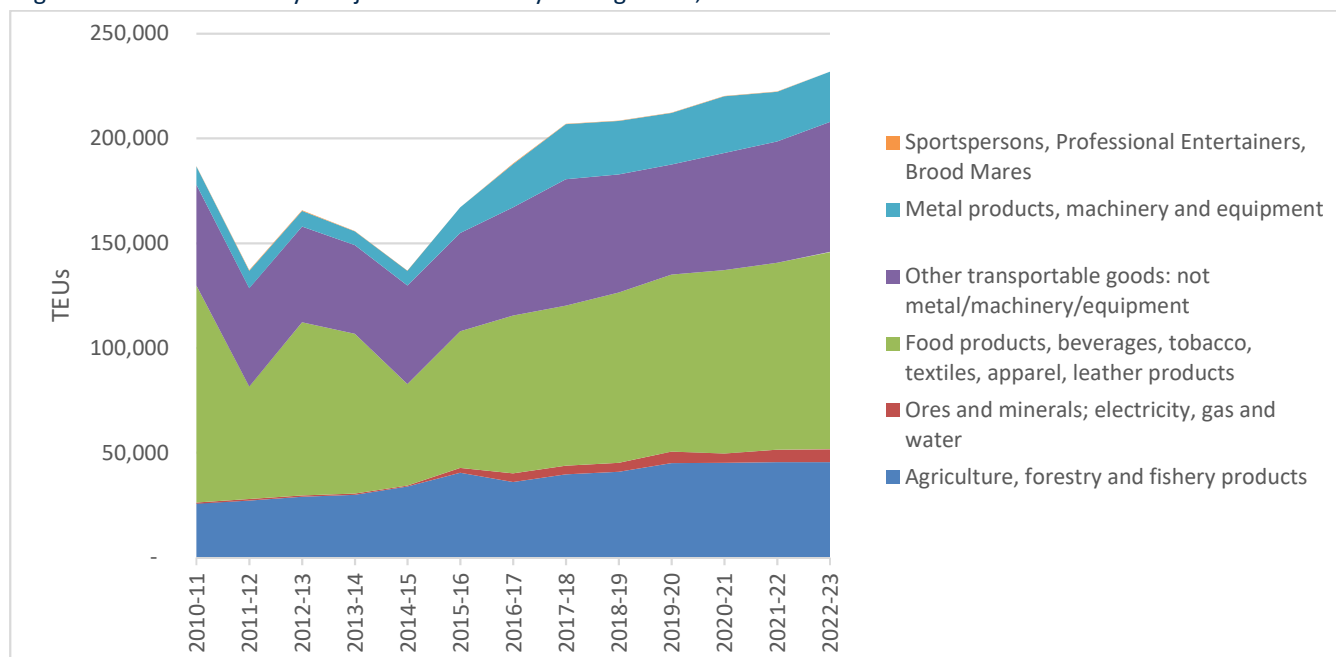
Source BITRE analysis of TFES database, August 2024 update.

Commodities

Freight moved under the TFES was reported against 197 commodity classes over the monitoring period. 159 of these classes are included in the list in Schedule 1 to the Ministerial Directions, which specifically applies to the northbound and intrastate components of the TFES (Department of Infrastructure, Transport, Regional Development, Communications and the Arts, 2024).

These can be grouped into five aggregated commodity categories. Figure 2 shows volumes for the five aggregated commodity categories over the last five years, and Table 4 shows the top twenty commodity classes moved under the TFES in 2022-23.

Figure 2 TEUs by major commodity categories, 2010-11 to 2022-23



Note Shipments for relevant year, claims accepted and paid. Trade summarised as TEU equivalents. Excludes entries with nil payments.

Excludes a small number of database entries with missing commodity information.

Source BITRE analysis of TFES database, August 2024 update.

