

Bass Strait Passenger Vehicle Equalisation Scheme “BSPVES”

a clear case for prompt ministerial adjustment to this \$50 million a year uncapped federal transport scheme

As originator of the campaign for Bass Strait equalisation, and the person described by the Premier of Tasmania to be “most responsible for the introduction of the BSPVES”, I am of the opinion that scheme requires the following urgent adjustment:

Proposal

That the Federal Minister for Transport:

- Intervene and negotiate an acceptable outcome that delivers equal transport links across the Victorian - Tasmanian border.
- Require the annual BSPVES monitoring reports to focus on the extent that the BSPVES delivers national highway equivalence.
- Ensure that Victoria is regularly consulted regarding the operation of the BSPVES and the annual monitoring reports.
- Include as a condition of the BSPVES, that any operators using the scheme offer an adequate amount of bitumen or highway equivalent sit-up fares of about \$50 for a foot passenger (equivalent to a bus fare) and an inclusive car and passenger fare of \$299, maintained at highway equivalence.

That the Minister for Transport - Victoria:

- • Have his officers engage in the aforementioned process as recognition that Bass Strait, the only interstate surface route between Victoria and Tasmania, ought to have equal application to the people and industries of both these states.

Argument

1. I believe that the BSPVES, without conditions applied by Canberra, encourages increases in the total cost of crossing by sea. This leaves a clear gap in the nation's interstate transport network. It leads to the maintenance of social injustice through a lack of fair access to and from Tasmania, substantial financial loss for many in South-eastern Australia and grossly inefficient use of Commonwealth funding and does not act as a sufficient driver of productivity across two states.
2. The scheme's aim was to deliver equity and to change the parameters for access to Tasmania moving the demand curves outwards for many industries. Despite its success, it has as yet not done so. The aim of the scheme was not to deliver a subsidy aimed at high-level Tasmanian tourism.
3. Under the present BSPVES there seems little chance of moving towards bitumen equivalence - currently there is no sound policy basis for the BSPVES continuing, in its present form, unless it offers comprehensive highway equivalence. If it does not change many other tourist regions would be justified in enjoying a federally funded scheme.
4. The scheme, in my view, can't work to achieve equalisation if there is pressure to upgrade levels of service or value-add, rather than to lower total fares (see many reported comments in my last submission to the Productivity

Commission). The soon to be indexed BSPVES will encourage or allow for an increase in passenger and vehicle fares based on higher service options, and not encourage the “bitumen” equivalence of lower total fares. Both vehicle and passenger fares can be set by the operator without Commonwealth control. Given reported comments, no direct competition between discount air-fares and sea fares seems likely.

5. The Tasmanian Tourism Council's 2007 media release applied the argument for highway equivalence when successfully lobbying for the recent increase and indexation of scheme funding. Bitumen equivalence was estimated for a car at 70 cents a km or \$299, each way. But, this estimate, to deliver bitumen equivalence, would on a national highway include up to say 5 people in the vehicle. Indexation of the scheme, as sought and promised by Labor, and also the Coalition, will ensure the certainty of federal financial support but not an outcome of highway equivalence or an outcome that would have any chance of significantly moving towards equivalence.
6. The BSPVES therefore encourages more money to follow greater services for example, say a person pays a regular return fare of \$1000 return. Then a Commonwealth BSPVES payment is introduced of \$300 – fares would drop initially to \$700. Over time total fares then can gradually rise to make up for the drop in fares by say, offering added services or better accommodation, thereby leaving 2 paymasters. The passengers would possibly be still content to again pay up to the original \$1000, or perhaps more for a value added service. The Commonwealth would then pay the \$300 or more for the car with a soon to be indexed increase. The reduced carfare can then also be increased even further.
7. Alternatively or in addition, air packages can compete with sea packages. As one rises, then the other. As either of these total costs rise and there can be indifference as to how tourist arrive in Tasmania, by air or sea. Under this approach “equalisation” becomes almost irrelevant, save to justify the scheme but the scheme continues to be called “equalisation” and “equalisation” is held to be the justification for it. The efficiency of the scheme is a Commonwealth's responsibility not that for operators. The scheme must contain sufficient controls to deliver equivalence.
8. Federal annual BSPVES monitoring reports are not focussing on highway equalisation but are moving to consider primarily advantages to parts of mainly high level, Tasmanian tourism. They are now not providing an assessment of whether the scheme ensures an equal impact on many industries and people on both sides for Bass Strait.
9. The scheme needs to encourage, as an all year travel option, equalised fares that reduce carbon emissions by encouraging full ferries with incentives to leave cars at home for some, encourage a shorter route based on an officers recommendation of three governments, and more effective use of Commonwealth funding through more passengers a car and per equalisation payment. What is needed is the option of the same efficient travel incentives across Bass Strait as on a road including those offered by public transport.
10. In the absence of effective sea-based competition, the Commonwealth should include a community service obligation under the scheme offering consistently low, all year, sit-up fares providing business certainty and

highway or bitumen equivalence offering also a low foot passenger non seasonal fare of about \$50 one way and an inclusive car and passenger fare.

