



Parliament of Tasmania

LEGISLATIVE COUNCIL SELECT COMMITTEE

**INTERIM REPORT
ON TERM OF REFERENCE NO. 1**

Bass Strait Air Transport

Members of the Committee

Mr Paul Harriss
Mrs Sue Smith
Mr Don Wing (Chairman)

Secretary: Mrs Sue McLeod

Reasons for Interim Report

Term of Reference No. 1 requires the Committee:

“...to inquire into and report upon:-

whether the Federal Government should provide funds to reduce the cost impact to passengers travelling across Bass Strait by air”.

Due to the Federal emphasis in this term of reference, the importance of this issue to Tasmania and the impending Federal election, it is considered essential to publish an interim report on this subject immediately.

It is hoped that this report will cause heightened attention to be focussed on this issue by political parties, Members of Parliament, Federal candidates and all who are interested in advancing the interests of Tasmania.

Recommendations

In response to the question asked in this first term of reference the Committee responds resoundingly in the affirmative.

The Committee therefore recommends that:

1. Federal funds be provided on a permanent basis to reduce the cost impact to passengers travelling across Bass Strait by air.
2. Maximum pressure be exerted where-ever possible by all who have any capacity to do so until the goals set out in Recommendation 1. are achieved.

**Parliament House, Hobart
18 October 2001**

**Don Wing MLC
Chairman**

Appointment and Terms of Reference

On Tuesday, 20 March 2001 the Legislative Council resolved that a Select Committee of Inquiry be appointed “to inquire into and report upon:-

- 1) whether the Federal Government should provide funds to reduce the cost impact to passengers travelling across Bass Strait by air;
- 2) to what extent, if any, should the State Government provide funds to reduce the cost impact to passengers travelling to and from Flinders Island and King Island by air;
- 3) the regularity, reliability and adequacy of air passenger services across Bass Strait;
- 4) the suitability and reliability of aircraft used to provide both passenger and freight services across Bass Strait;
- 5) the cost of air passenger fares across Bass Strait and a comparison of these with the cost of fares on other domestic routes;
- 6) the availability and method of allocation of frequent flyer award seats on Tasmanian flights and a comparison in each case with other domestic routes;
- 7) the adequacy and suitability of air terminal facilities at Tasmanian airports and the cost of car parking where charges are made;
- 8) any problems or difficulties associated with –
 - (a) interstate; and
 - (b) internationalair freight to and from Tasmania;
- 9) any other matters relating to the provision of air passenger and freight services to and from Tasmania”.

The Committee comprised three members of the Legislative Council – Mr Paul Harriss, Mrs Sue Smith and Mr Don Wing (Chairman). The President of the Council, Mr Ray Bailey, accepted an ex officio role on the Committee.

Federal Funding

“The Problems of being an Island.

Tasmania is the only Australian State or Territory which is isolated from the Mainland by water. This physical separation limits the transport modes which are available for access to and from Tasmania to only two: air and sea. All other States and Territories have land-based access available, with both road and rail usually available in addition to air and sea”.¹

So began the 1993 report of respected Australian Transport Economist, Mr John Stanley, entitled “Tasmania’s Transport Disadvantage: How to Rectify the Problems of Bass Strait”. Mr Stanley drew attention to the fact that :

“physical separation creates a distinct transport disadvantage for Tasmania and Tasmanians, for several reasons :

- *both air and sea are far more expensive than road (or rail) for freight and passenger movement over distances of several hundred kilometres*
- *air and sea are also less flexible than road-based modes in terms of travelling or freight schedule times*
- *Bass Strait is a rough stretch of water, which reduces the willingness of some people to travel interstate by sea on this route”.²*

TASMANIA’S TRANSPORT DISADVANTAGE - ISOLATION

Tasmania’s physical separation creates a transport disadvantage of **isolation**. This is distinguishable from the transport disadvantage of **distance** suffered by remote parts of mainland Australia.

Significantly, these places have the benefit of access to the extensive national highway system, with most also having the added benefit of the rail system – both being forms of transport funded by successive Federal Governments.

¹ Report prepared by Mr John Stanley for the Hon Hugh Hiscutt, the Hon Athol Meyer and the Hon Don Wing (*The Stanley Report 1993*), “Tasmania’s transport Disadvantage: How to Rectify the Problems of Bass Strait”, September 1993, p. 2.

² Ibid.

This is in direct contrast to Tasmania's situation where, of course, it is not possible to have either road or rail contact with any other State. Nor has there been any significant or sustained funding to assist passengers to cross Bass Strait by air.

There can be no better illustration of the nature and extent of Tasmania's transport disadvantage of isolation than the consequences which flow from a disruption of air or sea passenger services. This has occurred in times of industrial unrest, during the 1989 Pilots' Strike; the grounding of Ansett aircraft during the Christmas 2000 period and Easter 2001 and the collapse of Ansett Airlines on 14 September 2001. Similar problems have occurred during the disruption of the Spirit of Tasmania's services due to fuel contamination and its annual survey.

In such circumstances people wishing to cross Bass Strait do not have the options which are available to their counterparts in other States to travel by car or bus or, as in most places, by rail. Not only are these modes of transport available to those travelling between mainland States and Territories, but they are modes of transport which are much cheaper and involve more flexibility than either air or sea transport.