Table 4 TFES top twenty commodity classes, TEUs and payments, 2022-23

Commodity	Total volume (TEUs)	Total payments (million \$)
Vegetables - frozen/processed/prepared	34,974	29.6
Wood - processed	17,242	14.2
Newsprint	16,607	12.7
Fish - fresh or chilled	10,840	6.9
Dairy - milk (processed)	9,693	7.8
Confectionary and chocolate products - other	9,269	7.6
Vegetables - fresh	9,062	7.2
Animal feed - preparations	8,479	7.2
Metals - unwrought copper/nickel/lead/zinc	8,134	5.8
Metals - aluminium powder/paste/ingots	6,361	4.5
Fruit - fresh	5,706	4.3
Waste - metal waste & scrap	4,522	3.7
Dairy - cheese and curd	4,097	3.4
Animals - cattle (adult)	3,887	3.3
Waste - scrap paper or paperboard	3,732	2.7
Raw vegetable material - fodder/straw or pellets	3,448	2.9
Animals - sheep (lambs)	3,103	2.7
Fabricated metal - other metal goods	3,090	2.6
Cereals - wheat	3,060	2.6
Meat - frozen/processed/other	3,050	2.1
TOTAL – All Commodities	232,520	\$181.9

Note Shipments for relevant year, claims accepted and paid. Trade summarised as TEU equivalents. Excludes entries with nil payments.

Source BITRE analysis of TFES database, August 2024 update

Routes

Table 5 shows the amount of freight carried under the TFES by each main route. The majority of freight carried under the TFES is from the main island of Tasmania to Victoria, and the second largest component is from Victoria to the main island of Tasmania. Table 6 shows the origin or destination mainland state of freight moved under the TFES.

Table 5 TFES freight routes by origin destination pair, 2022-23 (TEUs)

		Destination				
		Northern Tasmania	Southern Tasmania	Victoria	Rest of Australia	Total
Origin	Northern Tasmania	2,722	-	127,748	21,394	151,864
	Southern Tasmania	-	-	25,167	2,514	27,681
	Victoria	42,202	4,150	-	-	46,352
	Rest of Australia	4,047	2,576	-	-	6,624
	Total	48,971	6,726	152,914	23,908	232,520

Note Shipments for relevant year, claims accepted and paid. Trade summarised as TEU equivalents. Excludes entries with nil payments.

Movements between Bass Strait islands and main island of Tasmania are included in Northern Tasmania to Northern Tasmania.

Source BITRE analysis of TFES database, August 2024 update.

Table 6 TFES freight by mainland state, 2022-23 (TEUs)

	From Tasmania	To Tasmania
Victoria	152,914	46,352
NSW	12,200	3,986
SA	4,071	2,357
Qld	3,884	111
WA	3,737	169
NT	15	-
Tasmania	2,722	2,722
Total	179,544	55,697

Note Shipments for relevant year, claims accepted and paid. Trade summarised as TEU equivalents. Excludes entries with nil payments.

Note that freight within Tasmania is included in both columns.

Source BITRE analysis of TFES database, August 2024 update.

Chapter 3 Claimants and payment times

Claimants

Table 7 shows the 20 largest claimants for the TFES as a whole. Tables 8, 9, 10 and 11 show the largest claimants for the domestic, other markets, intrastate and imports components respectively.

Table 7 Top twenty TFES claimants TEUs and payments, 2022-23

Claimant	Total volume (TEUs)	Total payments (million \$)
Simplot Australia Pty Ltd	24,975	21.14
Norske Skog Boyer Mill	17,463	13.33
Mondelez Australia Pty Ltd	10,288	8.37
Tasmanian Stockfeed Services	6,463	5.53
Nyrstar Sales & Marketing AG	7,117	4.98
McCain Foods (Australia) Pty Ltd	5,674	4.85
Saputo Dairy Australia	5,920	4.82
Timberlink Australia Pty Ltd	5,531	4.52
Tassal Operations Pty Ltd	4,779	3.87
Western Junction Sawmill Pty Ltd	4,522	3.87
Biomar Pty Ltd	4,752	3.85
Fonterra Australia Pty Ltd	4,372	3.53
Driscolls Australia Pty Ltd	4,228	3.27
Forth Farm Produce Pty Ltd	4,096	3.19
Skretting Australia	3,370	2.81
North East Equity Pty Ltd T/A Sumich	3,319	2.67
JBS Australia Pty Ltd	3,370	2.62
Lactalis Australia Pty Ltd	3,061	2.61
Greenham Tasmania Pty Ltd	2,977	2.38
Rio Tinto Aluminium Bell Bay Sales Pty Ltd	3,321	2.37
Total – All claimants	232,520	181.95

Note Shipments for relevant year, claims accepted and paid. Excludes entries with nil payments.