11. Many people and industries, both major and minor are losing financially through lack of bitumen equivalence through reduced turnover, investment, population, turnover and jobs, save for high-end Tasmanian tourism which enjoys direct and offers limited indirect benefits to other industries. This impact is insufficient to drive the various needs of two broad-based state economies as a land based inter-capital highway would.
12. With say, 70 % under-utilisation of existing ferries and possibly new ones in the wings, there is a need for change now.

What is presently being achieved by the BSPVES is not delivering the stated aims of equalisation and is unlikely to ever do so. The cost of the scheme was estimated for 1998-1999 was \$22 million a year and for 2001, \$28 million to deliver full "bitumen equalisation". The objectives of the scheme are well documented and are on the Productivity Commission files. There has been no significant publicly understood mandate to adjust the BSPVES to such an extent that it delivers a subsidy rather than "equalisation".

Currently we are very close to equalisation with a 50% off winter promotional fare of \$64 fare, plus possibly \$31 with a car after Labor's promise is met. It is time that this fare was reduced slightly and was then offered with the certainty of all year, particularly on all year day sailings. These could be easily introduced using existing ferries. With this link, and over time, all the parameters reducing Tasmania's isolation will change and demand for travel would increase based on the same reasons for travel on say, the Hume Highway.

If the BSPVES is brought under Auslink, as suggested by Victoria, north - bound exports and eventually south - bound consumables may also be equalised, possibly without WTO implications. The link can then be expanded, over time to cover the whole ring road system giving Victoria transport justice by allowing it to have three interstate inter-capital routes consistent with its geographical location, not just two.

With ministerial intervention, an option of full bitumen equivalence can be delivered within weeks.

Impact

The concept of equalisation was supported across Australia by many organizations, businesses and the people of Australia for significant commercial and equitable reasons. The scheme has then modified the normal commercial framework. The Commonwealth should not encourage ferry operators, for legitimate and justifiable commercial reasons under a relatively untargeted scheme, to then take steps outside the "equalisation" concept for which the Scheme was intended. For Canberra or this Commission to facilitate, allow or encourage such modification is not to accept the democratic process.

Peter Brohier

10th April 2008

Submission to the Productivity Commission Consumer Framework enquiry

I have further reflected upon the Flanagan article. I have considered the views of many reader's comments that responded to it.

I recall the unbelievable unity of support by virtually the whole of Tasmania for our National Sea Highway campaign in 1995-1996. It was overwhelming, from the people and businesses, both major and minor across Tasmania. Both Mr Keating and Mr Howard offered equitable solutions aimed at achieving highway equivalence.

Since that date I have asked why that equitable sea highway has not been implemented.

- Why did a senior liberal write to me saying that the equalisation of a single driver and car was the best the Coalition could do leaving other passenger fares to competition?
- Why were there suggestions that the proposed Keating fast ferry was to be taken to other places over winter?
- Why was the BSPVES kept to reduce the cost of cars crossing when the BSPVES equalised both the car and driver in four-berth cabin and also offered annual indexation for both on a highway basis?
- Why was the car carried free but passenger's fares gradually increased over time when such an option was not available on a highway?
- Why was no public attempt made to ask that highway equivalence be maintained annually and why were no annual increases under the BSPVES as promised by the Coalition offered?
- Why did the federal monitoring reports not recommend this?
- Why was a fast catamaran introduced but fares held at about the same as those on the traditional ferry and then the service subsequently discontinued?
- Why do Federal monitoring reports focus mainly on one Tasmanian industry when the BSPVES was to be for equity for all Australians including Victorians?
- Why did a definitive study substantially funded by the Commonwealth regarding Bass Strait access have no Victorian involvement when previous reports confirmed substantial benefits for Victoria and Victoria had helped lobby for the BSPVES?
- Why did the just the first Federal monitoring report focus on equivalence?
- Why did Federal BSPVES monitoring reports end up focusing on air and sea packages into Tasmania, and total revenues for each trip for Tasmanian tourism and not equitable highway travel between two states?
- Why were new ferries purchased that catered well for two people in cabins but had minimal sheltered space for sit-up passengers?
- Why were passenger fares not substantially lowered to use the ferries during the day, all year based on highway options?
- Why did Canberra allow the BSPBES to be operated in the most inefficient way for Commonwealth taxpayers without incentives to fill ferries with people or with incentives to keep some cars at home?
- Why were better sea accommodation facilities focused upon rather than lower passenger fares and highway equivalent options?