This is well illustrated by Mr Stanley in the following passages from his 1993 Report:

"Tasmanians visiting interstate families or friends incur far higher costs per unit distance travelled than their counterparts on the Mainland, as do those wanting to visit Tasmania, because of the unavailability of land-based movement ...

As noted above, however, the transport disadvantage suffered by Tasmanians and those wanting to travel to Tasmania is not simply a matter of higher travel costs per unit distance, the limitations imposed by air-sea timetables, the difficulties, at times, of obtaining passage and the physical characteristics of travel (by sea and air), adds to these problems for many people. The risk that access/egress will be cut off because of service cancellations, for whatever reason, (eg. the airlines strike) compounds this problem".³

³ Stanley Report 1993, p.4

The issues addressed by Mr Stanley have **still** not been addressed, now eight years on in 2001. In fact, the issues of transport disadvantage for Tasmania have worsened to an alarming extent.

FEDERAL FUNDING – PAST AND PRESENT

In 1981 the Fraser Government provided a 10% 'subsidy' for airfares between Melbourne and Tasmanian airports. The Hawke Government terminated this funding in 1984-85. This short-lived assistance is the only direct funding known to the Committee which has been provided by the Commonwealth to assist Bass Strait air travel.

Mr Stanley described other funding to assist people movements across Bass Strait by sea as follows :

"... sea passengers/shipping lines – e.g. the \$26 million assistance provided in 1984 to enable the Tasmanian Government to buy the (then) Nils Holgersson. Prior to that assistance, a \$1 million p.a. subsidy was provided to ANL between 1973-74 and 1976-77, for the operation of the "Empress of Australia", this being then increased to \$2 million and increased again to \$2.3 million in 1980-81. Indeed, the provision of the \$26 million towards the Nils Holgersson was probably a cheap solution for the Commonwealth to replacement of the Empress and continuation of an operating subsidy to the replacement vessel".⁴

The Commonwealth Government now provides funds under the Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES). This scheme, which began in September 1996, provides assistance of up to \$300 return for travel by sea for a passenger vehicle accompanied by a driver. The amount varies between \$200 and \$300 depending on the tourist season at the time of sailing. In this respect, it is noted that the Commonwealth Government has placed the emphasis on vehicles, rather than passengers.

These amounts pale into insignificance when compared with the massive sums injected regularly by successive Federal Governments into the provision and maintenance of national highways and rail systems connecting every mainland State and Territory.

The provision of these massive funds in establishing and maintaining this national infrastructure is both justified and appropriate. It also

⁴ Stanley Report 1993, p. 5.

creates a greater sense of national unity by facilitating ease of access between the mainland States and Territories.

The acknowledgment of these facts causes attention to be focused on the scant funding which has been provided by the Commonwealth over the last one hundred years to assist passengers crossing Bass Strait.

JUSTIFICATION FOR CURRENT FEDERAL FUNDING

In launching the BSPVES, the then Federal Minister for Transport and Regional Development, the Hon John Sharp said that:

*“Bass Strait provided a considerable obstacle to Tasmania’s tourism growth, employment and trade and it was vital to break down the geographical barriers to travel between the mainland and Tasmania”.*⁵

In 1976 Mr Justice Nimmo was appointed to investigate and report upon matters including :

*“... the existence and extent of any differences between the levels of charges for the transport of persons and goods between places in Tasmania and places on the mainland of Australia and the levels of charges for the transport of persons and goods between places on the mainland of Australia”.*⁶

The ensuing report was helpful in that it led to the creation of the Tasmanian Freight Equalisation Scheme (TFES). Regrettably and surprisingly however, the Nimmo Commission investigated only the transport of goods and ignored the transport of people.

The Report in fact clearly identified Tasmania’s transport disadvantages. The disadvantages apply equally to people and goods.

It follows that reasons similar to those justifying the establishment of the Federally funded TFES apply with equal weight in support of Federal funding to reduce the cost impact of passenger travel across Bass Strait, by both air and sea. This is consistent with the main findings of the Nimmo Commission that:

“There is a case for the Commonwealth Government to make financial assistance available to offset the

⁵ *The Advocate*, Saturday, August 24, 1996, pp. 1-2.

⁶ Nimmo, J.F., *Commission of Inquiry into Transport to and from Tasmania* (Nimmo Report), March 1976, p. 1.

disadvantages caused by Tasmania's physical separation from the Mainland:

- *Tasmania is a sovereign state;*
- *in federating the states in effect agreed to share resources;*
- *Tasmania is at a disadvantage;*
- *the excess transport and associated costs have militated against development of industry in Tasmania".⁷*

Although tourism is one of Tasmania's major industries, it is surprising that Mr Justice Nimmo ignored the transport disadvantage suffered by Bass Strait passengers and their interests have been totally neglected by most Federal Governments since Federation.

Mr Justice Nimmo recognised that Tasmania as a Sovereign member of the Australian Federation

"...is suffering and will continue to suffer a financial disadvantage relative to other States due to higher transport charges in consequence of its physical separation from the Mainland".⁸

In so doing he displayed a more realistic approach than the one regrettably taken by the Hon Peter Nixon who was appointed by Prime Minister, the Honourable John Howard and former Premier, the Honourable Tony Rundle in 1996 to "inquire into and report upon industry development and employment in Tasmania".⁹ The jointly funded Nixon Report noted that -

"Air travel is the predominant means of travel to and from Tasmania by visitors and residents.

Tasmania does not suffer any cost disadvantage in relation to domestic air travel".¹⁰

This simply does not reflect reality.