Claimants appearing in the database under more than two names (e.g. using more than two claim agents in the year) may be incompletely represented.

Source BITRE analysis of TFES database, August 2024 update.

Table 8 Top five claimants for domestic component, TEUs and payments, 2022-23

Claimant	Total volume (TEUs)	Total payments (million \$)
Simplot Australia Pty Ltd	24,787	21.01
Norske Skog Boyer Mill	14,535	11.28
Mondelez Australia Pty Ltd	8,696	7.26
Tasmanian Stockfeed Services	6,463	5.53
McCain Foods (Australia) Pty Ltd	5,674	4.85
Total – All claimants, domestic component	186,128	149.13

Note Shipments for relevant year, claims accepted and paid. Excludes entries with nil payments.

Claimants appearing in the database under more than two names (e.g. using more than two claim agents in the year) may be incompletely represented.

Source BITRE analysis of TFES database, August 2024 update.

Table 9 Top five claimants for other markets, TEUs and payments, 2022-23

Claimant	Total volume (TEUs)	Total payments (million \$)
Nyrstar Sales & Marketing	5,110	3.6
Rio Tinto Aluminium Bell Bay Sales Pty Ltd	3,019	2.1
Norske Skog Boyer Mill	2,672	1.9
Glencore International AG	2,521	1.8
Liberty Bell Bay Pty Ltd	2,318	1.6
Total – All claimants, other markets	39,645	27.7

Note Shipments for relevant year, claims accepted and paid. Excludes entries with nil payments.

Claimants appearing in the database under more than two names (e.g. using more than two claim agents in the year) may be incompletely represented.

Source BITRE analysis of TFES database, August 2024 update.

Table 10 Top five claimants for intrastate component, TEUs and payments, 2022-23

Claimant	Total volume (TEUs)	Total payments (million \$)
Greenham Tasmania Pty Ltd	640	0.55
JBS Australia	564	0.48
Waverley Station	202	0.17
The King Island Trust	127	0.11
Tiree Discretionary Trust	98	0.08
Total – All claimants, intrastate component	2,722	2.33

Note Shipments for relevant year, claims accepted and paid. Excludes entries with nil payments.

Claimants appearing in the database under more than two names (e.g. using more than two claim agents in the year) may be incompletely represented.

Source BITRE analysis of TFES database, August 2024 update.

Table 11 Top five claimants for imports component, TEUs and payments, 2022-23

Claimant	Total volume (TEUs)	Total payments (million \$)
Biomar Pty Ltd	1,123	0.79
Mondelez Australia Pty Ltd	816	0.57
Rio Tinto Aluminium (Bell Bay)	365	0.26
Norske Skog Boyer Mill	256	0.18
Australian Tungsten	167	0.12
Total – All claimants, imports	3,872	2.71

Note Shipments for relevant year, claims accepted and paid. Excludes entries with nil payments.

Claimants appearing in the database under more than two names (e.g. using more than two claim agents in the year) may be incompletely represented.

