

Bureau of Infrastructure, Transport and Regional Economics

# **Bass Strait Passenger Vehicle Equalisation Scheme 2007–09**

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Regional Development and Local Government  
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# Foreword

This report presents the results of the Bureau of Infrastructure, Transport and Regional Economics' (BITRE) twelfth review of the Bass Strait Passenger Vehicle Equalisation Scheme.

The Ministerial Directions governing the Bass Strait Passenger Vehicle Equalisation Scheme were amended in June 2008. Clause 17 requires the Bureau to produce this report every two years.

This report covers the operation and impact of the Bass Strait Passenger Vehicle Equalisation Scheme for the period 1 July 2007 to 30 June 2009.

The report was undertaken by Mark Cregan and Tim Risbey. Rob Stewart provided comments on the report.

Gary Dolman  
Acting Executive Director  
Bureau of Transport and Regional Economics  
December 2009

# Acknowledgements

BITRE gratefully acknowledges the assistance provided by TT-Line; Tourism Tasmania; the Tasmanian Transport Programs team at Centrelink; and the Infrastructure and Surface Transport Policy Division of the Department of Infrastructure, Transport, Regional Development and Local Government.

# At a glance

- The Australian Government spent \$35.1 million (up 16.5 per cent) in 2008–09 on the Bass Strait Passenger Vehicle Equalisation Scheme (the Scheme) and \$30.1 million in 2007–08 (up 5.9 per cent on 2006–07).
- Passengers travelling with a vehicle across Bass Strait can receive a rebate applied against the fare charged by a ferry operator to transport an accompanied passenger vehicle across Bass Strait.
- The Scheme is intended to increase demand for travel across Bass Strait, with direct benefits to the tourist industry and potential growth in jobs, investment and population for Tasmania.
- The Ministerial Directions governing the Scheme were amended in June 2008 to include a biennial review by BITRE and a separate annual review of the rebate.
- The one-way rebate for a standard car was increased by \$18 to \$168 on 1 September 2007. Rebates were increased for all vehicle types on 1 July 2008: one-way rebates increased to up to \$180 for a car, \$90 for a motorbike, \$25 for a bicycle and up to \$360 for an eligible motor home.
- The standard car rebate has increased by \$30 per vehicle since 1 July 2007, representing a nominal increase of 20 per cent.
- Three operators provided ferry services between 1 July 2007 and 30 June 2009. TT-Line carried almost all sea passengers.
- BITRE's benchmark TT-Line peak sea fare package with the rebate decreased 4.7 per cent in real terms between June 2007 and June 2008, then increased by 4.3 per cent to June 2009.
- Sea passenger numbers declined in 2007–08 and increased in 2008–09, the first year of increase since 2002–03. Air travel's modal share increased to nearly 90 per cent in both years.
- Econometric modelling indicates motor vehicle passengers may have been 27.8 per cent higher than without the Scheme.
- An estimated 12 250 new leisure visitors travelled by sea due to the Scheme in 2008–09 (11 500 in 2007–08 and a revised 10 300 in 2006–07), spending an estimated \$30.1 million in Tasmania (\$27.4 million in 2007–08 and a revised \$24.0 million in 2006–07).



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# Executive summary

The Australian Government spent \$35.1 million (up 16.5 per cent) in 2008–09 on the Bass Strait Passenger Vehicle Equalisation Scheme (the Scheme) and \$30.1 million in 2007–08 (up 5.9 per cent on 2006–07).

The Scheme is intended to reduce the cost of sea travel.

Passengers travelling with a vehicle across Bass Strait can receive a rebate funded by the Australian Government under the Scheme. The rebate is applied against the fare charged by a ferry operator to transport an accompanied passenger vehicle across Bass Strait.

These vehicle fare reductions are intended to increase the demand for travel across Bass Strait, with direct benefits to the tourist industry and potential growth in jobs, investment and population for Tasmania (Sharp 1996, p. 1).

There were a number of changes to the operation and administration of the Scheme between 1 July 2007 and June 2009.

The Ministerial Directions governing the Scheme were amended in June 2008. The Scheme is now reviewed by BITRE every two years; there is a separate annual review of the rebate. Drivers with a medical condition who are unable to travel by sea may now be eligible for a reduced passenger vehicle fare when shipping their vehicle and flying across Bass Strait.

Eligible vehicle rebates for a standard car increased on 1 September 2007. The one-way rebate for a standard car increased by \$18 to \$168 for an eligible vehicle (12 per cent).

Eligible vehicle rebates increased again on 1 July 2008: the one-way rebate increased to up to \$180 for a car; \$90 for a motorbike, \$25 for a bicycle and up to \$360 for an eligible motor home.

The standard car rebate has increased by \$30 per vehicle since 1 July 2007, representing a nominal increase of 20 per cent.

Three operators provided Bass Strait services between 1 July 2007 and June 2009: TT-Line, Southern Shipping and SeaRoad Shipping. TT-Line carried over 99 per cent of eligible passengers.

TT-Line recorded an after tax loss of \$2.4 million in 2008–09 (compared with after tax profits of \$16.5 million in 2007–08 and \$10.6 million in 2006–07). The loss was due to an \$8.3 million tax expense from the annual ship revaluation and losses from bunker fuel hedge derivatives.

TT-Line reported an underlying operating profit of \$6.7 million in 2008–09 (compared with profits of \$13.6 million in 2007–08 and \$4.2 million in 2006–07). After adjusting for capital items, TT-Lines':

- average revenue per voyage increased by 9.3 per cent in 2007–08 and 5.8 per cent in 2008–09
- average voyage operating expenses increased by 2.6 per cent in 2007–08 and a further 11.3 per cent in 2008–09
- average cost per passenger increased by 3.1 per cent in 2007–08 and a further 9.2 per cent in 2008–09.

TT-Line paid off \$25 million of its debt in 2008–09, with a further \$25 million repayment in October 2009. The company's plan is to be debt free by 2010–11 to strengthen its financial position given the announced strategy to replace both ships around 2017 (TT-Line 2009).

Sea fares increased through the two year period. TT-Line passenger and motor vehicle fares changed six times between 1 July 2007 and 30 June 2009. This includes a fuel surcharge which was applied per passenger from 1 July 2008 to 1 February 2009.

Southern Shipping fares increased in-line with the Consumer Price Index.

SeaRoad Shipping fares increased by approximately 14 per cent over the period, with a fuel surcharge that varied month to month.

BITRE's benchmark of a TT-Line peak season one-way sea fare package (with the rebate) was \$627 at the end of June 2009. This compares with \$583 at the end of June 2008 and \$592 at end June 2007. It is important to note that this excludes the fuel surcharge which did not apply at these dates.

In real terms, the cost of this benchmark sea fare package (excluding the fuel surcharge) decreased 0.6 per cent between June 2007 and June 2009.

The real value of this benchmark sea fare package decreased 4.7 per cent between June 2007 and June 2008, then increased 4.3 per cent between June 2008 and June 2009.

Airfares also varied over the two year period. BITRE's airfare indices indicate that between June 2007 and June 2009:

- discount airfares demonstrated substantial volatility but remained the cheapest travel option
- restricted economy airfares increased by 13 per cent
- internet full economy fares decreased by 9 per cent.

Trends in travel across Bass Strait in 2007–08 and 2008–09 include:

- total adult air and sea passenger numbers increased 7.9 per cent in 2007–08 and 5.5 per cent in 2008–09
- air travel's modal share has increased to nearly 90 per cent in 2007–08 and 2008–09
- sea passenger numbers declined 4.9 per cent in 2007–08 then increased 2.8 per cent in 2008–09
- sea travel by Tasmanians travelling for business purposes more than doubled to an estimated 24 400 in 2007–08, then decreased 4.8 per cent in 2008–09
- air travel by visitors travelling for business purposes to Tasmania declined by 0.9 per cent to an estimated 200 000 in 2007–08, then increased by 4.4 per cent in 2008–09.

BITRE's econometric modelling indicates that the number of motor vehicle passengers may have been 27.8 per cent higher than without the Scheme.

BITRE analysis indicates that up to 35 per cent of these additional motor vehicle passengers may have travelled anyway as berth-only sea passengers without the Scheme.

BITRE estimates that 12 250 new leisure visitors travelled due to the Scheme in 2008–09. This compares with an estimate of 11 500 in 2007–08 and a revised estimate of 10 300 in 2006–07.

These additional visitors spent an estimated \$30.1 million in 2008–09. This compares with an estimated \$27.4 million additional spending in 2007–08 and \$24.0 million (revised) in 2006–07.

These estimates exclude spending by visitors travelling for business, visiting friends/relatives or other purposes, and benefits to Tasmanians who travelled by sea.



# CHAPTER I

## The Scheme

In August 1996, the Commonwealth Minister for Transport and Regional Development announced the introduction of the Bass Strait Passenger Vehicle Equalisation Scheme (the Scheme) from 1 September 1996.

The aim of the Scheme is 'to reduce the cost of sea travel across Bass Strait for passengers' accompanying an eligible vehicle.

Passengers travelling with a vehicle across Bass Strait can receive a rebate funded by the Australian Government under the Scheme. This rebate is applied against the fare charged by a ferry operator to transport an accompanied passenger vehicle across Bass Strait.

The Minister noted that the resulting fare reductions would help to increase the demand for travel across Bass Strait, with direct benefits to the tourist industry and potential growth in jobs, investment and population for Tasmania (Sharp 1996, p.1).

On 1 March 2001, the Scheme was extended to cover the carriage of vehicles between King Island and mainland Australia. As sea passenger services were not provided on the King Island route, the rebate is available for passenger vehicles carried by sea where the driver travelled by commercial air service on or about the same day.

### Administration

The Scheme operates under a set of Ministerial Directions. In 2007–08, the Scheme was administered in accordance with Directions issued in September 2002 and amended in December 2007.

In 2008–09, the Scheme was administered in accordance with Ministerial Directions amended in June 2008 (Department of Infrastructure, Transport, Regional Development and Local Government, 2008). There is now an annual review of the rebate and drivers with a medical condition who are unable to travel by sea may be eligible for a reduced passenger vehicle fare when shipping their vehicle and flying across Bass Strait.

The Ministerial Directions are administered by Tasmanian Transport Programs, a business unit within Centrelink.

Policy direction and funding for the Scheme is provided by the Infrastructure and Surface Transport Policy Division of the Department of Infrastructure, Transport, Regional Development and Local Government.<sup>1</sup>

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<sup>1</sup> Formerly the Maritime and Land Transport Division of the Department of Transport and Regional Services.

The Bureau of Infrastructure, Transport and Regional Economics is required to monitor the effectiveness of the Scheme every two years. Clause 17 of the Ministerial Directions state that:

- 17.1 A Service Operator who claims reimbursement under the Scheme shall be subject to monitoring by the Bureau.
- 17.2 The Bureau shall, every two years, monitor the effectiveness of the Scheme over the previous two year period (the first such period being from 1 July 2007 to 30 June 2009). The monitoring shall be done with specific regard to:
  - a) movement in fare prices in the relevant two year period; and
  - b) movement in the number of eligible passengers, eligible passenger vehicles and passengers travelling under related bookings, carried in the relevant two year period.
- 17.3 A Service Operator shall comply with all reasonable requests by the Bureau for information or access to documentation, in relation to the Bureau's monitoring function.

BITRE has prepared eleven previous reports on the Scheme, the most recent covering 2006–07.

## Operators

Three companies—TT-Line Company Pty Ltd (TT-Line), SeaRoad Shipping<sup>2</sup> and Southern Shipping—provided Bass Strait sea services in 2007–08 and 2008–09.

TT-Line carried 390 732 one-way passengers and 195 958 eligible vehicles in 2008–09, up from 385 018 one-way passengers and 189 902 eligible vehicles in 2007–08.

Spirit of Tasmania I and Spirit of Tasmania II operated the Melbourne–Devonport route.<sup>3</sup> Each ship can carry up to 1400 passengers, with a maximum passenger capacity of 1040 passengers on night crossings, with a vehicle capacity for each vessel being 660 per sailing.

SeaRoad Shipping operated a once-a-week freight-only service using the Searoad Mersey between Port Melbourne and Grassy Port, King Island. Sea passenger services are not available on the SeaRoad Shipping service. Under the Scheme, a rebate is available for eligible passenger vehicles on the King Island route where the driver travels by commercial air service on or about the same day.