⁷ *Nimmo Report*, p. 169.

⁸ *Ibid.*, p.152.

⁹ Nixon, Hon Peter, *The Nixon Report – Tasmania into the 21st Century*, July 1997, Terms of Reference.

¹⁰ *Ibid.*, p. 260.

In terms of Bass Strait air passenger travel, the Nixon Report was incredibly deficient. To summarily dismiss Tasmania's entitlement to Federal funding for Bass Strait air travel has devalued the contents of the report. It should have been abundantly clear to Mr Nixon that air travellers across Bass Strait regularly incur substantially extra costs compared to travellers between mainland States and Territories; due to the options on mainland Australia for travel by car, bus and train – all of which are considerably cheaper than air travel.

Whilst the Committee appreciates the establishment of the TFES and the BSVPEs by the Commonwealth, it wishes to highlight the fact that the reasons propounded to support each scheme provide equal justification for the provision of Federal funding to reduce the cost impact of passenger air travel across Bass Strait. Any other conclusion is both illogical and academically indefensible. It was surely the basis on which Mr Nixon, as Federal Minister for Transport, implemented the Tasmanian Freight Equalisation Scheme.

DIFFIDENCE TO SUPPORT

In the past some Tasmanians have approached this subject with a “cringe mentality” – believing that if Tasmania received Federal funding for Bass Strait air travel then other remote parts of Australia would be entitled to expect the same.

This view, of course, ignores the crucial fact that of all the States and Territories Tasmania is unique because its transport disadvantage is **isolation**. By contrast, the transport disadvantage of remote parts of mainland Australia is **distance**. Each needs to be addressed differently and appropriately.

The disadvantage of distance, for both air passengers and freight, has been resolved by road and rail infrastructure on mainland Australia, whereas Tasmania's isolation has received short-lived nominal attention. It has been neglected by every Federal Government, except one.

Unfortunately, there has been a general reluctance by Tasmanian State Governments to prevail upon their Federal colleagues to deal with this issue.

The view that Federal funding for air passenger travel gives Tasmania a preference or benefit to which it is not entitled is fallacious. The reality is that it would justly compensate passengers travelling across Bass Strait by air for the transport disadvantage of isolation.

As such, it is inappropriate to describe such funding in terms of “subsidy”, for this has the connotation of a preference or benefit to which the recipients are not entitled.

Not only are the intended recipients of such funding entitled to this on the basis of compensation, but approximately 55% would be non-Tasmanians whose travel across Bass Strait originated on the mainland.¹¹

There is no justification for Tasmanians, Tasmanian governments or Tasmanian members of Federal political parties to shy away from vigorously pursuing this Federal funding until it is secured.

ENCOURAGING SIGNS

In terms of gaining Federal recognition of the justness of this cause, the Committee is heartened by the enlightened awareness of the Federal Labor Leader, the Hon Kim Beazley.

Following an interview with Mr Beazley, “*The Examiner*” journalist Alison Andrews reported as follows:

“His party is developing a policy on air services.

‘What do you think about encompassing air travel to and from Tasmania in the national highway system?’ he asked...

He believes that Tasmania is suffering from the same problems with air travel as the rest of the country.

‘The airlines have been let loose to operate as they see fit ... so that air travel is now insufficiently cheap,’ he said.

He promises the detail when he returns in a few weeks to launch Federal Labor’s election campaign Tasmania package”¹².

The Committee waits with keen anticipation for these views to be transferred effectively into appropriate specific policy by the Labor Party and, hopefully, by all parties and candidates at the forthcoming Federal Election.

¹¹ Stanley, John, *Tasmania’s Transport Disadvantage for Passenger Travel : An Update*, June 1998, p 15.

¹² Andrews, Alison, “Beazley hits Bass in Race for Lodge”, *The Examiner*, 30 April 2001.

Consistent with his well-known strong support for Tasmania, Independent Senator Brian Harradine has given public support to this issue. During the 1998 Federal Election campaign Senator Harradine said:

“The Federal Government should seriously consider an air passenger equalisation scheme across Bass Strait similar to the existing schemes for freight and passenger vehicles.

Every other State in Australia has received massive subsidies for road and rail interstate transport for both passengers and freight.

*Despite the benefits provided by the Freight Equalisation Scheme and the Passenger Vehicle Equalisation Scheme, Tasmania continues to miss out on any subsidies for air passenger movement across Bass Strait which are so important for the tourism industry and for Tasmanians doing business interstate”.*¹³

Acknowledgment of entitlement and support for this principle has come not only from federal Members of Parliament, but also from the Upper House in the Parliament of Tasmania.

As long ago as 1992 the Legislative Council took up this issue in the interests of Bass Strait air travellers.

In the 4th Report of its Select Committee on Tourism in Tasmania, the Committee recommended that:

*“The Federal government be requested to provide funds to reduce the cost of air fares to and from Tasmania in recognition that Bass Strait is Tasmania’s National Highway link with the mainland of Australia”.*¹⁴

On 4 March 1993 the Legislative Council passed the following resolution:

“That on the premise that Bass Strait constitutes a ‘National Highway’ between Tasmania and Victoria, this Council holds the strong view that it is the responsibility of Federal governments to provide substantial funds –

¹³ Harradine, Senator Brian, *Press Statement* – “Harradine calls for Bass Strait Air Passenger Subsidy”, 16 September 1998.

