

29<sup>th</sup> April; 2006

**The opinions contained in this submission should be read in conjunction with those in Peter Brohier's prior submission:**

*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. Without this BSPVES funding, Tasmania would probably be without its new ferries or the economic revival it has experienced. Issues relating to the BSPVES are before the Hon. Jim Lloyd.*

The Productivity Commission's issues paper regarding the Tasmanian Freight Subsidy arrangements requires the following response:

Existing Auslink subsidies over interstate inter-capital corridors are skewing access investment and development in favour of mainland states. Victoria and Tasmania are the victims.

The only interstate inter-capital route discrimination under Auslink is between Victoria and Tasmania. This link is not giving Melbourne the advantages of its superior geographical location over Sydney.

The failure to target both TFES and the BSPVES to achieve comprehensive inter-capital highway equivalent connections will deny to all Australians and their businesses effective access to a whole state of the Commonwealth. It will deny access to all Australians to the complete Auslink network.

If Canberra is willing to put in excess of \$120 million a year of equalisation funding into uncapped, largely untargeted, funding and still not meet its promises to achieve a comprehensive Bass Strait National Highway link then it will have no choice but to deliver its highway promises through further funding. I am not sure that this outcome was ever the intention of the Coalition.

The nation's shortest interstate and inter-capital surface link is not being given inter-capital Auslink recognition whilst the existing Commonwealth TFES and the BSPVES are not delivering Auslink inter-capital equivalence. Auslink is not an integrated National surface transport system without filling the gap.

If full cost recovery were to apply to the surface route Melbourne to Hobart as well as all other Auslink inter-capital interstate routes, Bass Strait may be offered at the nation's lowest cost per km which would be entirely consistent with the substantially sea-based terrain. This route does not require millions of dollars in highway infrastructure.

Special consideration for surface or sea access to Tasmania, or air for that matter, apart from first delivering transport equity to and from Tasmania, is not initially justified.

Both TFES and the BSPVES were supposed to be parallel equitable schemes but the now substantially untargeted BSPVES is not delivering comprehensive highway equivalence. Highway equivalence seems consistent with the original stated intention of the Bass Strait Passenger Vehicle Equalisation Scheme and many significant national resolutions related to Bass Strait sea highway access. The same objectives should apply to TFES.

By not targeting Commonwealth funding under TFES and the BSPVES to deliver comprehensive highway equivalence the Commonwealth is encouraging in effect "tolls" and transport barriers for many people (see Nixon Report) and for many goods, on one inter-capital interstate surface route and not others. Why?

All Commonwealth transport funding should be directed to the delivery of comprehensive Auslink equivalence between Victoria and Tasmania. Only after this is delivered, then Commonwealth funding may justify other types of links. Air equivalence between all capital cities should remain without subsidy as it already offers a level playing field, save for not having to compete against an Auslink corridor over the whole route Melbourne to Hobart.

There is no point in the Commonwealth advancing regional Australia arguments regarding access to and from Tasmania. This is a national, interstate, inter-capital corridor requiring the same as access between all other states by offering at least one inter-capital link over Bass Strait. Victoria should be regarded as an equal stakeholder with Tasmania in the TFES and the BSPVES and at the very least the Bass Strait links and subsidies should be tailored to meet the needs of the two states, equally, not just one.

If it were argued that Commonwealth funding for Bass Strait is justified on a “regional or industry support” basis, in lieu of the primary, and single national interstate highway or Auslink equivalence, it will result in subjective and skewed access allowing other regional areas to compete for Commonwealth funding. Claims will need to be justified on a national competitive basis.

TFES and BSPVES funding that does not deliver highway equivalence have the capacity to subsidise, rather than equalise Tasmania or some particular industries and act against others. The interests of Victoria and Tasmania differ and the link should be as neutral as all other Auslink inter-capital connections.

One single lane, inter-capital link to Tasmania should not need to be justified economically in the case where the continuing existence of all other inter-capital links do not seem to need similar justification. Enhancement of more than a single lane should be justified on economic grounds.