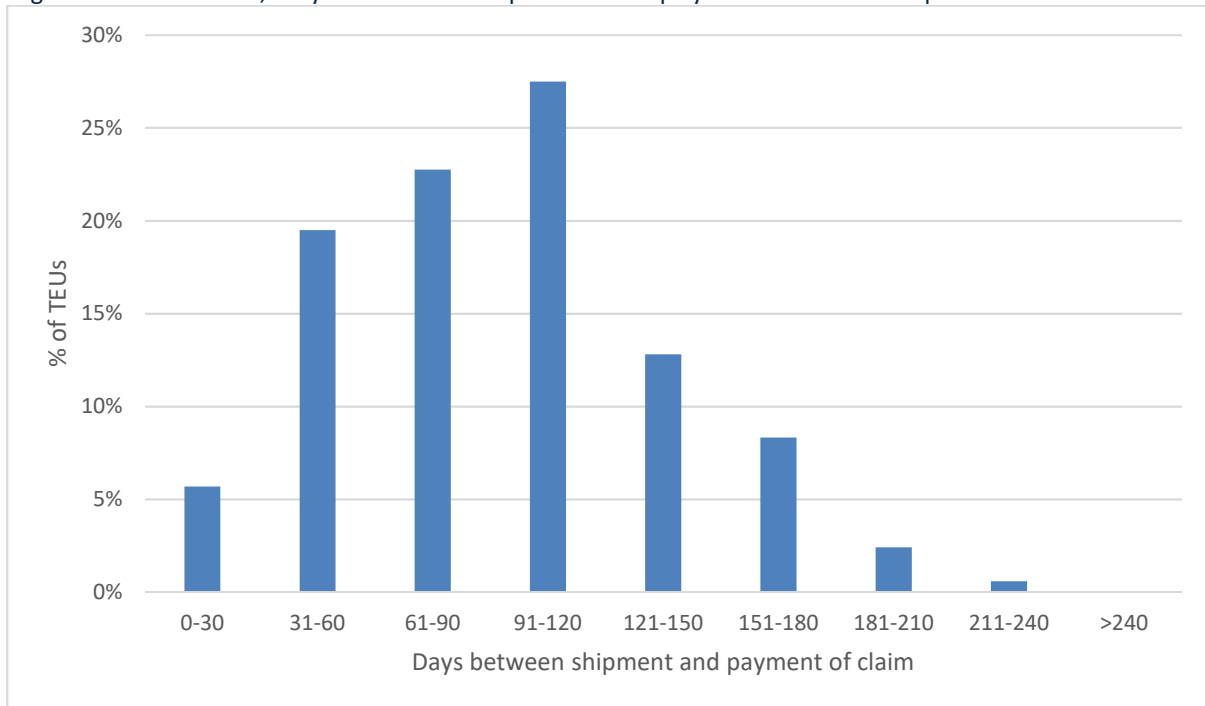
Source BITRE analysis of TFES database, August 2024 update.

Time between shipment and payment, and processing time

A claimant has six months from the date of shipment to lodge a claim for assistance. Once lodged, there is an additional period where the claim is assessed and either accepted or rejected by Services Australia. Services Australia has 30 days in which to process the claim. Any claims processed outside the 30 day period incur an interest payable to the TFES claimant. To date Services Australia has paid interest on one claim totalling \$1,311.34. For shipments in 2022-23, the average time between date of shipment of the goods and date of payment (weighted by TEUs) was 94 days. The maximum time was 608 days. Figure 3 shows the distribution of days between shipment and payment, for shipments in 2022-23. Table 12 shows the change in average days between shipment and payment, and the proportion of TEUs paid more than six months after shipment, in 2018-19 and 2022-23.

In 2022 the average processing time for Services Australia was 10 days.

Figure 3 TFES, days between shipment and payment for claims paid in 2022-23



Source BITRE analysis of TFES database. TFES claims data was provided by Services Australia as at August 2024.

Table 12 Days between shipment and payment, 2018-19 and 2022-23

	2018-19	2022-23
Average days between shipment and payment (TEU-weighted)	109 days	94 days
Proportion of TEUs paid more than 6 months after shipment	8.9%	3.3%
Proportion of TEUs paid more than 9 months after shipment	0.7%	0.4%

Source BITRE analysis of TFES database (August 2024 update).

Note Average is across all line items in all claims accepted and paid, weighted by the number of TEUs in each line item.