¹⁴ *Legislative Council Select Committee on Tourism in Tasmania, Report No. 4, Air Access to Tasmania*, 1992, p. 15.

- *annually to reduce the cost of air and sea travel to and from Tasmania; and*
- *towards the purchase cost of the Spirit of Tasmania; and*
- *urges all parties and candidates for the forthcoming Federal election to give unequivocal commitments to policies in these terms.*

*Further, that the State Government and State Opposition parties be urged to apply strong pressure until such policies have been implemented”.*¹⁵

Significantly that resolution was carried unanimously.

INCREASED TASMANIAN AWARENESS AND SUPPORT FOR ENTITLEMENT

It is apparent that there is a growing awareness among Tasmanians that our State has been ‘short-changed’ by successive Federal Governments since Federation in their failure to adequately and systematically address the transport disadvantage suffered by Bass Strait passengers. This intolerable situation should not be allowed to continue.

This growing awareness is evident from the information presented to the Committee. The overwhelming majority of the witnesses who provided evidence to the Committee supported the principle of Federal funding to reduce the cost impact of airfares across Bass Strait. The comments of some of the witnesses are set out below.

Councillor Lynn Mason, the Mayor of Flinders Council and President of the Local Government Association of Tasmania believes that there is no reason –

*“... for the Federal Government to shy away from its responsibilities to assist Tasmanians to be a part of Australia and ... ignoring that stretch of water or treating it as a simple matter to go from one side of it to the other in the 21st century, and being unwilling to part with part of the Federal revenue in order to redress that imbalance, seems to be an inadequate response on the part of the Federal Government”.*¹⁶

¹⁵ Motion in the Legislative Council, “Funding Assistance for Air and Sea Travel – Bass Strait”, *Hansard*, Thursday, 4 March 1993.

¹⁶ Mason, Lynn, Flinders Council, *Transcript of Evidence*, 19 July 2001.

As a sovereign state in the Federation, Tasmania is entitled to have all aspects of its transport disadvantage of isolation addressed and to have equitable solutions implemented by the Commonwealth.

Mr David Sice suggested one way by which this could be done:

“... government intervention might facilitate redistribution of private funds derived from the major carriers. It seems ... reasonable to apply a service obligation to the airline industry, as happens with other industries, where it’s been judged that the service provided is essential to the social and commercial fabric of society generally”.¹⁷

Mr Stephen Parry, President of the Burnie Chamber of Commerce also supported Tasmania’s right to Federal Government assistance :

“... we believe that constitutionally the Federal Government does have a responsibility to look after Tasmania on a fair and equitable basis. The Constitution makes it very clear that we can’t favour one State over another and it could be rationally argued that Tasmania does have a strong case for Federal assistance in relation to air transportation”.¹⁸

The King Island Council made a detailed submission to the Committee which contained the following paragraph:

“The submission also seeks to demonstrate that air services are an essential part of the island’s economic and social infrastructure and are deserving of both Commonwealth and State financial support”.¹⁹

The Council’s specific response to Term of Reference 1 was as follows:

“Council is of the view that the Commonwealth has a community service obligation to ensure consistency and equity for residents of remote communities, with other residents of the State; and that some form of subsidy/assistance should be paid to off-set the high cost of travel. The subsidy could be based on principles attaching to the Bass Strait Passenger Vehicle Equalisation Scheme/National Highway funding arrangements. The Howard Government in its statement on “Rebuilding

¹⁷ Sice, David, *Transcript of Evidence*, 17 July 2001.

¹⁸ Parry, Stephen, Burnie Chamber of Commerce, *Transcript of Evidence*, 17 July 2001.

¹⁹ King Island Council, *Submission to the Legislative Council Select Committee on Bass Strait Air Transport*, April 2001, p. 3.

*Regional Australia” recognised its neglect of rural and regional Australia and gave commitment to provide positive assistance in these area. (Source Booklet Hon John Sharp – August 1997)”.*²⁰

The Burnie City Council’s position on this issue was summarised as follows:

*“Council supports the concept of a ‘National Sea Highway’ which would involve the provision of Commonwealth funds for passengers travelling across Bass Strait by air or sea”.*²¹

When giving evidence to the Committee at Burnie, Mr Malcolm Ryan was quite emphatic in his support for Federal funding. His evidence included the following passages:

“...we have a national railway network that the Federal Government funds, and Highway One, which the Government funds. We haven’t got them across the water here so therefore it is only fair that they provide funding to air and water travel to this State if they are going to be fair to all the States. So, yes, I fully understand and demand that the Federal Government provides equalisation funding for Bass Strait...”

*I have already covered the Bass Strait equalisation. Most definitely it should be there, both on passengers and freight, and both air and ferry. You’ve got to compare that with the National Highway and National Railway line which are both Federally funded”.*²²

In also giving evidence at Burnie, Mr James Altimira, supported the principle of Federal funding during which he made the point that:

*“We are a State which joined a partnership 100 years ago as an equal partner, and so we should be treated that way”.*²³

Mr Stephen Parry gave further evidence as follows:

²⁰ King Island Council, op.cit.

²¹ Burnie City Council, *Submission to the Legislative Council Select Committee on Bass Strait Air Transport*, p. 2.

²² Ryan, Malcolm, *Transcript of Evidence*, 10 July 2001.

²³ Altimira, James, *Transcript of Evidence*, 10 July 2001.