The Searoad Mersey carried 294 eligible vehicles in 2008–09, down from 353 eligible motor vehicles in 2007–08.

Southern Shipping operated a service using the Matthew Flinders between the Tasmanian ports of Bridport, Bell Bay and Lady Barron, Flinders Island. Southern Shipping allows passengers to travel with their cars as they are not eligible for assistance if they travel by air.

The Matthew Flinders carried three eligible vehicles in 2008–09, down from six eligible motor vehicles in 2007–08.

<sup>2</sup> Formerly Patrick Shipping. The Chas Kelly Transport Group acquired Patrick Bass Strait Shipping from the Toll group on 1 April 2008. The new operation is known as SeaRoad Shipping.

<sup>3</sup> Spirit of Tasmania I and II have operated the Melbourne–Devonport route since 1 September 2002 when they replaced the Spirit of Tasmania. These two new vessels increased the passenger capacity by 212 per cent and the available motor vehicle capacity by 185 per cent (BITRE 2004).

### TI.1 Total eligible vehicles carried by operator 2007–08 and 2008–09

| Operator          | 2007–08                |                           | 2008–09                |                           |
|-------------------|------------------------|---------------------------|------------------------|---------------------------|
|                   | Motor vehicles carried | Share of total (per cent) | Motor vehicles carried | Share of total (per cent) |
| TT-Line           | 189 902                | 99.8                      | 195 958                | 99.8                      |
| SeaRoad Shipping  | 353                    | 0.2                       | 294                    | 0.1                       |
| Southern Shipping | 6                      | 0.0                       | 3                      | 0.0                       |
| Total Vehicles    | 190 261                | 100                       | 196 255                | 100                       |

Source: Tasmanian Transport Programs team, Centrelink—personal communications 2009.

This section presents financial indicators for TT-Line, which accounts for over 99 per cent of payments under the Scheme.

TT-Line reported for 2008–09:

- an underlying operating profit of \$6.7 million, compared with \$13.6 million in 2007–08 and \$4.2 million in 2006–07
- an after tax loss of \$2.43 million, compared with an after tax profit of \$16.5 million in 2007–08 and \$10.6 million in 2006–07
- operating revenues of \$175.5 million, compared with \$166.8 million in 2007–08 (a 5.2 per cent increase)
- operating expenses of \$169.7 million, compared with \$153.1 million (10.8 per cent increase) in 2007–08.

The after tax loss in 2008–09 was due to an \$8.259 million tax expense (compared with a \$2.834 million tax benefit in 2007–08). This tax expense arose as a result of the impact of cash flow hedging reserve and the annual revaluation of the vessels.<sup>4</sup>

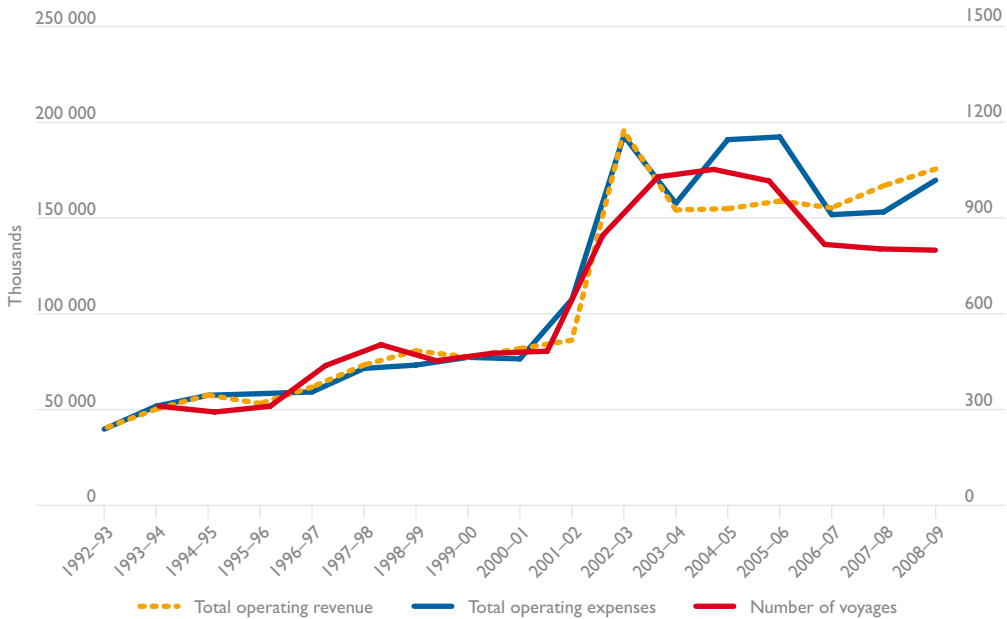
After adjusting for capital items, TT-Line's:

- average revenue per voyage increased by 9.3 per cent in 2007–08 and 5.8 per cent in 2008–09
- average voyage operating expenses increased by 2.6 per cent in 2007–08 and a further 11.3 per cent in 2008–09
- average cost per passenger increased by 3.1 per cent in 2007–08 and a further 9.2 per cent in 2008–09.

Figure 1.1 shows the gap between operating revenue and operating costs and the change in the number of TT-Line voyages.

<sup>4</sup> TT-Line (2009, p.38) reports that the financial impacts of these transactions, along with the tax impact, were recognised directly in equity. However, as these additional tax benefits did not meet the required threshold for recognition, they were derecognised. Accounting standards required derecognition as a charge to the income tax expense in the 2008–09 financial year.

**FI.1** TT-Line operating revenue, expenses and number of voyages, 1992–93 to 2008–09



Note: 2004–05 operating expenses exclude asset devaluation, and 2005–06 operating expense excludes asset revaluation.

Source: TT-Line (2009) and previous Annual Reports.

## Rebates paid

Vehicle rebates changed in September 2007 and July 2008. Table 1.2 summarises the one-way rebates for eligible vehicles as at 30 June 2008 and 30 June 2009.

TT-Line continues to apply a seasonal fare structure and the constant rebate reduces the aggregate sea fare for passengers with an eligible accompanying vehicle in the shoulder and off-peak periods. Rebates on the King Island route are constant throughout the year.

**TI.2** One way rebates for eligible vehicles on the main Bass Strait and King Island route

| Eligible Vehicle Class                      | June 2008<br>Rebate (\$) | June 2009<br>Rebate (\$) |
|---|--------------------------|--------------------------|
| Motor car or bus                            | Up to 168                | Up to 180                |
| Motor home                                  | Up to 300                | Up to 360                |
| Eligible passenger vehicle towing a caravan | Up to 300                | Up to 360                |
| Motorcycle                                  | Up to 75                 | Up to 90                 |
| Bicycle                                     | Up to 21                 | Up to 25                 |

Note: The round trip rebate is exactly double the one-way trip rebate. Prior to 1 September 2002 an off peak rebate applied from 1 July to 31 August and 27 April to 30 June, and a shoulder rebate applied from 1 September to 5 December and from 26 January to 26 April.

Sources: Department of Transport and Regional Services (2002, pp. 10-11). TT-Line— personal communications (2009).

In 2008–09, the Australian Government spent \$35.1 million under the Scheme—an increase of 16.5 per cent over 2007–08. Total expenditure includes rebates paid, payments for bookings in future time periods, and administration fees for the claims made by SeaRoad Shipping. Expenditure in 2007–08 was \$30.1 million, up 5.9 per cent on 2006–07.

The Scheme is demand driven and funding varies with the number—and mix—of eligible vehicles carried by sea across Bass Strait.<sup>5</sup> Three service providers were paid rebates in both 2007–08 and 2008–09 (Table 1.3).

### TI.3 Rebates paid to the Bass Strait and King Island service providers for vehicles carried, 2007–08 and 2008–09

| Service Provider   | 2007–08    | 2008–09    |
|--------------------|------------|------------|
| TT-Line            | 30 050 823 | 34 645 939 |
| SeaRoad Shipping   | 57 618     | 52 668     |
| Southern Shipping  | 1 008      | 540        |
| Total rebates paid | 30 109 449 | 34 699 147 |

Source: Tasmanian Transport Programs, Centrelink—personal communications 2009.

In 2008–09, rebates paid \$34.70 million under the Scheme—an increase of 15.2 per cent over 2007–08, whereas rebates paid in 2007–08 increased by 6.3 per cent over 2006–07.

Over 99 per cent of rebates under the Scheme went to eligible passengers with an accompanying vehicle travelling on TT-Line services.

Reimbursements almost doubled in 2002–03 due to the combined effect of the increase in capacity with the introduction of Spirit of Tasmania I and II and the 1 September 2002 changes to the Ministerial Directions (Table 1.4 and Figure 1.2).

### TI.4 TT-Line's average reimbursement per motor vehicle passenger, 1996–97 to 2008–09

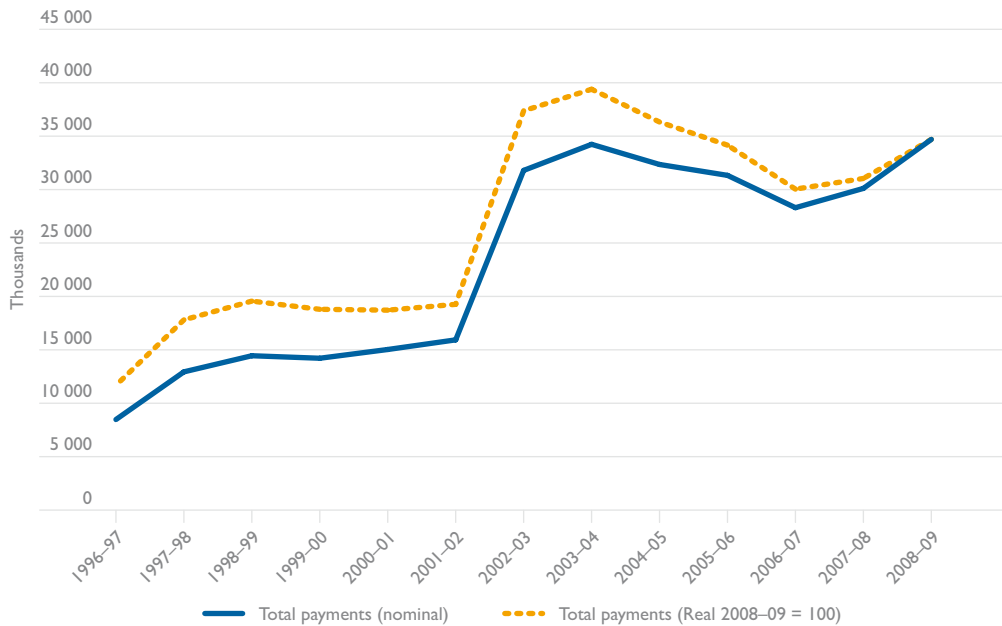
|         | Reimbursements paid to TT-Line (\$) |                   | Motor vehicle passengers (one-way trips) | Average reimbursement per motor vehicle passenger (\$) |                   |
|---------|-------------------------------------|-------------------|--|--|-------------------|
|         | Nominal                             | Real <sup>a</sup> |  | Nominal  | Real <sup>a</sup> |
| 1996–97 | 8 474 915                           | 11 677 215        | 153 045                                  | 55.4   | 76.3              |
| 1997–98 | 12 938 565                          | 17 805 291        | 231 098                                  | 56.0   | 77.0              |
| 1998–99 | 14 446 755                          | 19 560 181        | 261 487                                  | 55.2   | 74.8              |
| 1999–00 | 14 211 445                          | 18 792 766        | 248 745                                  | 57.1   | 75.6              |
| 2000–01 | 15 030 670                          | 18 712 169        | 259 438                                  | 57.9   | 72.1              |
| 2001–02 | 15 932 170                          | 19 259 720        | 272 922                                  | 58.4   | 70.6              |
| 2002–03 | 31 793 065                          | 37 370 796        | 432 498                                  | 73.5   | 86.4              |
| 2003–04 | 34 235 612                          | 39 390 254        | 438 841                                  | 78.0   | 89.8              |
| 2004–05 | 32 349 808                          | 36 325 762        | 395 928                                  | 81.7   | 91.7              |
| 2005–06 | 31 331 361                          | 34 158 599        | 384 974                                  | 81.4   | 88.7              |
| 2006–07 | 28 304 136                          | 30 043 420        | 340 273                                  | 83.2   | 88.3              |
| 2007–08 | 30 109 449                          | 31 040 717        | 335 881                                  | 89.6   | 92.4              |
| 2008–09 | 34 699 147                          | 34 699 147        | 342 099                                  | 101.4  | 101.4             |

<sup>a</sup> Real 2008–09 dollars.

