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### **Can Auslink move Melbourne ahead of Sydney?**

This submission is based on the following principle:

The costs to transport goods and passengers by land and sea across Bass Strait and all other inter-capital transport corridors should result in the average cost per km on all inter-capital surface links being about equal, based on the shortest practicable route between adjacent capital cities. This is a simple aim that can apply to both passenger vehicles and all other freight transport that currently use inter-capital highways. It is an equitable way of allowing inter-capital air and surface transport to compete fairly against each other and allow each state to compete fairly against each other.

I have no view about regional routes.

This principle should apply to the whole surface route between Melbourne and Hobart as well as all other inter- capital linkages. All Australians and all Australian businesses should pay about the same access cost per km for travel between all capital cities.

The costs to implement this principle should be based on an Auslink formula which should equally apply for the full route Melbourne - Hobart. "After this principle is applied fully to all inter-capital connections, then transport based on national interest priorities connecting regional areas should be addressed in the most cost efficient way.

Any departure from this principle will allow for subjective decision making over routes used by the majority of Australians and business and will result in a skewing or denial of effective primary interstate access.

Last year the Victorian Employers Chamber of Commerce and Industry ("VECCI") made public its budget submission to the Victorian Government. It included a proposal that was largely unreported.

VECCI suggested Victoria ask the Commonwealth to extend the Nation's new, multi-billion dollar, Auslink transport network to connect the full route between Melbourne and Hobart, including the adjustment of two federally funded Bass Strait equalisation schemes applying to sea transport. The aim – comprehensive transport equalisation to align basic transport costs by sea, for non-bulk freight, vehicles and people crossing Bass Strait to the cost of traveling on a highway or other inter-capital Auslink corridor.

Canberra's Auslink, said to deliver an integrated, national transport network, is expected to deliver significant road and rail infrastructure over major national arteries, including links between all capital cities. The only significant gap is the nations only interstate ferry system or sea-link crossing Bass Strait. If Auslink expenditure is justified between all mainland capital cities then, why not Melbourne to Hobart, the Nation's shortest inter- capital route? If rail infrastructure is to be incorporated, so can ferries. The ferry infrastructure and some parts of its operation could easily deliver an Auslink connection. Auslink can't be described as "integrated" and "national" without this link.

Melbourne is better geographically located than Sydney. It has three state capital cities in relatively close proximity, Adelaide, Sydney and Hobart. Sydney has just two, Brisbane and Melbourne. Melbourne can justify an entitlement to three substantial inter- capital transport corridors.

Auslink is costing federal taxpayers well over \$11 billion. The Australian Land Transport Development Act had guaranteed toll-free access on National Highways. It arguably allowed Bass Strait vehicular ferries to be declared part of the National Highway. With this Act being replaced by Auslink legislation, Victoria has a strong case to expect national inter-capital status and significant Federal funding over the whole corridor from the point where the Hume Highway enters the Ring Road, for a new bridge or tunnel crossing the Yarra River to the Port of Melbourne, removal of congestion at Station Pier, attention to the Port Phillip Channel and then to all ferries willing to deliver Auslink equivalence from Melbourne to the north coast of Tasmania. The corridor would then connect with an already recognised Auslink road and rail link to Hobart. This will, in effect, continue the Hume Highway from Sydney via Melbourne to Hobart.

Victoria has a limited road network compared with other states. It has difficulty justifying additional road funding and the return of substantial road taxes paid by Victorians to the Commonwealth. However, Victoria can ask for its share of an inter-capital link to Hobart. This link, over time, may rival any major National link in the country and return road taxes to benefit Victoria.

Bass Strait already attracts substantial Commonwealth funding.

The Coalition introduced the Tasmanian Freight Equalisation Scheme about three decades ago and the Bass Strait Passenger Vehicle Equalisation Scheme nearly a decade ago. Freight equalisation was to assist Tasmanian industry to access mainland markets. The passenger vehicle equalisation scheme was aimed at reducing the cost for passengers and vehicles crossing Bass Strait by sea, in both directions.

But, compared with the scope of all other inter-capital Auslink connections, there are significant omissions in both schemes that justify Canberra's urgent attention. Addressing these omissions will deliver an effective Auslink connection between Victoria and Tasmania.

Under the freight scheme, many southbound goods, including consumables, such as building materials, white-goods, furniture and groceries are not funded. This omission acts against the interests of Victorian manufacturers who send goods to Tasmania, as the same goods, if manufactured in Tasmania, attract an equalisation payment northbound. It also maintains high prices in Tasmania for many consumables from the mainland. An extension to cover most southbound consumables would put direct downward pressure on Tasmanian prices through reduced transport costs and allow greater competition within Tasmania. While parts of Tasmanian industry may currently enjoy some protection by the scheme operating substantially, one-way, those industries, after full equalisation, can still be closer to a more rapidly growing internal Tasmanian market than their interstate counterparts. The Nation is now more conscious of competition policy. Australia advocates equal access to markets, internationally, why not also across the Victorian -Tasmanian border? Many Victorian firms have branches in Tasmania and some are Tasmania's major suppliers.