“Reference point one concerning the Federal Government recognising the issue of subsidy across Bass Strait. It is extremely common knowledge of course that ship transportation, passenger and vehicle, but in particular it is centred around the vehicle is subsidised. I don’t wish to discuss the merits of that, it is obviously for another issue, however, if it is seen fit to provide Federal assistance to transportation of a passenger nature by sea then surely that should extend to air.

I know it has been argued that every State of Australia has air transportation between the States and there is no subsidy, however, Tasmania is very unique in the sense that we cannot drive, we physically do not have an alternate. Irrespective of the time it would take, we just do not have an alternate”²⁴.

Mr Desmond Hiscutt, a former member of the Legislative Council in the Tasmanian Parliament also supported Federal funding for Bass Strait passenger transport. Mr Hiscutt was a joint sponsor of an update report produced by Mr John Stanley in 1998.

In his evidence Mr Hiscutt gave the following details:

“All States and capitals, except Hobart, are linked by Commonwealth-funded highways and railways as Federal Government policy. The distance between capitals seems of no consequence with regard the provision of a high quality highway. For example, from Melbourne to Sydney is 890 kilometres; Adelaide to Perth, 2,720 kilometres – both fully maintained and provided by Federal funding. The Hume Highway from Melbourne to Sydney includes a water crossing at the State border – a bit narrower than Bass Strait of course – the Murray River, and this bridge is accepted as part of the National Highway, and rightly so. The Federal Government acknowledges that Tasmania’s main highway system is part of Highway 1 and funds it accordingly, so surely the link ... between Tasmania and Victoria is just as entitled to funding as is the crossing between Victoria and New South Wales. From Hobart to Melbourne by road and sea, some 600 kilometres, is only two thirds of the distance from Melbourne to Sydney and the total length should be treated as National Highway and funded accordingly”²⁵.

²⁴ Parry, Stephen, Burnie Chamber of Commerce, *Transcript of Evidence*, 17 July 2001.

²⁵ Hiscutt, Desmond, *Transcript of Evidence*, 10 July 2001.

The Launceston Chamber of Commerce submitted :

*“Federal funding equivalent to that required to provide and service a land-based access should be re-directed to providing subvention to air access in addition to sea access”.*²⁶

In giving evidence in support of this submission, Ms Josephine Archer, Executive Officer of the Launceston Chamber of Commerce said :

*“...We are not after subsidy as in hand-out; we are after equity, grant for equity ... under a true National/State Highway Scheme it should be the equivalent to driving”.*²⁷

Asked if the Chamber was supporting Federal funding to reduce the cost impact of travelling across Bass Strait by air as well as sea Ms Archer responded :

*“Yes, we are. Ultimately, I suppose, one thing that made the Chamber cautious about this is that it can appear to be just another grab, another target at Federal funds. But ultimately, in thinking it through, we couldn’t really understand why it was so acceptable that the subsidy or the system is available on sea transport and not on air”.*²⁸

The Committee shares the Chamber’s difficulty in understanding this.

Business North also supported the principle of Federal funding for Bass Strait airfares. Its Chief Executive Officer, Mr Russell Reid, when asked if he had views on how that should be implemented, responded as follows:

*“I believe first we have to get to a stage where that principle is agreed. We haven’t gone to the next stage of looking at implementation strategy”.*²⁹

In its written submission, Business North stated:

“It is a fact that the Federal Government provides funding for road and railway infrastructures facilitating Mainland interstate travel.

²⁶ Launceston Chamber of Commerce, *Submission to the Legislative Council Select Committee on Bass Strait Air Transport*, 30 May 2001.

²⁷ Archer, Josephine, Launceston Chamber of Commerce, *Transcript of Evidence*, 17 July 2001.

²⁸ Ibid.

²⁹ Reid, Russell, Business North, *Transcript of Evidence*, 14 June 2001.

*It is widely considered that there should be an equitable level of support for people wishing to travel between Tasmania and other states, and such support (as there are no road nor rail links) should be applied to Bass Strait sea and air travel as a subsidy in proportion to similar Mainland distance/travel costs”.*³⁰

Gateway Tasmania Limited, addressing this subject, made the following submission:

*“... the Federal Government should provide funds to reduce the cost impact to passengers travelling across Bass Strait by air as Mainland traffic has the ability to access any part of Australia through a road and rail network system other than air”.*³¹

The Chairman of Gateway Tasmania Limited, Mr Tony Peck, gave evidence in support of this contention and discussed with the Committee various ways in which this could possibly be implemented.

The George Town Council was also supportive. In giving evidence, the General Manager, Mrs Ngaire McCrindle said:

*“... The Federal Government should definitely be funding something. Again, it is the equity issue”.*³²

When asked if her reference to ‘the equity issue’ meant that Tasmania is a member State of the Commonwealth, Mrs McCrindle replied:

*“That is exactly right. It is an equity of access issue. As you said, it only has two modes available, not the third. Therefore it should be treated differently from other locations.”*³³

The then CEO of Cradle Coast Tourism Ltd, Jenny Cox, gave evidence that Federal funding for Bass Strait airfares would have a positive economic impact. Her evidence included the following passage:

“I have a view, if it did happen, I believe it would have a positive impact just as the subsidy for the sea services had a very big impact on TT-Line numbers in and out. They

³⁰ Business North, *Submission to the Legislative Council Select Committee on Bass Strait Air Transport*, p. 1.

³¹ Gateway Tasmania Limited, *Submission to the Legislative Council Select Committee on Bass Strait Air Transport*, 27 April 2001.