Funding for this route is a national issue, and should be shared as all other interstate corridors under Auslink, It is not exclusively a Victorian or a Tasmanian one.

It would be unfair to look at the Auslink’s Hume corridor without looking at the movement of both people, vehicles and freight. To confine this enquiry into to the TFES and not consider the BSPVES’s capacity to open Tasmania and Victoria will result in modelling that tells far less than half the picture. Allow people to travel based on comprehensive highway equivalence, offer sufficient capacity and major additional economic generators in both Victoria and Tasmania will start. The BSPVES was a big initiative that worked, let it continue and apply its original aims and also to the TFES.

Commonwealth transport funding over route must deliver an equivalent Auslink connection to those connecting all other States and an equivalent air connection. This is the ultimate in competition policy, between states.

The “separation by sea” argument or “poor Tassie” or “island State disadvantage” arguments justifying every possible special benefit for Tasmania is unjustified and unsustainable against many remote regions of Australia surrounded by sea, rivers, desert or mountains. A special island approach can lead to unquantifiable funding requests from other islands or remote areas whereas every state should be entitled to at least one primary Auslink connection.

It is arbitrary to ignore an interstate border over sea and focus, in preference, on borders having barriers of land, rivers or mountains. When the great sea-lanes were the only practicable mode of transport for people, vehicles and goods this arbitrary decision was not made. Tasmania and Victoria were treated equally on the basis of their geographical location. Victoria had three inter-capital links and Tasmania at least one. Under Auslink, Victoria is reduced to two links and Tasmania, none.

It seems inappropriate to call schemes “equalisation schemes” unless they equalise something on an objective basis. Subjective funding of Tasmania, calling everything equalisation, does not recognise Victoria as being in need of equalisation because it is

separated by water from Tasmania. If subjective equalisation is to be applied to Tasmania, then apply it to Victoria as well, because it is separated from Australia's South Island.

The Commonwealth, by liberally funding TFES and the BSPVES, but not addressing southbound consumables and northbound exports via the Melbourne under TFES or by not applying the BSPVES to deliver comprehensive full volume highway equivalence, has put Tasmanians, Victorians and the Nation at a disadvantage and not delivered comprehensive transport equivalence nor a level competitive playing field between all states. I am sure that this was not the original intention of the Coalition.

This review should be advertised as a review of an interstate link not yet delivering equivalent and effective highway access, not a review of a Tasmanian subsidy scheme. It is far from just review of a Tasmanian freight subsidy arrangement. It will have an impact on ordinary Victorians and Tasmanians and the nation as it has a wide impact on many other groups not covered by existing perceived transport stakeholders. It has the capacity to change South-Eastern Australia and provide a third inter-capital link for Melbourne.

The Hume inter-capital corridor is, in my view, not just an issue of regional development. Why should the extension of it to Hobart be treated otherwise? The whole surface route should not be regarded as a "regional" Auslink corridor when it is a "national" interstate one.

Tasmania is an equal state of the Commonwealth; it should be treated as such. It can be argued that the ALTDA allowed for Bass Strait ferries to be part of the National Highway. Why not continue that position under Auslink and apply it both to TFES and the BSPVES.

If the words "regional development" in the issues paper describes the "South Eastern region of Australia" then TFES and the BSPVES are relevant to developing a common market for production, the transport of goods and the movement of people and labour based on highway equivalence.

The people of Australia are entitled to enjoy fair competition for both goods and services based on at least one at least one interstate inter-capital highway link, not substantially one-way subsidies, called "equalisation".

Both the TFES and the BSPVES funding can be enhanced to cover comprehensive highway equivalence and then be put out to tender for all operators. The Victorian - Tasmanian link is the only omission in a scheme said to be an integrated national transport scheme. It is not national without the Bass Strait link being addressed.

Regarding suggestions for an air subsidy, it would be unfair for air to be related differently over the Victorian -Tasmanian border. Air should be required to compete against inter-capital interstate highway equivalence between Melbourne to Hobart as it does between all other capitals. If air is to receive funding, in lieu of sea, the funding of air must be justified for all states. As no funding of air is justified between Canberra and Sydney based on a short route, why on this route?