- Why was the success of the \$350,000 Rundle subsidy, dramatically reducing passenger fares and increasing passengers, not continued and said not to have worked?
- Why was an offer by Prime Minister Howard of passenger fares of \$50 each way rejected within hours of its release and why did the Prime Minister then need to say sorry?
- Why were Tasmanians encouraged to holiday at home why were low exit fares are feared?
- Why was the Sydney ferry introduced to bypass Victoria and why was the BSPVES funding, aimed at equalisation, allowed by Canberra to be applied on this longer route?
- Why its was said that competition between discount air fares and sea fares seems not possible?
- Why was the then Bass Strait \$1000 barrier faced by Tasmanians to entry and exit referred to in the Federal Peter Nixon Report was(please delete "was") not attended to?
- Why did officers then recommended that Bass Strait not be part of the National Highway when the Coalition had accepted it as such and with a substantial public mandate?
- Why did Victoria ask for an Auslink sea link between Victoria and Tasmania and Tasmania did not or ask for it?
- Why did Canberra not include the Melbourne - Hobart link as an interstate inter city major corridor under Auslink as it intended to establish have an integrated national transport system or adjust the operation of the equalisation schemes to deliver an Auslink equivalent?
- Why was the Australian Land Transport Development Act not challenged when it included the definition of a "road"as including "ferries"?
- Why did not Auslink, the successor of the National Highway include a similar definition regarding all interstate inter-capital links?
- Why did Tasmanian welfare agencies not ask for southbound TFES covering consumables when appearing before a federal poverty enquiry?
- Why was not a shorter route taken across Bass Strait from Stony Point when fuels prices were complained of as high?
- Why were no highway incentive fares to fill the car with people offered since the Rundle trial?
- Why was the equalisation formula removed from Federal ministerial directives when in 2001 an increase in the BSPVES payment took place over summer at the expense of all year equalisation?
- Why was the Commonwealth was not asked to cover southbound consumables under TFES at any time when all other states enjoy two way equalisation covering consumables?
- Why was a volume passenger service rejected?
- Why did a Tasmanian Minister say the fares on the Sydney service were not too high because that was the type of people that a business group wanted in Tasmania?
- Why do some people see more visitors as destroying Tasmania when Switzerland seems to get the balance right with volumes of visitors?

And finally:

- Why, when Tasmania has got everything from my committees to deliver full equalisation from 1996 and again in 2001 with substantial Federal offers from two and now possibly three Prime Ministers, have they rejected bitumen or highway equity in favour of a more targeted surface link?

I think I now know why and my reasons, instead, go back to the history of Tasmania. Whether I agree with Flanagan or otherwise seem to me irrelevant.

Tasmania was perhaps the most remote island in the then developed world that was established as a convict colony. It took about half the convicts that England sent to Australia. As it developed, former convicts and their decedents together with free settlers enjoyed equality through sea-lanes that were its highways. Then came the railways and the motorcar and links with Tasmania were largely ignored. National Highway's took the place of sea-lanes. Sea travel was every second day and air was expensive. Tasmania became more and more isolated. It began to take whatever it could get from Canberra. Then came the National Sea Highway Committee that changed all that. It obtained national support for equitable links with Tasmania. But Canberra failed to direct BSPVES funding to deliver that link.

Tasmania then took what it could get out of an untargeted scheme. It knew no different?

Tasmania probably sees its self as very lucky to attract big business at all. The TFES is not enshrined in legislation and Tasmania fears its removal. In its isolation it probably fears lots of things. It may even fear loosing big business. It doesn't have the luxury of trading off the certain for the uncertain. It does what it can with what it has been given and takes what it can get.

There is an underlying cause here that needs a remedy.

Our Bass Strait campaign was about equal transport links for Tasmania. It was about the nation and the Federal Government meeting its interstate transport obligations. The acceptance of this responsibility was clear and in writing from the Coalition.

The same principles seems to be are accepted by the current Prime Minister.

There seems no justification for Canberra's modification of an equalisation scheme to offer something else. Canberra should restore the BSPVES equalization formulas and give the nation interstate transport justice and equity that the nation has been promised. It should restore this link without fear or favour as its national duty.

I call on the Prime Minister and this Commission to take whatever steps it can, without delay, to restore the equity of the great sea-lanes of history with sea-based bitumen cost equivalent transport links across Bass Strait. Further, to guarantee this link by Federal legislation offering the on going cost of crossing pegged at the cost of highway travel for people, vehicles and freight.

It is Tasmania's birthright and the right of every Australian to have fair access to all states.

It is time for the Prime Minister, and the nation to confront the Nation's convict settlement past and give Tasmania the same surface and air links as it offers to all other states.

Peter Brohier 16th April 2008