³² McCrindle, Ngaire, George Town Council, *Transcript of Evidence*, 15 June 2001.

³³ *Ibid.*

*have had a phenomenal growth in market share and in growing the State; it has been a phenomenal growth in the last twelve months so it would have positive impact”.*³⁴

When asked his views on Term of Reference 1, a private citizen, Mr Dudley Atkinson of Burnie said:

*“Yes, definitely. They have done it with sea transport; now they have got to do it with air transport”.*³⁵

Mr Mark Dorling, was one of two proponents of the establishment of a Tasmanian airline and was a party to a comprehensive and costly submission to the State Government. When asked if he believed Tasmania was entitled to appropriate funding, he responded:

*“Yes, we are an island, we can’t drive there”.*³⁶

Mr Nick Behrens, Research Officer of the Tasmanian Chamber of Commerce and Industry told the Committee:

*“As a notion we would be supportive of that concept. However, in reality I think such representations to the Commonwealth Government fall on deaf ears”.*³⁷

Regrettably, to date, that seems to have been the case. But, hopefully, for not much longer.

Mr John Livermore, Senior Lecturer in Commercial Law at the University of Tasmania provided a detailed submission and gave evidence to the Committee.

Mr Livermore agreed with the proposition submitted to him by the Committee “that people crossing Bass Strait as passengers by either air or sea do suffer a disadvantage in the lack of alternative forms of interstate transport – that is, they have no choice to travel either by road or by rail whereas most Australians have the choice of travelling by rail, and all living on the Mainland have the choice also of travelling by road”.

Mr Livermore also agreed that this is a very significant disadvantage. He discussed with the Committee the implications of the Australian Land

³⁴ Cox, Jenny, Cradle Coast Tourism Ltd, Transcript of Evidence, 10 July 2001.

³⁵ Atkinson, Dudley, *Transcript of Evidence*, 10 July 2001.

³⁶ Dorling, Mark, *Transcript of Evidence*, 10 July 2001.

³⁷ Behrens, Nick, Tasmanian Chamber of Commerce and Industry, *Transcript of Evidence*, 21 August 2001.

Development Transport Act 1998 and a number of possible alternative methods of dealing with Tasmania's Transport disadvantage of isolation.

Although Federal funding for air fares was not his preferred option, when the Committee put to him that "his main concern about this seems to be the difficulty in getting any major party to implement it ... rather than disagreeing with the principle of it", Mr Livermore replied: "*I think it is ...*"³⁸

It was further put to him: "... would you see justification for Tasmania pressing for Federal funding to reduce the cost impact of air fares?"

Mr Livermore:

*"Yes, particularly now, with the demise of Impulse ..."*³⁹

MAINLAND SUPPORT

This report has noted the growing awareness of Tasmania's entitlement to Federal funding. As would be expected, this is not confined to Tasmania. People residing on mainland Australia are also conscious and supportive of this policy.

Noted Australian Economist, Mr Saul Eslake gave evidence to the Committee in Melbourne in a private capacity. When invited to comment on the Committee's first Term of Reference, Mr Eslake responded as follows:

*"I think its legitimate for Tasmanians and the Tasmanian Government to make representations to Canberra that Tasmanians should have the same opportunities to travel across Bass Strait as people do between or among other States and in the sense that the Federal Government spends money facilitating interstate transport by road, or more recently especially thinking about the Alice Springs to Darwin Railway which is intended to facilitate interstate freight movements and possible passenger movements as well, though it may have difficulties in relation to freight, that an argument could be made that Tasmania should be entitled to similar consideration to ease the cost of travel for people who don't have the options of travelling by road".*⁴⁰

³⁸ Livermore, John, University of Tasmania, *Transcript of Evidence*, 12 June 2001.

³⁹ Ibid.

⁴⁰ Eslake, Saul, *Transcript of Evidence*, 31 July 2001.

Mr Eslake canvassed possible means of assessing the appropriate amount of any such assistance. It was then put to him that it seemed implicit from what he was saying that he felt Tasmania “has some entitlement and a valid argument for some Federal funding”. Mr Eslake replied “*Oh yes, absolutely*”.⁴¹

In giving evidence to the Committee, Mr Ian Campbell a resident of Newcastle said:

*“Yes, I would be very supportive of that. As I support, too, this Bass Strait Equalisation Scheme as they call it, in respect of lowering the freight costs of bringing motor vehicles on the Spirit of Tasmania. If that principle isn’t adopted by the Federal Government there is an acute disadvantage in my opinion, to Tasmanians and to people living in Tasmania, as well as people from the mainland wanting to visit here and come to and fro. Why should Tasmanians have to pay more money than somebody pays in South Australia to go to Victoria or to New South Wales or vice versa? The answer in my view is that funds ought to be provided then to equalise this situation that now exists and I believe it should be addressed as a matter of urgency by the Federal Government. If I have to pay more taxes on the mainland, I’m prepared to do it because it’s a very strongly held principle, in my view”.*⁴²

The Hon. Bill Forwood MLC, Shadow Minister for Tourism in Victoria, took a commendably objective view on this subject and said in evidence:

“.....I do think that one of the crucial things that we in Australia need to do is make decisions for all Australians and on that basis I think that we always need to recognise the strengths and disadvantages that different parts of Australia have and we have traditionally used mechanisms such as the Grants Commission to do that.

