



## Policy costing

Tasmanian Freight Equalisation Scheme class review	
Person/party requesting the costing:	Senate Select Committee of the Tasmanian Freight Equalisation Scheme
Date costing completed:	4 December 2024
Expiry date of the costing:	Release of the next economic and fiscal outlook report
Status at time of request:	Submitted outside the caretaker period
	<input type="checkbox"/> Confidential <input checked="" type="checkbox"/> Not confidential
Summary of proposal: The proposal would address 'class slip' (where greater proportions of freight come under higher class categories) under the Tasmanian Freight Equalisation Scheme (TFES) Domestic Class framework. Assistance thresholds would be adjusted such that 50% of freight falls within Classes 1 and 2 and 50% falls within Classes 3 and 4. Class slip has been defined as the gradual shift of claims from the lower to the higher classes, with an increasingly high proportion of claims are at the maximum Class 4 amount per claim of \$855. The proposal would commence on 1 February 2026.	

## Overview

The proposal would be expected to decrease the fiscal and underlying cash balances by around \$156 million over the 2024-25 Budget forward estimates period (see Table 1). This impact entirely reflects an increase in administered expenses for the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA) to facilitate additional payments under the TFES.

The proposal would be expected to have an impact beyond the 2024-25 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2034-35 is provided at Attachment A.

The proposal is sensitive to the actual volumes of freight eligible for TFES (as measured by 20-foot equivalent unit (TEU)), across the medium term, as well as the growth rate in nominal freight costs across the same period. Results are modelled using data and derived estimates on total TEU's, average assistance paid, class distribution of freight and other data from 2022-23. Therefore, the results would not account for significant changes in the pattern and or directions of trade across the medium term.

**Table 1: Tasmanian Freight Equalisation Scheme class review – Financial implications (\$m)<sup>(a)(b)</sup>**

	2024-25	2025-26	2026-27	2027-28	Total to 2027-28
Fiscal balance	-	-16.0	-61.0	-79.0	-156.0
Underlying cash balance	-	-16.0	-61.0	-79.0	-156.0

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

- Indicates nil.

## Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- Assistance thresholds and allowances as detailed in TFES ministerial directions and the sliding scale of assistance formulas, would be adjusted and grown across the medium term such that the distribution of freight between classes 1-4 would be maintained at 25% for each class.
- Baseline funding for TFES would be \$181.9m per year over the forward estimates as per the 2024-25 DITRDCA portfolio budget statement and remain constant over the medium term.
- The volume of TEU's eligible for TFES would grow at the average rate of growth for the past 4 years (2.64%) across the medium term.
- Nominal freight costs would grow at the average rate of growth for the past 5 years (4.53%) across the medium term.
- No additional departmental funding would be required as the proposal does not involve significant changes to the operation of the TFES.
- Table 2 shows the estimated average assistance paid per TEU for each class based on the distribution of classes in 2022-23 and recalculated using an equal class distribution. This was achieved by adjusting Notional entitlement values for the Notional wharf to wharf freight cost disadvantage (NWW) as detailed in the ministerial directions schedule 3.

**Table 2: Current and estimated average assistance payable per TEU by class – 2022-23**

	Class 1	Class 2	Class 3	Class 4
<i>Current class distribution</i>	\$168	\$235	\$721	\$855
<i>Equal class distribution</i>	\$320	\$646	\$996	\$1,185

## Methodology

The financial impact of the proposal was calculated using information provided in committee submissions and the TFES monitoring report on total TEU volumes, TEU and freight cost growth rates, class distributions, sliding scale of assistance formulas and total assistance granted.

Average assistance under the TFES for each class of freight was calculated using the information above for 2022-23, and then recalculated with a 25% distribution for each class. These values were grown by the growth rate in nominal freight costs from 2022-23 to the start date in 2025-26 and across the medium term, to maintain the equal class distribution under the proposal. The difference between baseline funding for the TFES and the estimated costs under the proposal represent the financial impact.

Financial implications were rounded consistent with the PBO's rounding rules.<sup>1</sup>

## Data sources

The PBO thank the secretariate for the Senate Select Committee on the Tasmanian Freight Equalisation Scheme for their timely and impartial input to this response.

Bureau of Infrastructure and Transport Research Economics (2024) TFES Monitoring report [Full page photo Consultation Draft Tasmanian Freight Equalisation Scheme Monitoring Report 2024](#) accessed on 29 November 2024

Department of Infrastructure, Transport, Regional Development, Communications and the Arts (2024) Portfolio Budget Statement [Portfolio Budget Statements](#) accessed on 29 November 2024

Commonwealth of Australia (2024) *2024-25 Budget*, Commonwealth of Australia.

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<sup>1</sup> <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

## Attachment A – Tasmanian Freight Equalisation Scheme Class Review– Financial implications

**Table A1: Tasmanian Freight Equalisation Scheme Class Review– Fiscal and underlying cash balances (\$m)<sup>(a)</sup>**

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
<b>Departmental</b>													
<i>DITRDCA - TFES Spending</i>	-	-16.0	-61.0	-79.0	-99.0	-120.0	-142.0	-166.0	-192.0	-219.0	-249.0	-156.0	-1,343.0
<b>Total (excluding PDI)</b>	-	-16.0	-61.0	-79.0	-99.0	-120.0	-142.0	-166.0	-192.0	-219.0	-249.0	-156.0	-1,343.0

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

**Table A2: Tasmanian Freight Equalisation Scheme Class Review – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)<sup>(a)(b)</sup>**

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
<b>Fiscal balance</b>	-	-0.3	-2.0	-5.0	-9.0	-14.1	-20.4	-28.0	-37.0	-47.8	-60.4	-7.3	-224.0
<b>Underlying cash balance</b>	-	-0.3	-1.6	-4.3	-8.1	-12.9	-18.9	-26.1	-34.9	-45.2	-57.4	-6.2	-209.7

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the table above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary<sup>2</sup>.

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

<sup>2</sup> [https://www.pbo.gov.au/about-budgets/online-budget-glossaryonline\\_budget\\_glossary](https://www.pbo.gov.au/about-budgets/online-budget-glossaryonline_budget_glossary)