Source: Tasmanian Transport Programs, Centrelink—personal communications (2009 and earlier); TT-Line—personal communications (2009 and earlier).

<sup>5</sup> Scheme funding for services on the Sydney–Devonport route has been capped at \$8 million from 2004–2005 (Department of Transport and Regional Services 2005).

**FI.2** TT-Line rebate reimbursements under the Scheme, 1996–97 to 2008–09



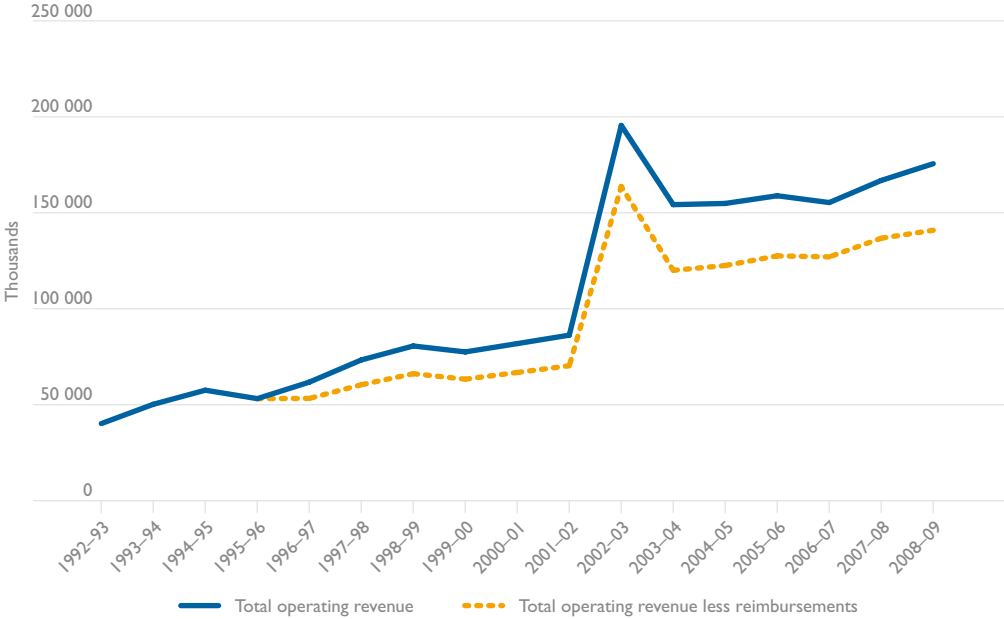
Notes: Data relates to vehicles shipped and excludes advanced payment numbers for scheduled bookings.  
 Source: Tasmanian Transport Programs, Centrelink—personal communications 2009.

Total payments increased each year since 2006–07. The average nominal rebate for each TT-Line per motor vehicle passenger increased from \$83.20 in 2006–07 to \$101.40 in 2008–09, a real increase of 14.8 per cent over two years (Table 1.4).

The increase in average rebates was driven by a decrease in the average number of people per eligible vehicle (from 1.8 in 2006–07 to 1.75 in 2008–09) and the increase in vehicle rebates on 1 September 2007 and 1 June 2008.

Figure 1.3 shows reimbursements to TT-Line and TT-Line’s operating revenue. Reimbursements represented 19.8 per cent of TT-Line operating revenue in 2008–09.

**FI.3** Adjusted TT-Line revenue and revenue net of scheme rebates, 1992–93 to 2008–09



Note: Excludes gross proceeds (\$61.2 million) in 2002–03 from the sale of the Spirit of Tasmania.  
Source: TT-Line (2009) and previous annual reports.



## CHAPTER 2

# Bass Strait sea and air travel

An estimated 1.73 million adult passengers travelled by air and sea across Bass Strait in 2008–09 (1.64 million in 2007–08). This was an additional 90 000 passengers compared to 2007–08, representing a 5.5 per cent increase (see Appendix C).<sup>6</sup>

The 1.64 million adult passengers travelled in 2007–08—an increase of approximately 120 000 passengers on 2006–07, or nearly 8 per cent.

Some of the more significant changes in travel across Bass Strait in 2007–08 and 2008–09 were:

- total adult air and sea passenger numbers increased 7.9 per cent in 2006–07 and 5.5 per cent in 2008–09
- air travel's modal share has increased to nearly 90 per cent in 2007–08 and 2008–09 (up from 87 per cent in 2006–07)
- the number of people travelling by sea declined by 4.9 per cent in 2007–08 then increased by 2.8 per cent in 2008–09
- sea travel by Tasmanians travelling for business purposes to the mainland more than doubled to an estimated 24 400 in 2007–08, then decreased 4.8 per cent in 2008–09
- air travel by visitors travelling for business purposes to Tasmania declined by 0.9 per cent to an estimated 200 000 in 2007–08, then increased by 4.4 per cent in 2008–09.

## Sea services and related fares

The annual number of TT-Line voyages increased from 295 in 1995–96 to 1052 in 2004–05 (Table 2.1).

Total voyages increased significantly with the introduction of the Sydney–Devonport service on 13 January 2004, before declining with the termination of Sydney service in August 2006.

The number of Melbourne–Devonport voyages declined marginally in both 2007–08 and 2008–09.

<sup>6</sup> Tourism Tasmania 'Tasmanian Visitor Survey'—personal communications (2001; 2007).

**T2.1** TT-Line one-way voyages by vessel, 1995–96 to 2008–09

| Year    | Spirit of Tasmania | Devil Cat | Spirit of Tasmania I/II | Spirit of Tasmania III c | Total voyages |
|---------|--------------------|-----------|-------------------------|--------------------------|---------------|
| 1995–96 | 295                | na        | na                      | na                       | 295           |
| 1996–97 | 313                | na        | na                      | na                       | 313           |
| 1997–98 | 323                | 117       | na                      | na                       | 440           |
| 1998–99 | 334                | 171       | na                      | na                       | 505           |
| 1999–00 | 347                | 108       | na                      | na                       | 455           |
| 2000–01 | 379                | 99        | na                      | na                       | 478           |
| 2001–02 | 367                | 118       | na                      | na                       | 485           |
| 2002–03 | a                  | na        | 846                     | na                       | 846           |
| 2003–04 | na                 | na        | 894                     | 135 b                    | 1 029         |
| 2004–05 | na                 | na        | 832                     | 220                      | 1 052         |
| 2005–06 | na                 | na        | 812                     | 204                      | 1 016         |
| 2006–07 | na                 | na        | 805                     | 13                       | 818           |
| 2007–08 | na                 | na        | 804                     | na                       | 804           |
| 2008–09 | na                 | na        | 800                     | na                       | 800           |

na not applicable

**a** Voyages made by Spirit of Tasmania in 2002–03 before its replacement in September 2002 are included in the number of voyages made by Spirit of Tasmania I and Spirit of Tasmania II.

**b** Spirit of Tasmania III operated an extra Melbourne–Devonport service on 15 December 2004 and replaced its sister ships during their biannual dry-dockings from 17 July to 7 August.

**c** Spirit of Tasmania III began operating the Sydney–Devonport route on 13 January 2004. Voyage total for 2003–04 therefore reflects approximately six months data.

Source: TT-Line (2009) and previous annual reports.

Traffic per voyage decreased in 2007–08 and increased in 2008–09 (Table 2.2).

**T2.2** TT-Line average traffic per voyage by service, 1995–96 to 2008–09

| Year      | Passengers per voyage a |        | Vehicles per voyage |        |
|-----------|-------------------------|--------|---------------------|--------|
|           | Melbourne               | Sydney | Melbourne           | Sydney |
| 1995–96   | 732                     | na     | 214                 | na     |
| 1996–97   | 828                     | na     | 258                 | na     |
| 1997–98   | 714                     | na     | 253                 | na     |
| 1998–99   | 680                     | na     | 246                 | na     |
| 1999–00   | 710                     | na     | 264                 | na     |
| 2000–01   | 692                     | na     | 266                 | na     |
| 2001–02   | 718                     | na     | 278                 | na     |
| 2002–03   | 596                     | na     | 248                 | na     |
| 2003–04 b | 528                     | 249    | 238                 | 116    |
| 2004–05   | 472                     | 271    | 226                 | 131    |
| 2005–06   | 443                     | 396    | 212                 | 188    |
| 2006–07 c | 482                     | 439    | 230                 | 240    |
| 2007–08   | 479                     | na     | 220                 | na     |
| 2008–09   | 488                     | na     | 228                 | na     |

na not applicable.

**a** Includes passengers with an accompanying motor vehicle and berth-only passengers.

**b** The eligible vehicles per voyage figures for 2003–04 are derived by vehicles per claim period which may not correspond exactly to TT-Line figures.

**c** The Sydney–Devonport route represents two months of traffic data.

Source: TT-Line (2009) and previous annual reports.

The average vessel size increased substantially with the introduction of the Spirit of Tasmania I and Spirit of Tasmania II in September 2002, increasing available capacity. TT-Line further increased the capacity of its ships by 60 vehicles per sailing in 2006–07 (TT-Line 2007).

The effect of the rebate for an eligible motor vehicle passenger varies according to the passenger fare type (full fare or concession), season of travel, the passenger's choice of accommodation and their vehicle type.

TT-Line's passenger fares vary during the year reflecting the seasonal nature of demand. With respect to vehicle fares, standard cars and vehicles less than six metres long and two metres wide have a flat fare year round while larger vehicle fares vary depending on the season.<sup>7</sup>

TT-Line made a number of changes to passenger fares in the period July 2007 to June 2009:

- passenger fares were increased by 5 per cent from 1 May 2008
- a fuel surcharge of \$8 per person was applied from 1 July 2008
- the fuel surcharge was increased to \$12 per person from 1 August 2008
- passenger fares were increased between \$3 and \$7 per person from 1 November 2008
- the fuel surcharge was decreased to \$10 per person from 1 January 2009
- the fuel surcharge was removed on 1 February 2009.

In addition to their own fare, TT-Line passengers pay a fare for their accompanied passenger motor vehicle. Table 2.3 gives vehicle fares as at 30 June 2009.

As at 1 July 2007 the net fare for a standard passenger car was \$79 per vehicle (a gross vehicle fare of \$229 less a rebate of \$150 per vehicle).

Melbourne–Devonport vehicle fares changed five times during the period 1 July 2007 to 30 June 2009, including fare changes by TT-Line and changes in rebates. The changes were:

- Fares for a standard car reduced by the full \$18 increase in the rebate from 1 September 2007. The net fare for a standard car reduced from \$79 to \$61 per vehicle (a 22.8 per cent decrease).
- Vehicle fares increased by between \$1 and \$20 from 1 May 2008. The net fare for a standard car increased by \$11 to \$72 per vehicle (an 18 per cent increase).
- Vehicle fares reduced from 1 July 2008 by the full amount of the increased vehicle rebates. The net fare for a standard car reduced by \$14 to \$58 per vehicle (a 19.4 per cent decrease).
- Vehicle fares increased by approximately 3 per cent from 1 November 2008. The net fare for a standard car increased by \$7 to \$65 per vehicle (an 18 per cent increase).
- Vehicle fares increased by approximately 4 per cent from 1 May 2009. The net fare for a standard car increased by \$10 to \$75 per vehicle (an 18 per cent increase).

As at 1 July 2009 the net fare for a standard passenger car was \$75 per vehicle (a gross vehicle fare of \$255 less a rebate of \$180 per vehicle).

<sup>7</sup> The seasonal structure in 2008–09 was off-peak: 1 July 2008 to 31 August 2008 and 2 May 2009 to 30 June 2009; shoulder: 1 September 2008 to 14 December 2008 and 24 January 2009 to 1 May 2009; and peak: 15 December 2008 to 23 January 2009.