*So as a matter of principle I have absolutely no problems with people in Tasmania arguing vigorously that because of the peculiar circumstances of their geography they are entitled to consideration about the way that Australia should allocate the resources of the country for the benefit of all its citizens”.*⁴³

⁴¹ Eslake, op.cit.

⁴² Campbell, Ian, *Transcript of Evidence*, 10 July 2001.

⁴³ Forwood, Hon Bill, MLC, Shadow Minister for Tourism in Victoria, *Transcript of Evidence*, 31 July 2001.

Victorian, Mr Lex Stempel, who with Mr Mark Dorling, was a joint proponent for the establishment of a Tasmanian airline, gave evidence to the Committee. When asked if he believed it appropriate that Federal funding be provided to reduce the cost impact of Bass Strait air travel, Mr Stempel replied:

*“Oh, certainly... the rest of Australia has the ability to drive or go by rail. We don't. They can cycle there if they like, but we don't, so therefore I am in total agreement with what you are asking here”.*⁴⁴

Included in the evidence of Captain Stan Van de Wiel, from Region Air Express Pty Ltd, was the following statement:

*“... point one, the Federal Government funding, as a non-Tasmanian taxpayer I'd say no, but in practical terms the Federal Government does a lot of funding of infrastructure right throughout the whole Commonwealth so from that point of view, they should be contributing to it”.*⁴⁵

AIRPORT OWNERS' VIEWS

Some of the burdens of operating airports in Tasmania were addressed by two witnesses. In giving evidence about the Federal charges imposed on the cost of flying commercial aircraft from Melbourne to Sydney being approximately half those charged in respect of an aircraft flying from Melbourne to Hobart, Mr Robert Noga of the Hobart International Airport said:

*“It is interesting that while the sea services receive Government assistance, we are actually penalised by the Federal Government”.*⁴⁶

Whilst this is no doubt due to economies of scale, the Federal Government could and should act to at least equalise the impact of such charges so that, at least, charges applying to aircraft flying from Melbourne to Hobart, for example, are at no higher rate than those applying to aircraft flying between two major airports on the Mainland.

Mayor Lynn Mason also raised, on behalf of the Flinders Council, another matter of great concern to the Council concerning the funding of runways. On this subject Mrs Mason said:

⁴⁴ Stempel, Lex, *Transcript of Evidence*, 30 July 2001.

⁴⁵ Van de Wiel, Capt. Stan, Region Air Express Pty Ltd, *Transcript of Evidence*, 30 July 2001.

⁴⁶ Noga, Robert, Hobart International Airport, *Transcript of Evidence*, 13 June 2001.

“For many years we’ve made representation to the Grants Commission to try and get our runways recognised as roads. We have finally had some small concession in that area but it is no where near what it actually costs us and costs the ratepayers to try and maintain those runways. That is a foible or a peculiarity or a generosity, if you like, of our current State Grants Commission that they have managed to put it a sort of recognition factor in there for us. It depends upon the constitution of the Grants Commission from year to year. There is nothing in there that guarantees us any future funding on the basis of the fact that our runways are our highway and there has been no Federal recognition of the need to do that.”⁴⁷

ALTERNATIVE VIEWS

The Chairman of the National Sea Highway Committee (NSHC), Mr Peter Brohier, gave evidence to the Committee on aspects of transport between Tasmania and mainland Australia, but focussed mainly on sea travel. The efforts of that Committee appear to have been significantly responsible for the implementation of the Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES).

Notwithstanding this, Mr Brohier, in his evidence, was critical of the scheme in the following terms:

“Equalisation schemes implemented to apply to a single driver and car also do not make sense. Intervention is now necessary.”⁴⁸

As noted before, BSPVES, although beneficial to Tasmania, is based on vehicles and not people and is limited to sea travel.

The appropriateness of equalising the costs of passenger travel across Bass Strait with the cost of travelling equivalent distances on the mainland of Australia was a recurring theme in the submission of the NSHC and Mr Brohier’s evidence.

In the course of his evidence, Mr Brohier made the following statements:

“[Tasmania] is no more geographically isolated from Australia’s largest centre of population as New South Wales is from Victoria. Its isolation stems from its lack of

⁴⁷ Mason, Lynn, Mayor of Flinders Council, *Transcript of Evidence*, 11 July 2001.

⁴⁸ Brohier, Peter, *Transcript of Evidence*, 20 August 2001.

*linkages with all States and it can be only four and a half hours to ten hours away by sea, from Melbourne...*⁴⁹

Mr Brohier capped this statement with the following comment:

*"Tasmania has, through Federation, surrendered its isolation".*⁵⁰

Quite to the contrary; by joining the Federation, Tasmania became entitled to share the resources of the Commonwealth. This included Federal funding to have its transport disadvantages appropriately addressed in the same manner as other States and Territories.

As Mr Justice Nimmo found,

*"In federating the State in effect agreed to share resources".*⁵¹

Later in his evidence Mr Brohier said:

*"It is not a matter of sea access competing with air; it is Bass Strait surface access competing against interstate highways, and air with air".*⁵²

With respect to Mr Brohier and his Committee, this narrowly focused view is quite flawed and does an injustice to Tasmania's position, as well as to the reality of its actual transport disadvantage.