With little direct international shipping out of Tasmania many exports from Tasmania are transhipped in Melbourne to international sea carriers. These exports are also not covered by equalisation, northbound. It is feared that transport assistance applied to such northbound exports would amount to an export subsidy and be contrary to international treaties. However, if a factory was built in say, Albury, exports could be sent on the Hume Highway to the Port of Melbourne on an Auslink corridor. If exports from Tasmania crossed Bass Strait northbound to the same port, using a sea- based Auslink, industry in Tasmania could argue that this link provided an equivalent connection, not an export subsidy. There are state-of-the-art production plants in Northern Tasmania having substantial surplus export capacity.

As with the freight scheme, the passenger vehicle scheme also does not deliver comprehensive equalisation. It does not offer sufficient, all year, actual capacity to move people and vehicles at highway equivalent fares as would a land-based highway. Commonwealth funding provides

demand driven, uncapped federal funding of \$150 each way for car and driver and for some ancillary vehicles. The scheme was aimed at moving a driver and car across Bass Strait at the same cost, all year, as on a National Highway. Contrary to highway travel, where the incentive is to increase the passenger vehicle ratio with cars able to carry more passengers at about the same cost, the scheme has unfortunately encouraged the opposite.

Also car fares, which were initially reduced to nothing when the scheme was introduced, have moved upwards. The Commonwealth has not increased its funding to keep parity with the cost of road travel. The scheme has also put no effective downward pressure on the price of the passenger component of sea travel between the two States. The Coalition had expected that sea-based passenger ferry competition would enter the market driving passenger fares down. This has not occurred. Whilst there has been some significant drop in the cost of overall access with a car, the scheme is yet to deliver comprehensive highway equivalence, in volume, for surface travellers. Nor has it yet delivered the full vision of the Coalition. The Nixon Report some years ago, alerted the Commonwealth to about a \$1000 return travel cost with a car, facing families crossing Bass Strait by sea, despite the vehicle scheme. For many travellers a similar barrier exists today.

A level playing field generally applies to inter-capital air connections. Air travel is required to compete against Auslink inter-capital corridors except over the full corridor Melbourne to Hobart. It should do so over this link. Recently, non-peak airfares have dropped significantly. Some Tasmanians may be ambivalent as to whether visitors arrive by air or sea. Others may not have a singular interest in the volume of visitors, preferring to focus rather on the length of their stay and their total "spend". Victoria, on the other hand, cannot be interested in such a limited target group. Its interests lie directly with a, high traffic, Bass Strait surface link. Victoria, and in particular Melbourne, stand to gain by expenditure of travellers from across Australia traveling through Victoria to Tasmania and back again. Melbourne is the closest gateway to Tasmania. Low airfares result in many travellers flying over Victoria to Tasmania and not spending one cent in Victoria. Vehicle equalisation funding also applies on the Sydney–Devonport sea route. This encourages, in many cases, the bypassing of Victoria and increases the Commonwealth's financial burden, funding both the Hume Highway and, in part, a parallel sea route.

The movement of people is now almost as significant as the interstate movement of goods. People travel by road for major events, including AFL football matches. Some matches are now held in Tasmania and with an Auslink connection would attract significant numbers of interstate travellers. Victorian businesses would have access to additional travellers from Tasmania. Victorians continue to travel via New South Wales to Queensland tourist destinations. With a high volume Auslink connection to Tasmania, this trend may be reversed offering the opportunity of a low cost "highway" trip through both Victoria and Tasmania.

In the absence of sea-based competition, it is time that the Commonwealth introduced some conditions to the uncapped \$32 million a year passenger vehicle scheme to achieve comprehensive equalisation. The Tasmanian Government and its ferry operator apparently have no legal obligation to implement equalisation nor to adjust the impact of the equalisation schemes. The Commonwealth has primary responsibility for interstate linkages.

Tasmania has impressive natural beauty and a population of about half a million. It is ranked as a chosen destination by many Australians but still has relatively low actual visitor numbers. Price and capacity had been found to be the major determinants of crossing Bass Strait by sea. The number of travellers has significantly increased as fares have been lowered. This trend must be encouraged. The movement of labour and family reunions between the Mainland and Tasmania should increase as should visitor numbers. Also Victorian businesses operating in Tasmania will be able to spread overheads over a larger population base further lowering consumer costs.

With a resultant lower cost of living, greater business activity, relocations and lower average access costs to the mainland though comprehensive equalisation of travel costs, the volume of

freight, passengers and international exports to and from Tasmania via the Port of Melbourne are likely to rise. By removing the remoteness of Tasmania, Victorian service industries may extend their operations to Tasmania. These factors would reduce the shipping overcapacity in Bass Strait and add to Victoria's vision of being the nation's transport hub. The spoke to Tasmania will be significantly strengthened.