### T2.3 TT-Line net vehicle fares as at the 30 June 2009

| Vehicle Type—Length   | Off-Peak (\$) | Shoulder(\$) | Peak(\$) |
|---|---------------|--------------|----------|
| Standard cars/vehicles and vehicles towing trailers less than 2.0 metres wide                 |               |              |          |
| 0.1–5.0 metres  | 75            | 75           | 75       |
| 5.1–6.0 metres  | 87            | 87           | 87       |
| Campervans/motor homes less than 2 metres wide  |               |              |          |
| 0.1–5.0 metres  | 75            | 75           | 75       |
| 5.1–6.0 metres  | 87            | 87           | 87       |
| Motor homes/campervans and vehicles towing caravans   |               |              |          |
| 0.1–7.0 metres  | 87            | 87           | 126      |
| 7.1–8.0 metres  | 123           | 153          | 203      |
| 8.1–9.0 metres  | 159           | 219          | 280      |
| 9.1–10.0 metres   | 195           | 285          | 357      |
| 10.1–11.0 metres  | 231           | 351          | 434      |
| Over 11.0m + \$/per metre   | 36            | 66           | 77       |
| Vehicles towing trailers or vehicles other than motor homes/campervans <sup>a</sup> and buses |               |              |          |
| 0.1–6.0 metres  | 87            | 87           | 126      |
| 6.1–7.0 metres  | 267           | 267          | 306      |
| 7.1–8.0 metres  | 303           | 333          | 383      |
| 8.1–9.0 metres  | 339           | 399          | 460      |
| 9.1–10.0 metres   | 375           | 465          | 537      |
| 10.1–11.0 metres  | 411           | 531          | 614      |
| Over 11.0m + \$/per metre   | 36            | 66           | 77       |
| Motor bikes   | 50            | 50           | 50       |
| Motor bike with side car or trailer   | 75            | 75           | 75       |
| Push bikes  | 6             | 6            | 6        |

<sup>a</sup> Where total length is greater than 6 metres or width greater than 2 metres. Maximum height is 4.2 metres. Maximum width is 2.4 metres.

Source: TT-Line personal communications (2009).

BITRE has constructed a benchmark one-way sea fare in order to better understand changes in sea fares over time.

This benchmark for the Melbourne–Devonport route for a TT-Line sea travel package for two adults with an inside three to four berth cabin, a motor car and two meals purchased on board.

The passenger component of BITRE's benchmark fare for an adult in the peak season increased from \$242 in 2006–07 to \$258 in 2008–09 (Table 2.4)—up 6.8 per cent.

## T2.4 Benchmark one-way passenger fares Melbourne–Devonport (\$ millions), as at end of 2007–08 and 2008–09

| Passenger type | June 2008 |          |      | June 2009 |          |      |
|----------------|-----------|----------|------|-----------|----------|------|
|                | Off-Peak  | Shoulder | Peak | Off-Peak  | Shoulder | Peak |
| Adult          | 223       | 233      | 254  | 226       | 236      | 258  |
| Pensioner      | 142       | 149      | 162  | 145       | 151      | 165  |
| Senior         | 192       | 200      | 219  | 195       | 203      | 223  |
| S-SAVE/SHIPS   | 140       | 179      | 194  | 170       | 177      | 193  |
| Child/student  | 123       | 128      | 139  | 126       | 130      | 141  |

Note: Calculated using TT-Line fares are for an inside cabin (3–4 berth), the benchmark accommodation for calculating the rebate. Melbourne–Devonport fares exclude meals. Calculated using published TT-Line fare information applicable at 30 June of the relevant year. Actual fare levels during respective seasons may have differed. Season dates in 2008–09 were: off-peak 1 July 2008–31 August 2008 and 2 May 2009–20 June 2009; shoulder 1 September 2008–14 December 2008 and 24 January 2009–1 May 2009; and peak 15 December 2008–23 January 2009.

Source: TT-Line personal communications (2009).

BITRE's benchmark net peak season sea fare (with the rebate) at the end of June 2009 was \$627 one-way. This comprised two adult passenger fares (at \$258 per person), the standard vehicle fare with a rebate (\$75), and two meals purchased on board (\$36). This was an increase of \$34 (5.7 per cent) on the same package as at the end June 2007.

This compares with \$583 at the end of June 2008 and \$592 at end June 2007. It is important to note that this excludes the fuel surcharge which did not apply at these dates.

The effect of the Scheme on sea travel costs is illustrated in the following example.

- During the off-peak season—1 May to 31 August—BITRE's package sea fare, including the passenger fare, net vehicle fare (with the rebate) and meals, would have been \$563 one-way.
- For a return journey and average seventeen night stay in Tasmania (with a \$20 per day spend on transport for people taking their own vehicle), the cost of the off-peak sea package would have been \$1466. The cost of this off-peak package would have increased by \$360 to \$1826 without the rebate—the Scheme reduced the cost of an off-peak sea package by 19.7 per cent.
- If it were an eight night stay, then the cost of this off-peak sea package would have been \$1286, \$1646 without the rebate—a 21.9 per cent reduction.

Figure 2.1 illustrates the effect of the standard rebate on the real (consumer price index adjusted) cost of the BITRE's peak season sea package for two adults with a standard vehicle at the end of June each year.

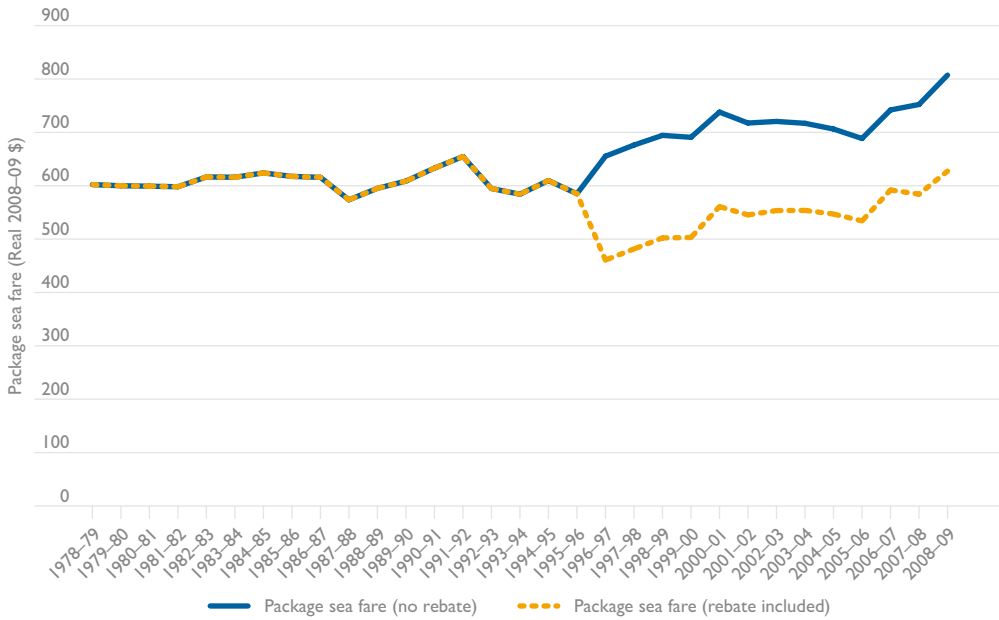
In real terms, the cost of BITRE's sea package decreased 0.6 per cent between June 2007 and June 2009—excluding the fuel surcharge.

The real value of this sea package decreased 4.7 per cent between June 2007 and June 2008, then increased 4.3 per cent between June 2008 and June 2009.

It also indicates that the cost of a peak season sea package at the end of June 2009 was just above, in real terms, prices prior to the introduction of the Scheme.

This analysis should be treated with caution given major improvements in the ships used to provide the service, changes in the on-board service offerings, that this comparison is for the peak season only, and that passengers can choose different standards and prices of accommodation.

**F2.1** Real sea package prices for the peak season as at the end of June, with and without the standard rebate



Note: This fare series is indicative and should be treated with caution given changes in the characteristics of the ships used to provide the service, and the fact that passengers can choose different standards and prices of accommodation.

Source: BITRE analysis.

Motor vehicle fares for the SeaRoad Shipping service (operated using the Searoad Mersey) are shown in Table 2.5. Eligible tourist vehicles on the SeaRoad Shipping service receive a free return trip, effectively halving the cost of a return trip. In order to receive the tourist vehicle rate, the vehicle shipper must present air tickets and return with the vehicle within three months.

Southern Shipping increases its motor vehicle fares in line with CPI. The fares applicable to June 2008 and June 2009 are shown in Table 2.6.

## T2.5 Motor vehicle fares for SeaRoad Shipping

| Vehicle category               | June 2008                       | June 2009                       |
|--------------------------------|---------------------------------|---------------------------------|
|                                | Cost one-way <sup>a</sup>       | Cost one-way <sup>a</sup>       |
| Vehicle up to 4.3 m in length  | \$335 + 8.8 per cent fuel + GST | \$362 + 6.7 per cent fuel + GST |
| Vehicle 4.3 to 5.5 m in length | \$447 + 8.8 per cent fuel + GST | \$483 + 6.7 per cent fuel + GST |

<sup>a</sup> Bona-fide tourist vehicles receive a free return trip, effectively halving the cost of a return trip. Conditions apply to tourist rate include: shipper must present air tickets, return trip within three months and same vehicle must be shipped both ways. King Island also charges some direct wharfage charges and the fuel surcharge varies month-by-month.

Source: SeaRoad Shipping personal communications (2009).

## T2.6 Motor vehicle fares for Southern Shipping

| Vehicle category            | June 2008                      | June 2009                      |
|-----------------------------|--------------------------------|--------------------------------|
|                             | Cost one-way                   | Cost one-way                   |
| Vehicle up to 4.2 m long    | \$337 + \$28.47 wharfage costs | \$348 + \$28.47 wharfage costs |
| Vehicle 4.2 m to 4.5 m long | \$462 + \$28.47 wharfage costs | \$476 + \$28.47 wharfage costs |
| Vehicle 4.5 m to 4.8 m long | \$552 + \$28.47 wharfage costs | \$569 + \$28.47 wharfage costs |
| Vehicle 4.8 m to 5.9 m long | \$696 + \$42.72 wharfage costs | \$718 + \$42.72 wharfage costs |

Source: Southern Shipping personal communications (2006), BITRE estimates

## Air services and related fares

One-way trips by domestic air passengers to and from Tasmania increased to 3.2 million in 2008–09, an increase of 368 000 (13 per cent) on 2006–07.

The top five routes accounted for 2.8 million one-way trips (88 per cent) of all air passengers on Tasmanian interstate routes (Figure 2.2).

Low cost carriers started operations to Tasmania in 2001.

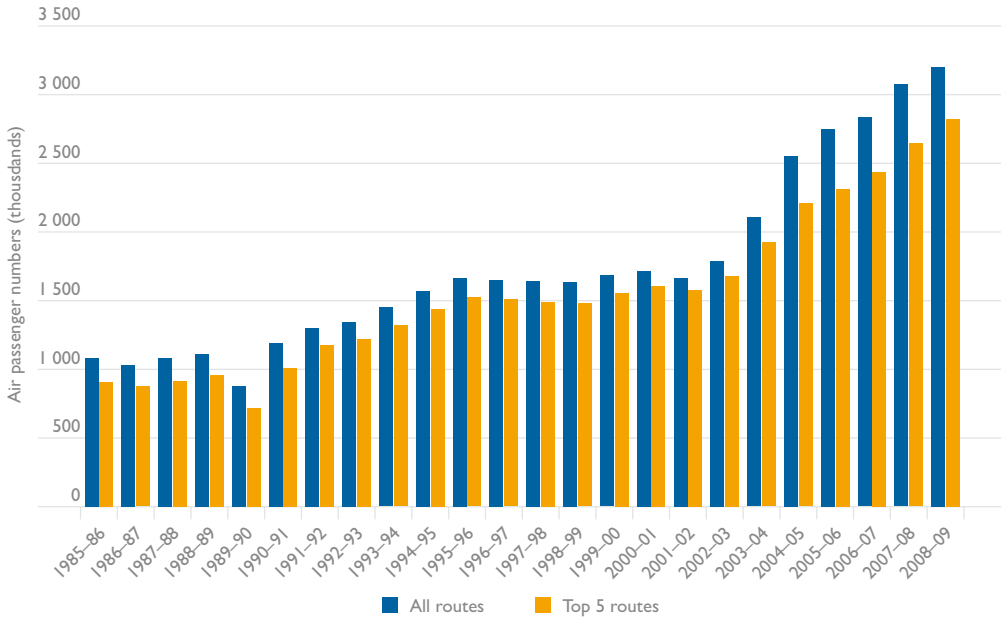
Virgin Blue began operating between Melbourne and Launceston on the 8 November 2001 (Virgin Blue, 2001).