Chapter 4 Freight rates and underlying scheme parameters

Trends in Bass Strait and road freight rates

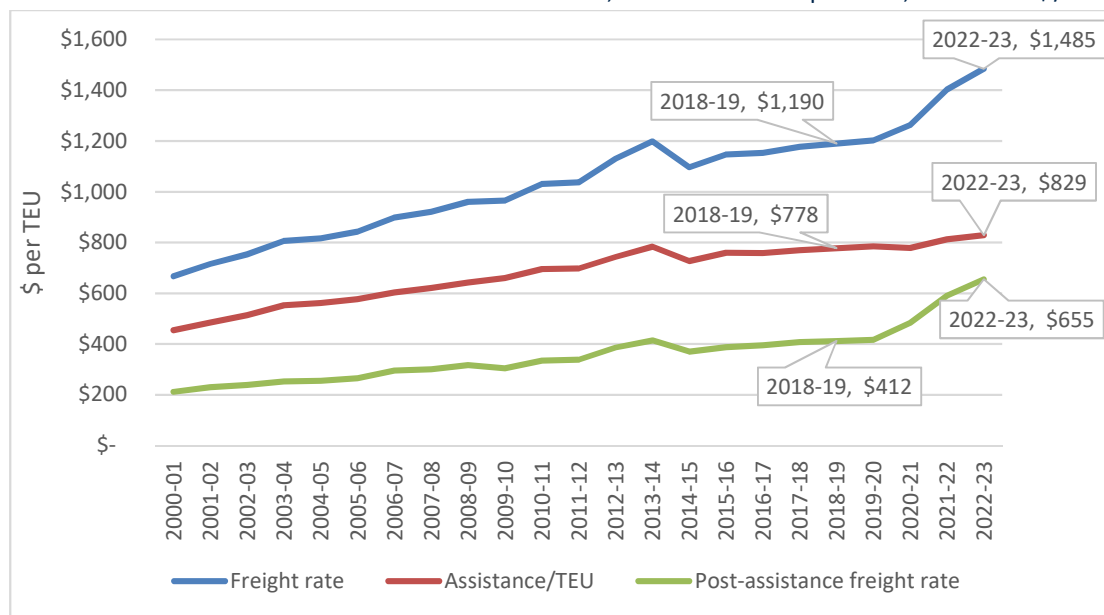
Until 2013 BITRE was required to undertake regular parameter reviews of the TFES, based on the relativities between Bass Strait rates and land-based freight. This is no longer required, following the Australian Government's decision in 2016 that the parameters and rates of assistance will remain unchanged. Following BITRE's 2018 review of the Expanded Component, the Australian Government also decided that the parameters for the Expanded Component would remain unchanged. Some freight rate information is still included in this Monitoring Report for context. For the domestic and intrastate components, an appropriate benchmark is the Road Freight Producer Price Index published by the ABS.

Figure 4 shows freight rates per TEU, rates of assistance per TEU, and the resultant post-assistance freight rates, for shipments under the domestic component of the scheme, from northern Tasmania to Victoria for full-container-load wharf to wharf claims. The restriction to this subset is to ensure consistency as a time series.

From 2018-19 to 2022-23 there was significantly faster growth in the pre-assistance growth rate than over previous periods, with average growth per annum of 5.7 per cent⁵. This compares with 2.1 per cent per annum over the previous four-year period to 2018-19. Rates of assistance grew at 1.6 per cent per annum from 2018-19 to 2022-23, noting that an increasingly high proportion of claims are at the maximum amount per claim of \$855 (see Table 14 in next section). This compares with 1.7 per cent per annum over the previous four-year period to 2018-19. This has resulted in the post-assistance rate growing at 12.3 per cent per annum over the four-year period to 2022-23. This compares with 2.8 per cent per annum over the previous four-year period to 2018-19.

⁵ All growth rates in this report are compound annual average growth rates.

Figure 4 Nominal average freight rates and post-assistance freight rates from Northern Tasmania to Victoria, domestic component, nominal \$/TEU

