

Fifth Submission  
Productivity Commission  
Tasmanian Freight Subsidy Enquiry  
Peter Brohier  
11<sup>th</sup> July 2006

Senator Sherry alerts us to the need to upgrade the BSPVES.

In 1996 the Coalition accepted that the Federal Government has “a special responsibility to achieve equality for Tasmanian in developing opportunities for their state”. It developed a number of initiatives for Bass Strait “to be treated as Tasmania’s Sea Highway” including offers to maintain TFES and introduce the BSPVES and an undertaking “to work with the Tasmanian Government to promote competitive and efficient daily vehicle and passenger services across Bass Strait”.

Also the Coalition said it believed that “through competition for vehicle and passenger traffic”, “affordable movement of passengers and vehicles” would result.

The BSPVES was said to at last recognise that Bass Strait is part of the national highway and undertook that the BSPVES be reviewed annually to maintain equity.

In 2001 on top of that and uncapped federal funding introduced in September 1996 based on the movement of a driver and car, John Howard, according to Mr Cheek, was prepared to offer \$50 passenger fares!

This seems to have been rejected.

I understand that following and as a result of the incident described by Bob Cheek and included in the annexure B to my second submission, every significant element of the former BSPVES formula for equalisation was removed from the Commonwealth’s BSPVES’s ministerial directive. How can there then be an equalisation upgrade?

At the time there was an officers paper circulating that recommended against a Bass Strait being declared part of the National Highway and instead, amongst other recommendations, recommended that the BSPVES be a flat rebate irrespective of season, presumably to fill ferries. Also Commonwealth annual reports under BSPVES directives sent to the relevant federal minister had never, in my view, focussed on the success or failure of the BSPVES to deliver National Highway outcomes.

The BSPVES had allowed for an increase in the subsidy in summer to counteract higher passenger fares charged by the operator in summer. The aim was to ensure for consistent, all year driver and vehicle fares, as apply to other land-based highways.

The aim of filling ferries appears to me to be a short-term trade-off of excellent Bass Strait commitments that took the significant effort of a large number of people and groups to obtain as well as a bi- partisan national mandate. Flat rebates appeared to equalise but did not when the cost of a car and driver were factored in.

This left the BSPVES to be “equalisation” in name only.

What should the Commonwealth do now?

The Commonwealth BSPVES payment for the Sydney service are available now by any operator crossing Bass Strait between Victoria and Tasmania choosing to participate in the BSPVES by lowering passenger fares and therefore carrying more cars and attracting more BSPVES payments.

The Commonwealth could now redirect the Sydney service’s BSPVES payments to achieving adequate levels comprehensive highway equivalent fares by ministerial directive, in addition to existing fares in the absence of sea based competition.

A major study found that it is price and capacity that are the major determinants of crossing Bass Strait.

Also Tasmania could do well by exploring the wider implications for Victoria of its position regarding the Bass Strait link. The Commonwealth and Federal Labor could explore ways of delivering comprehensive equalisation in a national context rather than just a Tasmanian one.

What has all this to do with the TFES?

Tasmania’s growth is a major driver in increasing freight volumes.

If all year comprehensive highway equivalence can be guaranteed using the well-funded BSPVES a movement of the demand curve outward would be expected as the whole parameters of access to Tasmania will change.

Lower freight cost southbound will lower the cost of living, access to the Mainland will remove Tasmania’s remoteness, volume, all day, short route, RORO services for passengers and vehicles will result, air services will increase and what John Howard described as “the greatest impediment to growth in jobs, investment and population” will be removed placing Tasmania as part of the rich east coast of Australia.

The significant problems that Tasmania faces in its service industry sector, and half its families on welfare consistent perhaps with other remote regions of Australia will be largely eliminated.

Tasmanian’s business community, John Howard and also the then Labor Government largely understood this issue and tried to address it at both the 1996 and 2001 elections.

The BSPVES can without, any adjustment, be made to operate to remove Tasmania’s remoteness within a month using existing capacity and the \$35 million a year in uncapped funding allocated as part of raft of initiatives intended to deliver a sea highway.

The demand for additional freight movements could be expected to increase almost immediately.

The Stony Point - Burnie route will allow for a number of positive and almost politically irresistible factors.

- Substantial reduction in fares equal to highway equivalence
- Reduction in cost of the “bitumen” equalisation component
- As the Commonwealth seems to have confined Auslink and presumably Auslink agreements to road and rail only then, Auslink (Sea) and its integrated road and rail links are likely to fall outside the confines of what Victoria and Tasmania may have already signed under Auslink. The sea link can then be negotiated separately.
- The corridor from the Hume through Melbourne through to Northern Tasmania to Hobart for both road and rail can be part of an inter-capital corridor not a regional one.
- The route will be a most efficient one reducing the exposure of travellers to roughness of Bass Strait
- The route will reduce travel times and costs and provide a high volume basic ferry service
- Will allow possibly three regular sailings offering various accommodation options, fares options and travel times and spreading the cost of infrastructure
- Will allow for a terminus closer to the population centre of Melbourne
- Will integrate well into the road and rail network at the Victorian and Tasmanian ends
- Will allow the Commonwealth under the \$11 billion Auslink integrated system to substantially fund a vital tunnel connecting the Ring Road at Greensborough to the Scorseby link and reduce tolls on Scorseby to access Stony Point from the Hume Corridor.
- Will remove congestion at Station Pier allowing it to be used for luxurious sea links to Tasmania, if Tasmania chooses and for the cruise ship industry.
- Will allow the vital Westernport region to develop through the introduction of significant infrastructure including an upgrading of its road and rail link for future freight and passenger purposes
- Will allow Burnie as an all weather port to participate in the ferry network
- Will also allow Devonport to retain its existing sea links
- Will allow for Commonwealth funding for an extra link over the Yarra
- Will deliver equal links to both Victoria and Tasmania consistent with their respective geographical locations
- Is based on a sound policy framework
- Over time and if significant facilities were developed at Westernport, TFES and the BSPVES can be based on this port.