Jetstar—a low fares airline wholly owned by Qantas—commenced operations to Tasmania on 25 May 2004 (Jetstar, 2004). New routes between Adelaide and Hobart, and Brisbane and Launceston began in November 2004 and December 2004 respectively.

Tiger Airways began services between Tasmania and the Australian mainland during November 2007.

The introduction of new routes has substantially increased the total number of air passengers.

**F2.2** Air passengers between Tasmania and the mainland—one-way trips, 1985–86 to 2008–09



Note: Passenger numbers are one-way trips by revenue passengers—those passengers paying any level of fare on scheduled domestic regular public transport services. Top five routes are Hobart–Melbourne, Launceston–Melbourne, Hobart–Sydney, Devonport–Melbourne, and Launceston–Sydney.

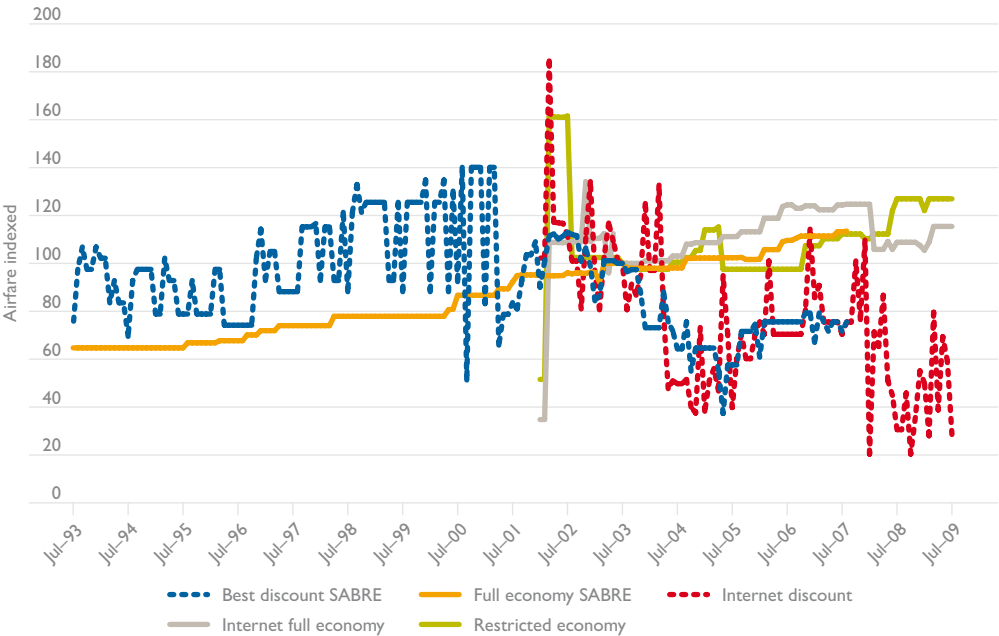
Source: BITRE domestic air passenger data.

The entry of low-cost airlines into the Tasmanian market has resulted in substantial falls in discount airfares (Figure 2.3). These falls in discount airfares have driven the rapid growth in the number of air passengers between the mainland and Tasmania since 2003–04.

BITRE's discount airfares index remained relatively stable between June 2006 and June 2007 after an increase of 26 per cent in the previous year. Between June 2007 and June 2009 there was no clear trend with the Internet Discount Fare index fluctuating significantly over this two year period.

BITRE's restricted Economy index increased by 13 per cent between June 2007 and June 2009, and the Internet Full Economy Index decreased between 15 and 19 per cent to June 2008 before regaining ground to June 2009 and finishing 9 per cent below June 2007 values.

**F2.3** Melbourne–Hobart airfare indices, July 1993 to July 2009



Notes: a. Base Index July 2003 = 100  
 b. The full economy and best discount fare indices are constructed by a survey of fares on the SABRE Computer Reservation System. SABRE Pacific does not warrant the accuracy of any of the data provided by its System. Under no circumstances will SABRE Pacific be liable for the loss of profits, loss of use of contracts, or for any economic or consequential loss whatsoever, whether arising from errors in data, negligence, breach of contract or otherwise.

Source: BITRE domestic air passenger data.

## Air and sea passenger trends

This section looks at trends in travel to Tasmania for visitors, motor vehicle and berth only passengers, types of vehicles, and sea and air passenger numbers.

### Visitor travel

Table 2.7 gives the number of adult<sup>8</sup> visitors to Tasmania (return trips) by purpose of travel and mode over the thirteen years to 2008–09. It includes sea passengers on the Sydney–Devonport service between January 2004 and August 2006.

<sup>8</sup> Tourism Tasmania visitor data are for adult visitors only, and are not directly comparable with TT-Line data which are expressed in terms of one-way trips and include children.

**T2.7** Number of adult visitors travelling to Tasmania, by purpose and mode, 1996–97 to 2008–09 **a, b**

| Purpose/mode                          | Visitor numbers (thousands) |         |         |         |         |         |         |         |         |         |         |         |         |
|---------------------------------------|-----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                       | 1996–97                     | 1997–98 | 1998–99 | 1999–00 | 2000–01 | 2001–02 | 2002–03 | 2003–04 | 2004–05 | 2005–06 | 2006–07 | 2007–08 | 2008–09 |
| <b>Holiday/leisure</b>                |                             |         |         |         |         |         |         |         |         |         |         |         |         |
| Sea                                   | 49.5                        | 71.7    | 85.2    | 86      | 77.9    | 79.1    | 120.2   | 120.1   | 102.7   | 102.4   | 92.3    | 88.4    | 90.4    |
| Air                                   | 171.8                       | 187.5   | 191.3   | 204.5   | 192.9   | 180.2   | 222.7   | 271.4   | 267.1   | 285.2   | 291.1   | 308.1   | 346.1   |
| <b>Visiting friends and relatives</b> |                             |         |         |         |         |         |         |         |         |         |         |         |         |
| Sea                                   | 12.8                        | 16.2    | 18.3    | 17.5    | 17.2    | 17.6    | 33.7    | 22.7    | 18.6    | 16.1    | 15.8    | 15.7    | 15.4    |
| Air                                   | 113.5                       | 102.1   | 106.9   | 95.8    | 114.7   | 102.7   | 113.6   | 149     | 172.9   | 212.5   | 206.1   | 218.9   | 224.9   |
| <b>Business</b>                       |                             |         |         |         |         |         |         |         |         |         |         |         |         |
| Sea                                   | 4.0                         | 4.1     | 4.9     | 4.8     | 5.2     | 5.5     | 13.3    | 15.5    | 14.6    | 11.3    | 13.6    | 13.3    | 15.0    |
| Air                                   | 75.8                        | 71.4    | 70.3    | 80.3    | 63.8    | 85.3    | 96.9    | 103.3   | 122.2   | 123.0   | 123.0   | 139.5   | 126.3   |
| <b>Other <sup>c</sup></b>             |                             |         |         |         |         |         |         |         |         |         |         |         |         |
| Sea                                   | 7.3                         | 4.4     | 5.5     | 3.9     | 9.2     | 8.4     | 11.5    | 7.7     | 10.4    | 11.1    | 6.1     | 5.3     | 6.5     |
| Air                                   | 47.9                        | 43.6    | 41.3    | 38.8    | 39      | 40.6    | 39.8    | 49.7    | 49.1    | 51.1    | 79.5    | 60.6    | 82.7    |
| <b>Total</b>                          |                             |         |         |         |         |         |         |         |         |         |         |         |         |
| Sea                                   | 73.9                        | 96.6    | 114.1   | 112.2   | 109.7   | 110.8   | 179     | 166.2   | 146.3   | 140.8   | 127.8   | 122.6   | 127.3   |
| Air                                   | 409.2                       | 404.8   | 409.8   | 419.4   | 410.5   | 409     | 473.2   | 573.5   | 611.2   | 671.7   | 699.3   | 727.1   | 779.9   |

Notes: Data collected by survey and subject to sampling error.

**a** Excludes minors and day trippers.

**b** Includes passengers carried on the Sydney–Devonport services between January 2004 and August 2006.

**c** Includes attendance at conferences, other purposes and not specified.

Sources: Tourism Tasmania 'Tasmanian Visitor Survey'—personal communications (2001, 2007).

Tasmania experienced growth in the number of adult visitors travelling by sea for holiday and leisure purposes between 1996–97 and 2000–01.

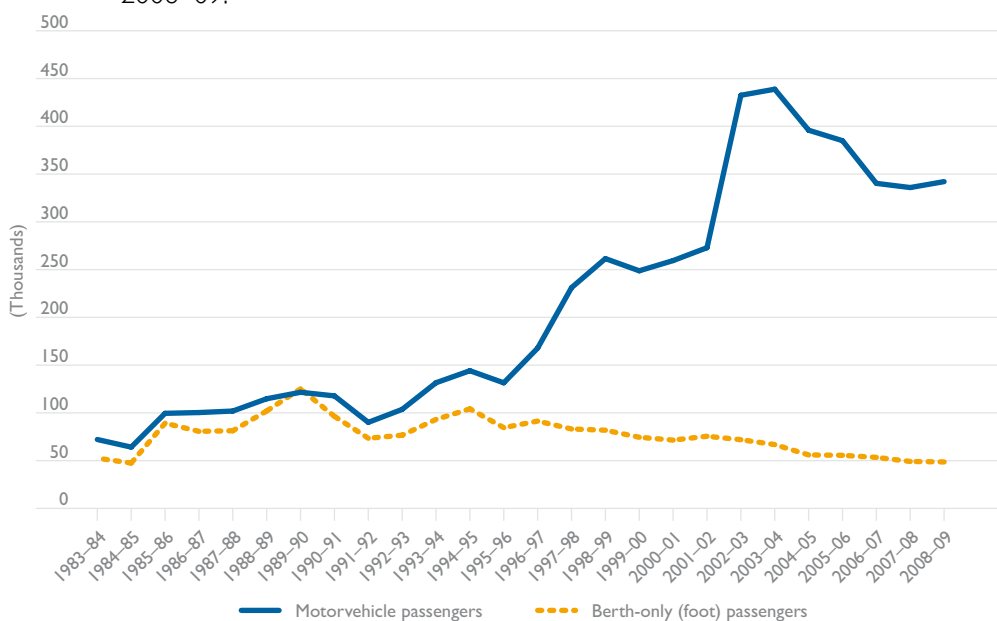
The large increase in holiday and leisure sea visitors in 2002–03 was largely due to the upgrading of the TT-Line service. At the same time, the Scheme was changed by extending eligibility to other vehicle types and raising off-peak and shoulder rebates—changes that would have further stimulated growth in sea passenger numbers.

Since 2003–04 the number of adult sea passengers travelling for holiday/leisure purposes has declined, until the increase in 2008–09.

## Motor vehicle passenger and berth only passengers

Figure 2.4 presents data on the number of one-way motor vehicle sea passengers and berth-only sea passengers since 1995–96, including Sydney–Devonport passengers carried between January 2004 and August 2006.

**F2.4** Number of sea passengers carried across Bass Strait, one-way trips, 1995–96 to 2008–09.



Notes: a. Includes both visitors and Tasmanian residents.  
b. Sydney–Devonport data included for 2003–04, 2004–05, 2005–06 and 2006–07. The Sydney–Devonport service commenced on 13 January 2004 and the final service departed Sydney on 27 August 2007.

Source: TT-Line—personal communications 2007 and earlier.

The average number of motor vehicle passengers per eligible vehicle has remained around 2.0 since the introduction of the Scheme, with changes in the number of motor vehicle passengers mirroring changes in the number of eligible vehicles.