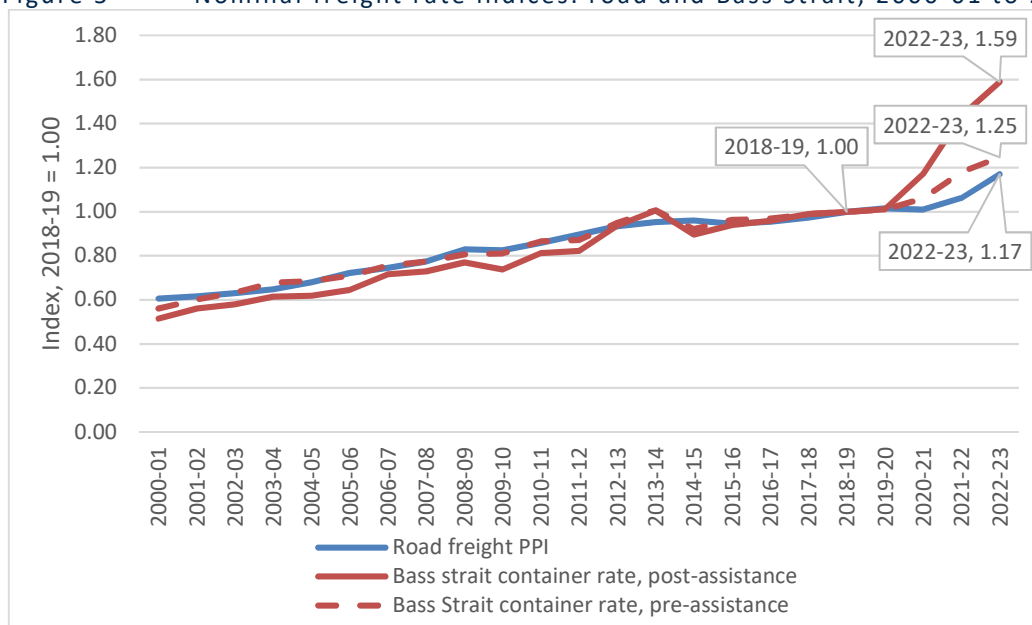


Note Estimated Bass Strait freight rates are average nominal freight rates per TEU for wharf-to-wharf full container load claims from northern Tasmania to Victoria for the domestic component in the TFES database. In 2022-23 this covered 51% of the northern Tasmania to Victoria TEUs under the domestic component of the scheme, and in 2018-19 59%. Claims accepted and paid. Excludes entries with nil payments.

Source BITRE analysis of TFES database, August 2024 update.

Figure 5 compares nominal trends in post-assistance sea freight rates across Bass Strait with nominal road freight costs using an index from 2000-01 to 2022-23. In the four years to 2022-23, the road freight price rose 4.0 per cent per annum, higher than the growth of 1.0 per cent per annum in the four years to 2018-19. With the growth in the post-assistance rate of 12.3 per cent per annum, this means that over the four years to 2022-23, the post-assistance rate relative to the road freight price grew 7.9 per cent per annum.

Figure 5 Nominal freight rate indices: road and Bass Strait, 2000-01 to 2022-23



Note Estimated Bass Strait freight rates are average nominal freight rates per TEU for wharf-to-wharf full container load claims from northern Tasmania to Victoria in the TFES database. In 2022-23 this covered 51% of the northern Tasmania to Victoria TEUs under the Domestic component of the scheme, and in 2018-19 59%. Claims accepted and paid. Excludes entries with nil payments.

Source BITRE estimates based on TFES database, August 2024 update and ABS (2024)

TEUs subject to the Scheme maximum

The scheme is structured in such a way that the freight rates across Bass Strait play a direct role in the amount claimed per TEU. In principle, the notional road freight rate also does, but has not been adjusted for several years.

The Tasmanian Freight Equalisation Scheme payment level is determined by the following formula from the Ministerial Directives for the notional entitlement:

$$\text{Notional Entitlement (NE)} = \text{Wharf to Wharf rate (WW)} - \text{Road Freight Equivalent (RFE)}$$

(this formula applies to Wharf to Wharf claimants in the domestic component of the Scheme, for other combinations see the Ministerial Directives).

The actual amount of assistance is then calculated using a sliding scale based on the NE, as detailed in Table 13, with the parameters defined as follows:

- MWW = median level of wharf to wharf cost disadvantage for claimants, equal to the freight rate per TEU minus the road freight equivalent
- FC = fixed intermodal cost, unavoidable intermodal costs incurred when goods are moved by sea
- RFE = road freight equivalent, the notional road freight cost
- DW = door to wharf component, for non-wharf-to-wharf shipments