Submissions from Victoria should be sought and given the same weight as those from the Tasmania Government. Victoria should fight for its equal share in the benefits of both the TFES and the BSPVES. Victorian business needs a volume flow of travellers through Victoria to and from Tasmania and equal access for people and goods to a growing Tasmanian market. This market can grow much further (see recent press coverage of new high rises units being built in Tasmania's new Gold Coast) if all-year, consistently priced surface access were offered. The BSPVES was to offer this outcome but the guts of the BSPVES were removed by Canberra in 2001. Victorians and their businesses require equal treatment regarding access to and from Tasmania with Australia asking for fair competition to international markets but not offering it within Australia.

The Bass Strait inter-capital link should work as best it can be as a RORO transport connection.

Wharf gate to wharf gate, provided the wharf at both ends is within an Auslink interstate inter-capital National corridor, plus a component for goods not capable of using RORO access, may be a suitable way to calculate highway equivalence as many industries across the Nation bring goods to the existing National Highway or interstate Auslink route. Why not Victorian and Tasmanian industry and businesses? Any more than this will need to be justified on economic grounds by using a multiple "Auslink" justification.

As with all Auslink connections, the shortest practicable route between capitals should be taken crossing the border and travelling through the two states to their capital city.

Some industries set up away from the Auslink corridors and have a difficulty getting to their products to a primary National transport corridor. The same should apply industries in Victoria and Tasmania.

The lack of volume in goods and people seems to be substantially caused by Canberra not directing the BSPVES to open up Tasmania to population increase. This factor has implications for the volume of goods to and from Tasmania and investment and jobs and for any modelling conducted under this review. Two Prime Ministers have tried to address this issue, one of them on two occasions, and one offered and or applied very liberal funding to achieve this result.

A competitive tender approach to both TFES and the BSPVES would reduce the cost of both the TFES and the BSPVES to funding entities. There seems to be enough surplus ferry capacity and operators to allow operators to tender and to expand the freight market through opening the corridor to volume passengers and their freight needs.

Once a primary highway equivalent link is given, then other links may be justified as under a competitive Auslink. Canberra need not engage in the managing of efficiency re relocation of industries in the first instance, but instead provide the only a single primary interstate transport link between Victoria and Tasmania. It does not seem to me necessary to perform a cost-benefit analysis to justify its obligation to provide this single primary highway equivalent artery - only to expand one.

If the Commonwealth moves to a "full charge" regime then apply this principle to the Melbourne - Hobart link but include the capital component. If full cost recovery on the basis of efficient and competitive transport is applied to all other interstate inter-capital routes, including the full capital component of the existing Auslink arteries, then it would seem fair to do so over the Melbourne-Hobart link.

Capping or not capping of Bass Strait funding seems irrelevant. It is whether Canberra can deliver outcomes based on equivalence of full cost recovery over every other inter-capital connection. All regions of Australia, including Tasmania have surface access to a National Highway or Auslink corridor but the Auslink corridor goes nowhere in Tasmania or is not southbound between Victoria to Tasmania. The schemes do not deliver comprehensive Auslink equivalence. Transport related distortions exist because of this factor. Both schemes need annual reviews, as intended for the BSPVES, or full cost recovery over all inter-capital routes not just the Tasmanian one, as currently is the case for many surface travellers and surface goods excluded from TFES.

The issue of access to major offshore islands are a state matter or if Canberra wants to address this it should do so based on regional development factors as a discretionary matter after a fair inter-capital route has been established.

The emphasis needs to be on better outcomes for both Victorian and Tasmania, not just Tasmania. The major stakeholder is the nation. It often just doesn't look south!

This is not an issue of greater support for Tasmania through Commonwealth funding of a national route. Tasmania and Victoria have great-unused strengths. They need equal transport links. This is issue for all Australians, not firstly Tasmanians.

The TFES and the BSPVES should be renamed Auslink (Sea) and the whole nation connected on the same basis that justified the creation of this multi-million dollar integrated land-based transport system.

Without it, fair access is being denied over the Victorian-Tasmanian border.

Peter Brohier

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