The number of one-way berth-only passengers has declined by 42.5 per cent between 1995–96 (before the start of the Scheme) and 2008–09, while the number of one-way motor vehicle passengers has increased by 160 per cent over the same period.

This indicates that the Scheme caused substitution between these types of sea travel—that is, it encouraged sea passengers to take their own motor vehicle. One-way berth-only passenger numbers have declined each year since 2001–02.

Figure 2.4 also shows a very large increase in total passenger numbers carried by TT-Line in 2002–03 associated with the introduction of the new ships. This net increase in passengers was due to a large increase in the number of motor vehicle passengers, while the number of berth-only passengers fell by 3661 (4.8 per cent).

Between 2003–04 and 2007–08, total one-way motor vehicle passenger numbers declined significantly.

In 2008–09, the number of one-way motor vehicle passengers increased by 6218 (1.8 per cent) and the number of berth-only passengers decreased 504 (1 per cent), resulting in a net increase of 5714 sea passengers (1.4 per cent).

Since the peak in 2003–04 of 505 639 one-way passengers, sea passenger numbers have fallen by 114 907 (22.7 per cent), with the number of motor vehicle passengers falling 22.0 per cent and the number of berth-only passengers down 27.2 per cent.

## Types of motor vehicles

A breakdown of eligible vehicles for which reimbursements were paid from 2001–02 to 2008–09 (Table 2.8) shows cars have declined as a proportion of all eligible vehicles since the Scheme was broadened in September 2002, except with the positive growth (except buses) in the most current 2008–09 year.

Other vehicle types increased from 5 per cent of all eligible vehicles in 2001–02 to 16 per cent in 2008–09 (15 per cent in 2006–07).

### T2.8 Eligible vehicles for which reimbursements paid, 2001–02 to 2008–09

| Eligible vehicles           | Number of eligible vehicles |         |         |         |         |         |         |         |       |  | Percentage change from 2006–07 to 2008–09 |
|-----------------------------|-----------------------------|---------|---------|---------|---------|---------|---------|---------|-------|--|---|
|                             | 2001–02                     | 2002–03 | 2003–04 | 2004–05 | 2005–06 | 2006–07 | 2007–08 | 2008–09 |       |  |   |
| Motor cars                  | 128 353                     | 196 871 | 199 902 | 188 757 | 179 955 | 160 823 | 161 139 | 164 890 | 2.5   |  |   |
| Eligible vehicles + caravan | 0                           | 7 359   | 9 648   | 10 186  | 10 798  | 10 969  | 11 307  | 11 562  | 5.4   |  |   |
| Motorcycles                 | 6 303                       | 7 023   | 8 699   | 8 791   | 11 402  | 7 720   | 8 917   | 10 373  | 34.4  |  |   |
| Motor homes                 | 0                           | 5 991   | 9 023   | 7 870   | 7 891   | 8 177   | 8 048   | 8 306   | 1.6   |  |   |
| Pushbikes                   | 0                           | 1 188   | 431     | 992     | 692     | 692     | 556     | 877     | 26.7  |  |   |
| Buses                       | 324                         | 474     | 791     | 365     | 370     | 311     | 294     | 247     | -20.6 |  |   |
| Total                       | 134 980                     | 218 906 | 228 494 | 216 961 | 211 108 | 188 692 | 190 261 | 196 255 | 4.0   |  |   |

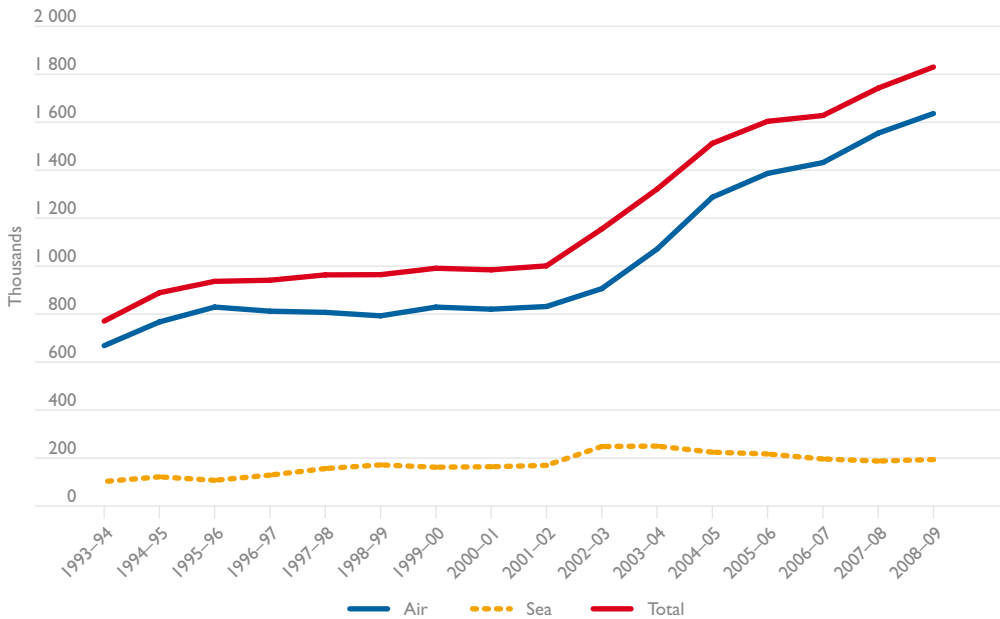
Sources: Tasmanian Transport Programs, Centrelink—personal communications 2003–2009.

## Air and sea traffic

Figure 2.5 shows the number of sea passengers and air passengers carried between the mainland and Tasmania since 1993–94. Up to 1995–96, air traffic grew strongly while sea traffic increased slightly.

The Scheme applied to travel from 1 September 1996. In the period from 1995–96 to 1998–99, sea traffic grew 60 per cent while air traffic declined 4 per cent.

### F2.5 Sea and air passengers carried across Bass Strait, return journeys, 1993–94 to 2008–09



Note: Data includes day trippers and minors.  
 Source: Tourism Tasmania Tasmanian Visitor Survey—personal communications.

There was a decline in sea traffic of 1 per cent between 1998–99 to 2001–02, partly due to the breakdown of the Spirit of Tasmania, while air traffic increased by 5 per cent.

Sea traffic grew 47 per cent and air traffic grew 9 per cent between 2001–02 to 2002–03, reflecting in large part the introduction in September 2002 of the larger Spirit of Tasmania I and Spirit of Tasmania II.

This growth pattern reversed between 2002–03 and 2003–04. The number of air passengers grew by 18 per cent while sea passenger numbers grew less than 1 per cent—this was despite the start of the Sydney–Devonport service in January 2004.

In 2004–05, air passenger numbers continued to grow whereas sea passenger numbers declined. This reduction in the number of sea passengers was associated with significant falls in discount airfares. This trend continued in 2005–06 and 2006–07 with growth in air passenger numbers and declines in sea passenger numbers.

Sea passenger numbers declined further in 2007–08 before increasing in 2008–09.

The period since 2002 has seen major changes in both the air market (entry and expansion of both Virgin Blue and Jetstar) and sea market (the replacement of the Spirit of Tasmania with the Spirit of Tasmania I and Spirit of Tasmania II in September 2002, the introduction of the Sydney–Devonport service in January 2004 and subsequent cessation in August 2006).

While low-cost carriers and reductions in airfares helps explain the drop in sea passenger numbers since 2003–04, the reduction in 2006–07 sea passenger numbers may be explained by a combination of increasing sea fares and the cessation of the Sydney–Devonport service.



## CHAPTER 3

# Effectiveness of the Scheme

The rebate substantially reduces the cost of freighting an accompanying vehicle for eligible passengers.

In 2008–09, the \$180 rebate on a standard car represented 22 per cent of BITRE's benchmark one-way Melbourne–Devonport sea fare for a couple travelling with an eligible passenger car. This compares with 20.2 per cent of the sea package fare as at the end of June 2007.

These reductions in vehicle fares due to the Scheme would be expected to stimulate an increase in sea travel across Bass Strait.

Lower fares would be expected to attract new travellers as well as travellers from other markets—including other destinations in Australia.

Lower vehicle sea fares may also encourage some travellers, notably fly-drive tourists, to switch from air to sea transport. It would also be expected that some berth-only sea passengers may choose to travel with their motor vehicle rather than hire a car.

Some of these factors are evident in the traffic trend comparisons. However, changes in the number of sea travellers since the introduction of the Scheme also reflect other factors such as population changes and income growth.

BITRE has therefore constructed econometric models to help identify the impact of the Scheme on the number of motor vehicle sea passengers and the number of air passengers.

## Modelling the change in sea passenger numbers

The econometric model used to assess the impact of the Scheme estimates the relationship between the number of motor vehicle passengers—that is, sea passengers with an accompanying motor vehicle—and changes in population, real household disposable income, the sea package fare and the full economy airfare.

The sea model used in this monitoring report is a revised model from the model that was used in the previous four reviews.<sup>9</sup>

The model includes two dummy variables: the first to account for the increase in capacity resulting from the introduction of the Spirit of Tasmania I and Spirit of Tasmania II from September 2002, and the second to account for the Sydney–Devonport service which commenced in January 2004 and ceased in August 2006.

A dummy variable used in the 2006–07 model for the first Gulf War (BITRE 2008) was removed as it was no longer significant.

<sup>9</sup> The model was initially developed using time-series data from 1985–86 to 2000–01. BITRE re-specified the model for the 2002–03 report taking account of the substantial increases in capacity with the introduction of TT-Line's new ships in September 2002.

The 2006–07 model utilised nominal sea and airfares. The revised 2008–09 model replaces these nominal fare series with real (CPI-adjusted) fare series to remove general price inflation as an implicit variable in the growth in motor vehicle passenger numbers.

BITRE has used the real sea fare (own-price) elasticity from the revised model to calculate the net impact of the Scheme on one-way motor vehicle passenger numbers on the Melbourne–Devonport route.

Appendix A outlines the model and data, and further discusses issues related to the modelling of the Bass Strait sea service.

### Estimated impact on sea passenger numbers

Table 3.1 presents estimates of the Scheme’s impact on the number of one-way trips by motor vehicle passengers based on a re-estimated model for 2008–09—this produces a marginal increase in the estimated number of motor vehicle passenger trips for previous years.

The estimated real sea fare (own-price) elasticity of -1.25 obtained from the model indicates that a 1 per cent reduction in the sea fare leads to a 1.25 per cent increase in the number of one-way motor vehicle passengers (Table A.2).<sup>10</sup>

#### T3.1 Impact of the Bass Strait Passenger Vehicle Equalisation Scheme on Melbourne–Devonport motor vehicle passenger numbers, one-way trips, 1996–97 to 2008–09

| <i>Motor vehicle passenger one-way trips: Melbourne–Devonport</i> |                                 |                      |              |                 |
|---|---------------------------------|----------------------|--------------|-----------------|
| Year  | Without Scheme<br>(estimates) c | With Scheme (actual) | Difference c | Per cent change |
| 1996–97 a   | 111 661                         | 153 045              | 41 384       | 37.1            |
| 1997–98   | 170 020                         | 231 098              | 61 078       | 35.9            |
| 1998–99   | 194 367                         | 261 487              | 67 120       | 34.5            |
| 1999–00   | 185 760                         | 248 745              | 62 985       | 33.9            |
| 2000–01   | 199 650                         | 259 438              | 59 788       | 29.9            |
| 2001–02   | 210 026                         | 272 922              | 62 896       | 29.9            |
| 2002–03 d   | 335 456                         | 432 498              | 97 042       | 28.9            |
| 2003–04 b   | 318 622                         | 409 115              | 90 493       | 28.4            |
| 2004–05 b   | 267 862                         | 343 252              | 75 390       | 28.1            |
| 2005–06 b   | 244 031                         | 312 304              | 68 273       | 28.0            |
| 2006–07   | 267 857                         | 335 423              | 67 566       | 25.2            |
| 2007–08   | 262 606                         | 335 881              | 73 275       | 27.9            |
| 2008–09   | 267 641                         | 342 099              | 74 458       | 27.8            |
| All years   | 3 035 558                       | 3 937 307            | 901 749      | 29.7            |

a Data cover ten months only in 1996–97 as the Scheme commenced on 1 September 1996. Actual traffic (that is, with the Scheme) in the full year 1996–97 was 167 788 persons.

b Excludes Sydney–Devonport data for 2003–04, 2004–05, 2005–06 and 2006–07.

c Passenger numbers without the Scheme are estimated using the revised model for 2008–09; values will vary from previous monitoring reports.

d The substantial increase in passenger numbers in 2002–03 was due to a substantial increase in TT-Line capacity (the Spirit of Tasmania I/II together provided more than twice the passenger capacity and over three times the car capacity of the Spirit of Tasmania) and changes to the Scheme that extended eligibility for the rebate to more vehicle types and increased off-peak and shoulder season rebates (Ministerial Directions 2002).