Table 13 Sliding scale of assistance

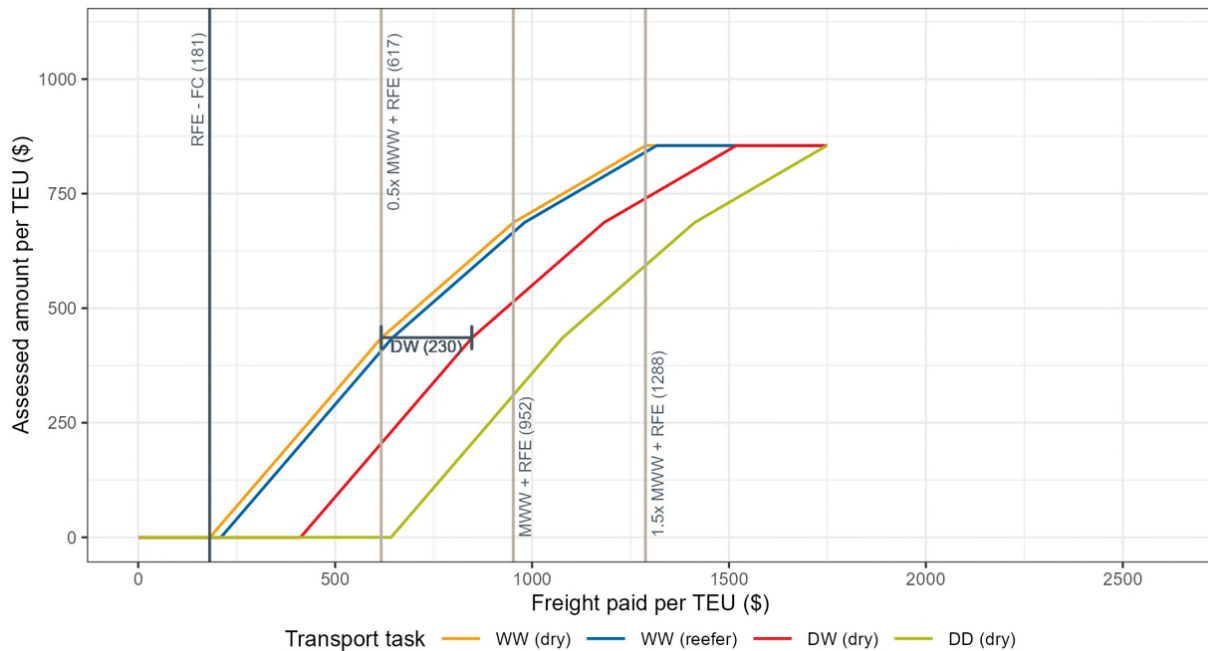
Notional entitlement range	Class	Assistance formula
NE \$0 to \$335.50	Class 1	NE + FC
NE \$335.51 to \$671	Class 2	$MWW/2 + 0.75(NE - MWW/2) + FC$
NE \$671.01 to \$1006.50	Class 3	$MWW/2 + 0.75(MWW/2) + 0.5(NE - MWW) + FC$
NE > \$1006.51	Class 4	$MWW/2 + 0.75(MWW/2) + 0.5(MWW/2) + FC$

Note NE is equal to the wharf to wharf rate minus the RFE. The MWW is the median of this value across the Scheme.

Source Adapted from Ministerial Directions

The formula effectively applies a maximum payment per TEU, with Class 4 claimants all receiving \$855 regardless of their notional entitlement. Figure 6 shows the resulting assessed amount per TEU for the underlying freight rates.

Figure 6 Sliding scale of assistance



Notes Vertical annotations show the claimant class boundaries as applicable to wharf-to-wharf dry TEUs (yellow line). Reefer series for door-to-wharf (DW) and door-to-door (DD) are omitted for display.

Source Adapted from Ministerial Directions

As underlying freight rates (reflected in the formula through MWW) have increased, a higher proportion of claims are classed as Class 4. Table 14 shows the proportion of TEUs in claims in each Class.