When closely questioned by the Select Committee about his Committee's view on Federal funding for Bass Strait air travel Mr Brohier replied:

*"We don't have a position on that...only in relation to equality..."*⁵³

People travel by air either for convenience or fear of sea travel and considering that the split between air and sea travel across Bass Strait in 1999/2000 was 83.5% air and 16.5% sea⁵⁴, to look only at one mode of travel is discriminatory. In order to provide an even 50:50 split

⁴⁹ Brohier, op.cit.

⁵⁰ Ibid.

⁵¹ *Nimmo Report*, p. 169.

⁵² Brohier, op.cit.

⁵³ Brohier, Peter, *Transcript of Evidence*, 20 August 2001.

⁵⁴ Department of Infrastructure, Energy and Resources, *Submission to the Legislative Council Select Committee on Bass Strait Air Transport*.

between sea and air, the Government would be required to provide more passenger ships to supplement the *Spirit of Tasmania*.

The Hon. Paul Lennon MHA, Deputy Premier and Minister for Infrastructure, Energy and Resources gave evidence to the Committee relating to his Department's submission. When asked if he thought "it reasonable for the Federal Government [to] accept some responsibility for air transport... to Tasmania" Mr Lennon responded, in part, as follows:

"...I do support the contention in your question that there is a strong case to be made for financial support across Bass Strait. I think that is recognised by Commonwealth Governments. The question for us to convince Federal politicians about is the extent to which the support they are already providing is satisfactory and how that should be improved upon".⁵⁵

Mr Lennon also said:

"To raise a substantive case which would have a chance of success, then we would need to be able to substantiate that Tasmanians suffered a disadvantage in the air as compared to people living in Perth or Adelaide or Albury or Wagga or Brisbane, in the same way that we can and have already been able to substantiate the case that we suffer the disadvantage because of Bass Strait. That's the principal argument that we need to be able to substantiate, to be able to take the principle of support by sea into support by air... I simply say to the Committee that if the Committee is thinking in this direction, then it would need to be able to substantiate a case that could demonstrate the same disadvantage in the air".⁵⁶

For the reasons given in response to Mr Brohier's suggested approach, the Committee takes a different view from the Minister in this respect and hopes that he and his Government will see the fairness, logic and force of the Committee's approach. This would certainly enhance Tasmania's chances of receiving the Federal funding for Bass Strait airfares to which the Committee is convinced we are entitled.

Later in his evidence Mr Lennon said:

⁵⁵ Lennon, Hon. Paul, Deputy Premier, *Transcript of Evidence*, 22 August 2001.

⁵⁶ *Ibid.*

*“... As I said, my Department, my Ministry, continues to support the campaign that’s been on-going for sometime to improve access to Tasmania. The Government indeed has been at the forefront of trying to increase competition in the sky to improve the cost of travel to and from Tasmania and access to and from Tasmania by air. We have been, and continue to be, at the forefront of lobbying the Federal Government about support for access to Tasmania by sea, be it for passengers, cars or for cargo”.*⁵⁷

The Committee appreciates this action, but expresses the fervent hope that the Government will now increase its activity to include support to gain Federal funding to reduce the cost impact of Bass Strait air travel.

In this context the Burnie City Council’s submission made the following cogent point:

*“It is difficult to sustain an argument for a practice that differentiates between modes of transport especially when a community because of its ‘Islandness’ relies equally on both air and sea transport...”*⁵⁸

Mr Petkovic, representing the Federal Minister for Tourism, also gave evidence in relation to Federal funding in the following terms:

*“... there are issues that federally would need to be addressed if we were to proceed down that route and a critical issue is one of opportunity costs in funding that if we do put money into funding the cost of air transport across Bass Strait that that money would have to come from somewhere else”.*⁵⁹

Following the suggestion that Tasmania has been denied funding for too long, Mr Petkovic agreed:

*“It’s a question of reprioritisation, I totally agree with you and that’s basically what government have to do on a daily basis, on a yearly basis and on an electorally cyclical basis”.*⁶⁰

⁵⁷ Lennon, op.cit.

⁵⁸ Burnie City Council, op.cit., pp. 1-2.

⁵⁹ Petkovic, Tony, Adviser to Federal Minister for Tourism, *Transcript of Evidence*, 2 August 2001.

⁶⁰ Petkovic, op.cit.

CONCLUSIONS AND IMPLEMENTATION

Throughout this report the Committee has expressed many views, making it clear that it is convinced that Federal Governments should provide funds to reduce the cost impact to passengers travelling across Bass Strait by air.

The Committee's two recommendations encapsulate the need for this principle to be adopted and also for the strongest possible pressure to be mounted until it is accepted, and then adequately implemented.

Although various suggestions have been made about the manner in which Federal funding should be implemented, the Committee feels that, at this stage, all attention and efforts should be specifically directed towards gaining acceptance of the principle of Federal funding.

The Committee agrees with the sentiments of Mr Russell Reid of Business North that first it is necessary to get to the stage where the principle is accepted, and then proceed to deal with the implementation strategy.⁶¹

It is considered that this is a function for those who are expert in matters of transport economics and who have the expertise to develop a fair, just and appropriate formula to implement the recommended scheme.

The Committee, however, takes the opportunity to state that in determining a formula for implementation, a number of basic principles should be observed.

These should include the principle that to ensure equitable compensation, funding should apply equally to all Bass Strait air travellers. There should be no limitation such as a requirement for minimum length of stay.

Above all, the scheme should be implemented to ensure that it is the passengers who receive the direct benefits of the funding and not the airlines.

⁶¹ Reid, Russell, Business North, *Transcript of Evidence*, 14 June 2001.

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