Sources: TT-Line data and BITRE analysis.

<sup>10</sup> This is slightly higher than the sea fare elasticity estimate of 1.12 in the 2006–07 version of the model (BITRE 2007).

On the basis of this own-price elasticity, BITRE estimates that in 2008–09 the Scheme resulted in approximately 74 500 additional one-way trips by motor vehicle passengers between Melbourne and Devonport. This is an increase of 27.8 per cent relative to the likely situation without the Scheme (Table 3.1).

As can be seen from Table 3.1, the number of one-way motor vehicle passengers attributable to the Scheme increased until 1998–99, then stayed around an estimated 63 000 motor vehicle passengers per annum until September 2002.

Following the September 2002 changes to the service and rebate structure, the number of one-way trips by motor vehicle passengers increased to an estimated 97 000 in 2002–03. This declined to an estimated 67 500 in 2006–07 (revised), then increased to approximately 73 000 in 2007–08 and 74 500 in 2008–09.

The 2008–09 model results indicate that proportion of motor vehicle passengers on the Melbourne–Devonport route attributable to the Scheme has increased from 25.2 per cent in 2006–07 to 27.9 per cent in 2007–08 and 27.8 per cent in 2008–09 (Table 3.1).

The (revised) proportion of motor vehicle passengers attributed to the Scheme has declined from 35.9 per cent of Melbourne–Devonport motor vehicle passengers in 1997–98 (the first full year after the introduction of the Scheme) to 27.8 per cent in 2008–09.

### *Reliability of the estimates*

The revised econometric model for Melbourne–Devonport performs well in terms of standard statistical tests. The variables included in the model explain 93 per cent of the variation in motor vehicle passenger numbers on the Bass Strait route between Melbourne and Devonport over the period 1985–86 to 2008–09. In addition, all of the estimated coefficients are significant and of the expected sign. The removal of the Gulf War dummy variable and the move to real fare series intuitively improves the model by taking account of real fare changes and removing a nearly twenty-year-old model perturbation.

This econometric model is affected by data limitations and detailed analysis should be interpreted with caution.<sup>11</sup> For example, the model uses annual data, covers a relatively short time period, and does not include some potentially relevant variables.

Despite these limitations, the results provide empirical support for the view that the Scheme has contributed to increased sea passenger travel between Melbourne and Devonport.

## Impact on tourism

When the Scheme was introduced in 1996 the tourism industry was cited as an area where there would be direct benefits of increased demand for sea travel (Chapter 1).

The number of new leisure or holiday visitors who travelled because of the rebate, and their additional spending in Tasmania, is an important—albeit partial—indicator of the impact of the Scheme.

<sup>11</sup> For example, prior to 2002–03 the model's sea fare (own-price) variable included peak-period fares only—that is it did not incorporate the higher or lower off-peak and shoulder rebates. The model may therefore have under or overestimated the impact of the Scheme in those years.

The number of motor vehicle passengers grew substantially between 1996 and 2003–04. Other trends indicate that some of this growth has been at the expense of other travel demands—notably the continued decline in berth-only passengers, but also potentially reduced air traffic demand.

While lower sea fares may have had an impact on some categories of air travel, BITRE has not adjusted for any reduction in air travel demand as the econometric model of the Melbourne–Tasmania air market found no statistically significant relationship between air travel demand and the price of sea travel (BITRE 2006b, Appendix A).<sup>12</sup>

Berth-only passenger numbers have generally declined since the introduction of the Scheme in 1996.

In order to assess the effectiveness of the Scheme in increasing the demand for travel, it is necessary to make assumptions about the level of berth-only passengers who would have travelled without the Scheme.

Before the introduction of the Scheme, the ratio of berth-only to total sea passengers remained fairly steady, with a small peak in 1989–90 at the time of the pilots dispute.

The trend between 1990–91 and 1995–96 was for a steady overall growth in the number of berth-only passengers of approximately 1.5 per cent.

Sea passenger numbers peaked in 2003–04 then declined at an average rate of 5 per cent per annum between 2004–05 and 2008–09.

The entry of low fare airlines into the Tasmania–mainland air market has resulted in a significant reduction in BITRE's discount fare series from 2004 (see Figure 2.3). While this reduction has stimulated growth in the air travel market (see Figure 2.2), this has also had a negative impact on the sea travel market.

BITRE has therefore reduced the growth rate for berth-only passengers in the counter-factual case (that is, without the Scheme) since 2004–05 to reflect the decline in the total number of sea passengers.

BITRE has extrapolated the growth in berth only passenger numbers for the counter-factual case using a two step process:

- 1 increasing by 1.5 per cent per annum between 1996–97 and 2003–04
- 2 decreasing by 5 per cent per annum between 2004–05 and 2008–09.

BITRE's analysis indicates that the rebate may have reduced the number of berth-only sea passenger movements in 2008–09 by approximately 25 000 compared to the level that would have been expected without the Scheme.

BITRE has assumed that the Scheme, by reducing vehicle fares, induced these berth-only sea passengers to take their motor vehicle. BITRE has therefore subtracted this estimate of 25 000 fewer berth-only passenger movements from the econometric estimate of just under 74 500 additional motor vehicle passenger movements. This implies that nearly 35 per cent of the additional motor vehicle sea passengers may have travelled anyway as berth-only sea passengers.

<sup>12</sup> Possible explanations include data limitations and limited substitutability of sea travel for most air passengers.

The net effect of the Scheme is an estimated 49 000 increase in one-way motor vehicle sea passengers between Melbourne and Devonport in 2008–09. Assuming each passenger made a return trip with their vehicle, this equates to an estimated 24 500 return motor vehicle passengers.

Tourism Tasmania visitor survey data indicates that approximately half of these new passengers are likely to have been travelling for holiday or leisure purposes (Table C.1).<sup>13</sup> Therefore, BITRE estimates that 12 250 new leisure visitors travelled by sea between Melbourne and Devonport in 2008–09 as a result of the Scheme. This compares with an estimate of 11 500 in 2007–08 and a revised estimate of 10 300 in 2006–07.

If each of these new visitors spent an average of \$2457 per person,<sup>14</sup> then the total additional new tourism spending would have been \$30.1 million. This compares with an estimated \$27.4 million additional spending in 2007–08 and \$24.0 million (revised) in 2006–07.

BITRE's estimate is indicative as it is based on assumptions about the number of berth-only passengers that would have travelled without the Scheme.

Further, it does not include:

- benefits to Tasmanian residents who travelled by sea who may have been eligible, or benefits to eligible visitors travelling for non-leisure purposes
- benefits to passengers using the Sydney–Devonport ferry service
- any incremental spending related to longer stays by berth-only visitors who decide to take a car, or by visitors switching from air to sea transport who decide to stay longer in Tasmania as a result.

Assuming an average visitor spending of \$2457 per person, the Scheme would need to have increased the number of additional visitors to Tasmania by 14 200 in 2008–09 for the increase in spending to equal the total rebate paid.

<sup>13</sup> That is, sea passenger numbers minus the estimated number of Tasmanian residents and visitors travelling for non-leisure reasons (including visiting friends/relatives and business reasons).

<sup>14</sup> The average spending by sea passengers (for all journey purposes) was estimated at \$2457 per trip in 2008–09 (BITRE trend estimate based on Tourism Tasmania, personal communication 2007).



## APPENDIX A

# Sea passenger traffic model

This appendix outlines the revised model that was used to assess the impact of the Scheme on the Melbourne–Devonport sea route. The model has been revised by removing one of the dummy variables and shifting from nominal fare series to real fare series.

## The Melbourne-Devonport Model

The model is specified in terms of population, income, own-price and cross-price variables in the following equation:

$$\ln V_t = \ln Y_t * \ln P_t * \ln Q_t * DS_{Pt} * DS_{Yt} * u_t$$

where

V = per capita number of motor vehicle passenger movements

Y = per capita real household disposable income of motor vehicle passengers

P = one-way real package sea fare (including reductions under the Scheme from 1996–97)

Q = one-way real economy airfare from Melbourne to Hobart

DSP = dummy Spirit of Tasmania - Dummy variable to take account of the influence of an increase in the passenger capacity of TT-Line following the introduction of the Spirit of Tasmania I and Spirit of Tasmania II

DSYD = dummy Sydney service - A new dummy variable to account for changes in 2004–05, 2005–06 and 2006–07 including the new Sydney service

u = error term

t = time period.

The influence of population on the number of motor vehicle passenger movements is included by specifying the model on a per capita basis using the population of Australia. BITRE re-estimated the model using annual time series data from 1985–86 to 2008–09. The time-series data are contained in Table A1.

**TA.1** Time series data used to re-estimate the Melbourne–Devonport econometric model

| Year    | Motor vehicle passengers (one-way) <b>a</b> (thousands) | Airfare Index <b>b, d</b> | Sea Fare <b>c, d</b> (\$/package) | Real Income <b>e</b> (\$ billions) | Population <b>f</b> (millions) |
|---------|---|---------------------------|-----------------------------------|------------------------------------|--------------------------------|
| 1985–86 | 99 509  | 91.8                      | 658                               | 374.7                              | 16.0                           |
| 1986–87 | 100 335   | 91.2                      | 657                               | 376.2                              | 16.3                           |
| 1987–88 | 101 915   | 90.1                      | 612                               | 381.5                              | 16.5                           |
| 1988–89 | 114 783   | 88.8                      | 635                               | 400.1                              | 16.8                           |
| 1989–90 | 121 559   | 90.9                      | 649                               | 427.8                              | 17.1                           |
| 1990–91 | 117 785   | 94.5                      | 675                               | 420.3                              | 17.3                           |
| 1991–92 | 90 070  | 99.2                      | 698                               | 419.9                              | 17.5                           |
| 1992–93 | 103 642   | 90.9                      | 634                               | 429.0                              | 17.7                           |
| 1993–94 | 131 542   | 90.4                      | 623                               | 442.3                              | 17.9                           |
| 1994–95 | 144 134   | 93.9                      | 650                               | 462.2                              | 18.1                           |
| 1995–96 | 131 455   | 93.2                      | 624                               | 478.5                              | 18.3                           |
| 1996–97 | 167 788   | 97.9                      | 491                               | 488.8                              | 18.5                           |
| 1997–98 | 231 098   | 103.0                     | 513                               | 496.3                              | 18.7                           |
| 1998–99 | 261 487   | 105.7                     | 536                               | 515.2                              | 18.9                           |
| 1999–00 | 248 745   | 103.8                     | 536                               | 538.6                              | 19.2                           |
| 2000–01 | 259 438   | 108.4                     | 598                               | 560.0                              | 19.4                           |
| 2001–02 | 272 922   | 115.2                     | 581                               | 570.7                              | 19.7                           |
| 2002–03 | 432 498   | 114.4                     | 590                               | 573.3                              | 19.9                           |
| 2003–04 | 409 115   | 113.1                     | 591                               | 603.9                              | 20.1                           |
| 2004–05 | 343 252   | 114.2                     | 583                               | 635.1                              | 20.4                           |
| 2005–06 | 312 304   | 113.2                     | 570                               | 665.8                              | 20.7                           |
| 2006–07 | 335 423   | 117.7                     | 631                               | 704.9                              | 21.1                           |
| 2007–08 | 335 881   | 109.1                     | 602                               | 723.3                              | 21.4                           |
| 2008–09 | 342 099   | 100.0                     | 627                               | 758.1                              | 21.9                           |

**a** Motor vehicle passengers carried across Bass Strait between Melbourne and Devonport.

**b** Average one-way real economy airfare index from Melbourne to Hobart (real 2008–09 dollars).

**c** Average one-way real package net fare during peak season (real 2008–09 dollars). The package net fare includes two adults, two meals and a standard vehicle.