Table 14 Percentage of TEUs moved by sliding scale Class, domestic component

Year	Class 1 (%)	Class 2 (%)	Class 3 (%)	Class 4 (%)
2000-01	40.3%	39.7%	11.8%	8.1%
2001-02	34.6%	39.1%	17.2%	9.1%
2002-03	29.5%	36.4%	21.4%	12.7%
2003-04	28.1%	36.2%	24.9%	10.8%
2004-05	27.6%	36.2%	22.7%	13.5%
2005-06	19.9%	37.2%	28.2%	14.7%
2006-07	16.4%	35.3%	31.5%	16.8%
2007-08	11.6%	34.3%	34.0%	20.1%
2008-09	10.4%	30.1%	34.4%	25.1%
2009-10	8.3%	32.6%	34.4%	24.6%
2010-11	26.8%	24.2%	28.0%	21.0%
2011-12	8.4%	23.2%	37.3%	31.2%
2012-13	19.9%	15.8%	32.0%	32.4%
2013-14	2.1%	14.6%	35.8%	47.5%
2014-15	2.3%	18.0%	31.7%	48.1%
2015-16	3.3%	18.9%	36.6%	41.2%
2016-17	2.9%	16.4%	41.9%	38.9%
2017-18	1.5%	14.5%	42.8%	41.2%
2018-19	3.1%	10.3%	41.7%	44.9%
2019-20	3.2%	9.8%	34.5%	52.5%
2020-21	3.3%	11.1%	34.7%	50.9%
2021-22	2.3%	7.8%	28.9%	60.9%
2022-23	3.3%	5.1%	13.2%	78.4%

Note Claims accepted and paid. Excludes entries with nil payments.

Source BITRE analysis of TFES database, August 2024 update

Estimation of Scheme parameters

The parameters of the Scheme were set in the Nixon Review (TFES Review Authority, 1998). Two of the inputs – median wharf to wharf freight costs and the additional costs for door-to-wharf freight – are collected in the course of administering the Scheme, while the road freight equivalent (RFE) and fixed intermodal cost (FC) are not collected, and have been examined only during formal parameter reviews.

Table 15 shows an indicative estimate of potential parameter values for the 2022-23 financial year, compared to the prevailing parameters. It has been developed based on simplified statistical proxies for RFE and FC, to support stakeholders and decision makers in monitoring the Scheme. This indicative information is not suitable for use as a recommendation for making changes to the Scheme, and is provided for monitoring purposes only. It is likely that the detailed investigations that would be needed to underpin any change to the Scheme would yield different results.

Note also the rate calculations used for Table 15 are not directly comparable to the rates in Figures 4 and 5. The rates in figures 4 and 5 are based on average across TEUs and are restricted to a subset of

the Scheme for consistency as a time series (as recorded in the notes for those tables). The rates below are based on median across relevant claims.

Table 15 2022-23 parameter estimates

Parameter	Current parameters	2022-23 values	Increase relative to current parameters	Source
Median freight rate	952.4	1430	50%	Freight rates calculated from database
MWW	671	863	29%	Freight rates calculated from database, minus estimated RFE as below.
FC	100	116	16%	Assumed to rise with Stevedoring Services PPI
RFE	281.4	567.1	102%	Assumed to increase with Road Freight PPI
DW ¹	230	355	55%	Freight rates calculated from database and Road Freight PPI

Notes Parameters shown are indicative estimates only, based on readily-available data. A formal parameter review would entail further data collection and consultation beyond the scope of this report.

¹DW has been calculated as the average of the Nixon review parameter inflated by the Road Freight PPI, and the growth of freight rates in the database for door-to-door, FCL, dry containers.

For fixed intermodal cost (FC), the choice of stevedoring as the proxy pertains to the 'intermodal' intent of the parameter, being the additional intermodal transfer implied for freight shipped across Bass Strait compared to a journey undertaken only on road. BITRE (2013) noted that FC refers to the "quantifiable, incremental costs that were attributable to the need for a sea journey" (p.26). This more general interpretation may be alternatively proxied by a broader indicator, such as CPI.

Source BITRE analysis of TFES database, August 2024 update

Abbreviations

ABS	Australian Bureau of Statistics
BITRE	Bureau of Infrastructure and Transport Research Economics
DW	Door to wharf component
FC	Fixed intermodal cost
MWW	Median wharf to wharf disadvantage
NE	Notional Entitlement
RFE	Road Freight Equivalent
TEU	Twenty-foot equivalent unit
TFES	Tasmanian Freight Equalisation Scheme

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