The only surface link between Victoria and Tasmania is by ferry. The priority of delivering this one primary interstate link can be distinguished from many deserving transport projects across the nation. Whilst the Commonwealth has funded their scheme promises, there are also very clear fair trade and state rights principles that ought to be met. Every Australian should have the right to access the Auslink network and all states, equally. Also Coalition promises guaranteeing Tasmania transport equality and accepting that the Bass Strait link would be part of the former National Highway should now apply under Auslink.

Based on government estimates, enhancement of the passenger vehicle scheme may be achieved at relatively low cost as highway equivalence will encourage an increase in the passenger vehicle ratio. Based on possible traffic volumes, improvement of both schemes may cost the Commonwealth about an additional \$100 million a year, over the \$122 million drawn down under the combined equalisation schemes. The cost to Commonwealth for this link is likely to be comparable with other East Coast inter-capital links and far cheaper than establishing a network of inter-island bridges should Canberra not be able to deliver a ferry-based equivalent. The cheapest way of moving people is by sea, not by National Highway's costing perhaps an average of \$4million a kilometre. Other connecting infrastructure in Melbourne would cost the Commonwealth extra, as has Auslink's recent funding of a bridge across the Port River in Adelaide.

With comprehensive equalisation, the average sea fare to Tasmania for foot passengers and passengers travelling with a vehicle and or ancillary vehicles, particularly on day-time sailings, should be able to be reduced very significantly and be maintained at fare levels equal to the average cost of travelling on other inter-capital Auslink connections. For travellers choosing basic highway equivalent fares, limited availability, promotional and seasonal fares should cease.

John Howard said in 1996 that "Bass Strait was the single greatest impediment to the growth of population, investment and jobs" in Tasmania. The success of his passenger vehicle scheme proved this view correct. It is time that the Prime Minister's initiative was enhanced. With the scheme described as "the single greatest regional initiative ever", the economic benefits of an Auslink connection may well exceed the extraordinary success of the passenger vehicle scheme.

With multiple low- cost transport links a day, the amenity of Melbourne and Victoria as a place to live would significantly improve. Access to Tasmania's natural beauty and outdoor sporting activities including its snowfields, fishing, bushwalking and sightseeing, low-cost land and holiday housing could be about \$50 away, one-way for a foot passenger and about \$200 with a vehicle, including its passengers, based on all year, consistent "highway" fares. Tasmania is attractive to retired baby-boomers. The link would bring the certainty of all year Auslink access to family and friends on the mainland and, to many, offer a compelling reason to move south. With high youth unemployment, loss of young people, a significant welfare dependency and high levels of interstate property investment in Tasmania, it seems wise for Tasmania to embrace growth based on falling barriers to entry. Also the interests of a strong tourist industry are likely to encourage the Tasmanian Government to maintain the protection of Tasmania's natural strengths while hopefully, at the same time allowing its towns and cities to develop. Tasmania and Victorian businesses should take advantage of Tasmania's growth potential and its proximity to Australia's largest population base. A natural growth pattern would be for Melbourne's population to start expanding to Tasmania. With the passenger vehicle equalisation scheme and the resultant introduction of new passenger ferries, Tasmania now has an increasing population. Many of its business indicators are positive. With a sea-change mentality prevailing and a coastline about that of New South Wales, Tasmania can grow even further.

Existing ferries are able to transport much larger volumes of both people and freight across Bass Strait. At least two ferries can now make a return trip within a day, all year. With changes in technology and shorter routes, crossings times can be further reduced.

The case for Tasmania's linkage to the then, National Highway, was made in 1996. A number of National resolutions by the Liberals, Nationals and Local Government, supported the link. Prime Minister Keating proposed low sea fare access. The people of Tasmania voted for the link by endorsing the Coalition's promises to recognise Bass Strait as part of the National Highway. The Victorian Government and the then Victorian Labor caucus also supported the link. The Premier of Tasmania is on record as supportive of lower passenger fares by sea and Tasmanian Labor promised to negotiate passenger equalisation with the Commonwealth. It was clearly understood that every state was entitled to at least one equitable surface link.

The immediate issue for Victoria is to recognise that it is, on behalf of all Victorians, one of two major stakeholders, with Tasmania, in the Bass Strait link. This third inter-capital link may include a substantially federally funded bridge that can rival the Sydney Harbour Bridge over an enhanced Docklands and a transport corridor reducing congestion between the Hume Highway and in the vicinity of the Port of Melbourne for both passengers, vehicles and freight can be covered in a way that Sydney's geographical location can never justify. It will offer the Nation effective and timely access to a combined recreational and growth market possibly unprecedented in Australia's recent history.

No Victorian should forget that Melbourne was originally settled from Tasmania and it is clearly time for the leaders of this Nation to again, strongly revisit Victoria's southern link.

**Peter Brohier was chairman of the former National Sea Highway Committee and the Committee for Bass Strait Transport Equality, the catalysts and lobbyists behind the Coalition's BSPVES and the Keating proposal for a low-cost fast ferry connecting Victoria and Tasmania.** The issues raised in the article are currently before the Hon Jim Lloyd, Minister responsible for the TFES and the BSPVES. The TFES is currently being investigated by the Productivity Commission.