**d** The airfare and sea package fare indices are in real dollars—taking account of real movements in fare prices

**e** Real household disposable income of Australians at current (2008–09) prices.

**f** Population of Australia.

Source: TT-Line (2009) and previous annual reports, TT-Line—personal communications (2009 and previous years), ABS (2008), BTRE (2006a; 2006b).

## Results of the Melbourne-Devonport model

The estimated regression results are presented in Table A2. The adjusted  $R^2$  value of 0.92 (previously 0.95) suggests that the model is a good fit. It indicates that 92 per cent of the variation in motor vehicle passenger numbers over the period is explained by the variables included in the model (population, income, sea fare, airfare, the Sydney–Devonport service dummy and increased ship capacity). Around 8 per cent of the traffic variation is therefore attributable to factors not specified in the model, such as:

- movements in Australian dollar exchange rates (affecting relative costs of Australian overseas travel and travel by foreign tourists to Australia)

- changes in community perceptions of Australian and overseas security risks
- expenditure on tourism promotion activities for Tasmania and other parts of Australia
- aspects of local and overseas economic conditions such as unemployment, interest rates and fuel prices.

All of the estimated coefficients are of the expected sign and are significant at the 95 per cent confidence level, other than real income which is significant at the 80 per cent level. Real income has previously been a major driver of motor vehicle passenger numbers (BITRE 2008). The change from nominal fare series to real fare series may have reduced the significance previously placed on real income.

BITRE has retained the real income variable in the 2008–09 model as it is a priori a key driver of sea travel demand and including it improves the overall model.

## TA.2 Regression results for the Melbourne-Devonport sea model 2008–09

| Variable  | Estimated coefficient | T-statistics |
|---|-----------------------|--------------|
| Y = Real income   | 0.78                  | 1.60         |
| P = Real sea fare   | -1.25                 | -3.33        |
| Q = Real full economy airfare                                     | 2.27                  | 4.34         |
| Introduction of the Spirit of Tasmania I/II 2001–02 onwards (DSP) | 0.33                  | 2.82         |
| Sydney–Devonport service dummy (DSYD)                             | -0.28                 | -2.76        |
| Intercept   | -14.15                | -3.76        |
| Adjusted R <sup>2</sup>   | 0.92                  |              |

Source: BITRE analysis.

In terms of the total impact on the number of motor vehicle passenger movements, the most important variable in the 2008–09 model is the full economy real airfare (previously per capita real household income).

The full economy real airfare has an estimated elasticity of 2.3 meaning that a 1 per cent increase (decrease) in the level of the full economy airfare will result in a 2.3 per cent increase (decrease) in the number of motor vehicle passenger movements. Full economy fares have been used because of the lack of discount fare data series prior to October 1992.

Full economy fares have increased since budget airlines entered the Tasmanian market, rather than decreased. An increase in competition would be expected to reduce airfares, decreasing motor vehicle sea passenger numbers as some switch to air travel. While discount airfares have fallen substantially, the discount airfare series is generally not significant<sup>15</sup> in explaining motor vehicle sea passenger movements.

The second most important variable is the real sea fare (own-price), with an estimated elasticity of -1.25. The own-price elasticity indicates that a 1 per cent decrease (increase) in the price of sea travel will result in a 1.25 per cent increase (decrease) in the number of motor vehicle passenger movements.

<sup>15</sup> As already noted, the discount airfare series is only available from October 1992. When this discount fare series was used in the model the resulting airfare coefficient was not significant. This appears to reflect limitations in the fare data—the discount airfare series is volatile with large month to month variations, and may not capture the underlying relationships in an annual model. Consequently, the sea model reported here uses the full economy real airfare series.

The coefficient of the per capita household income is of the expected sign although it is no longer significant at the 95 per cent confidence level, being significant at the 80 per cent confidence level.

The estimated coefficient of the dummy variable DSP indicates the increased ship capacity provided by TT-Line's new ships positively affected the number of motor vehicle passengers on the Melbourne–Devonport route.

The dummy variable for the Sydney–Devonport service (DSYD) was significant and negative in sign, indicating that the Sydney service resulted in a small but significant reduction in Melbourne–Devonport passenger numbers.

The detailed results on the Melbourne–Devonport econometric model should be interpreted with some caution, as the analysis is constrained by data limitations and other factors.

For example, the time series annual data cover a period of only 22 years, with the Scheme operating for just eight of these years.

In addition, the data are annual rather than monthly or quarterly, and the sea fare and airfare data are based on a specific season and ticket category.

An important qualification is that TT-Line's per passenger fuel surcharge—initially levied on 1 July 2008 and removed on 1 February 2009—has not been captured in the BITRE's benchmark peak sea package fare calculation as at the end of June 2009. TT-Line:

- applied a surcharge of \$8 per person from 1 July 2008
- increased the surcharge to \$12 per person from 1 August 2008
- decreased the surcharge to \$10 per person from 1 January 2009
- removed the surcharge on 1 February 2009.

Despite these limitations, the model provides empirical support for the view that the Scheme has contributed to the number of motor vehicle passengers travelling by sea on the Melbourne–Devonport route since 1995–96.

## APPENDIX B

# TT-Line financial indicators

**TB.1** Selected financial information for TT-Line, 1996–97 to 2008–09 (\$ thousands)

|                           | 1996–97 | 1997–98         | 1998–99 | 1999–2000 | 2000–01 | 2001–02 | 2002–03          | 2003–04 | 2004–05 | 2005–06 | 2006–07 | 2007–08 | 2008–09 |
|---------------------------|---------|-----------------|---------|-----------|---------|---------|------------------|---------|---------|---------|---------|---------|---------|
| Total operating revenue   | 61 766  | 73 325 <b>a</b> | 80 607  | 77 511    | 81 842  | 86 236  | 195 518 <b>b</b> | 154 250 | 154 874 | 158 882 | 155 336 | 166 863 | 175 587 |
| Operating Expenses        |         |                 |         |           |         |         |                  |         |         |         |         |         |         |
| Operations-general        | 22 357  | 22 724 <b>a</b> | 33 932  | 40 865    | 42 864  | 42 402  | 69 454           | 90 900  | 118 603 | 120 798 | 93 187  | 95 246  | 112 786 |
| Operations-write down     | 0       | 0               | 0       | 0         | 0       | 30 887  | 0                | 0       | 43 237  | -43 237 | 0       | 0       | 0       |
| Ship sale carrying value  | 0       | 0               | 0       | 0         | 0       | 0       | 62 732           | 0       | 0       | 0       | 0       | 0       | 0       |
| Hotel services            | 15 296  | 15 464          | 17 783  | 16 924    | 17 782  | 18 130  | 27 708           | 33 878  | 34 306  | 34 575  | 26 634  | 29 354  | 29 490  |
| Customer acquisition      | 4 893   | 4 698           | 6 015   | 5 900     | 6 261   | 6 680   | 11 437           | 10 574  | 13 222  | 16 234  | 16 466  | 15 674  | 14 379  |
| Administration            | 6 098   | 6 219           | 5 707   | 4 889     | 6 871   | 7 462   | 8 902            | 8 340   | 8 593   | 8 478   | 8 665   | 7 735   | 9 061   |
| Other                     | 10 556  | 22 406          | 9 793   | 8 697     | 2 696   | 1 958   | 12 673           | 13 954  | 16 192  | 12 245  | 6 809   | 5 161   | 4 049   |
| Total operating expense   | 59 200  | 71 511          | 73 230  | 77 275    | 76 474  | 107 519 | 192 906          | 157 646 | 234 153 | 149 093 | 151 761 | 153 170 | 169 765 |
| Operating profit/loss     | 2 566   | 1 814           | 7 377   | 236       | 5 368   | -21 283 | 2 612            | -3 396  | -79 279 | 9 789   | 3 575   | 13 693  | 5 822   |
| Abnormals/extraordinaries | 0       | 780             | 0       | 0         | 0       | 0       | 0                | 0       | 0       | 0       | 0       | 0       | 0       |
| Profit/loss               | 2 566   | 1 034           | 7 377   | 236       | 5 368   | -21 283 | 2 612            | -3 396  | -79 279 | 9 789   | 3 575   | 13 693  | 5 822   |

**a** Ferry revenue and operations-general expenses in 1997–98 include the impact of the Devil Cat/catamaran trial.

**b** Total operating revenue in 2002–03 included gross proceeds of \$61.2 million from the sale of the Spirit of Tasmania.

Notes: 1. The 2004–05 write down in ship values reflected the change from a 'cost' to a 'valuation' accounting method.

2. In 2005–06, the ships were re-valued based on market values for similar vessels in Europe—the major market for this type of roll-on roll-off ferry—and converted from Euros to Australian dollars using the exchange rates as at 30 June 2006. TT-Line (2006d, pp. 1–2) states that—while the underlying value of the ships did not change—the translation into Australian dollars increased the value of the ships in the company accounts.

Source: TT-Line (2009) and previous annual reports; TT-Line (2006d, pp. 1–2), TT-Line (personal communication January 2001).

**TB.2** Financial indicators (adjusted) for TT-Line, 1996–97 to 2008–09

| Indicator                             | 1996–97 | 1997–98 | 1998–99 | 1999–2000 | 2000–01 | 2001–02          | 2002–03          | 2003–04 | 2004–05          | 2005–06          | 2006–07 | 2007–08 | 2008–09 |
|---------------------------------------|---------|---------|---------|-----------|---------|------------------|------------------|---------|------------------|------------------|---------|---------|---------|
| Operating revenue per voyage <b>a</b> | 197 335 | 166 648 | 159 618 | 170 354   | 171 218 | 177 806          | 158 710 <b>c</b> | 149 903 | 147 219          | 156 380          | 189 897 | 207 541 | 219 484 |
| Operating expenses <b>b</b>           |         |         |         |           |         |                  |                  |         |                  |                  |         |         |         |
| –per passenger                        | 228     | 228     | 213     | 239       | 231     | 220 <b>d</b>     | 258 <b>d</b>     | 312     | 422 <b>e</b>     | 437 <b>f</b>     | 385     | 398     | 434     |
| –per voyage                           | 189 137 | 162 525 | 145 010 | 169 835   | 159 987 | 158 004 <b>d</b> | 153 870 <b>d</b> | 153 203 | 181 479 <b>e</b> | 189 301 <b>f</b> | 185 527 | 190 510 | 212 206 |

**a** Total revenue divided by the number of voyages.

**b** Incorporates expenses for passengers, vehicles and freight.

**c** Revenue adjusted to exclude gross proceeds from the sale of the Spirit of Tasmania in 2002–03.

**d** Expenses adjusted to exclude write-down in carrying value of the Spirit of Tasmania in 2001–02 and carrying value of this ship in 2002–03.

**e** Expenses adjusted to exclude write-down of \$43.24 million in the total value of all three ships.

**f** Expenses adjusted to exclude asset revaluation of \$43.2 million.

Source: TT-Line (2009) and previous annual reports; BITRE estimates.

**TB.3** TT-line reimbursements and (adjusted) operating revenue, 1996–97 to 2008–09

| Year  | 1996–97 | 1997–98 | 1998–99 | 1999–2000 | 2000–01 | 2001–02 | 2002–03 | 2003–04          | 2004–05 | 2005–06 | 2006–07 | 2007–08 | 2008–09 |
|---|---------|---------|---------|-----------|---------|---------|---------|------------------|---------|---------|---------|---------|---------|
| Reimbursements paid (\$ thousands)                  | 8 475   | 12 939  | 14 447  | 14 211    | 15 031  | 15 932  | 31 793  | 34 236           | 32 350  | 31 331  | 28 304  | 30 109  | 34 699  |
| Operating revenue (\$ thousands)                    | 61 766  | 73 325  | 80 607  | 77 511    | 81 842  | 86 236  | 134 269 | 154 250 <b>a</b> | 154 874 | 158 882 | 155 336 | 166 863 | 175 587 |
| Reimbursements as a proportion of operating revenue | 13.7    | 17.6    | 17.9    | 18.3      | 18.4    | 18.5    | 23.7    | 22.2             | 20.9    | 19.7    | 18.2    | 18.0    | 19.8    |

**a** Excludes gross proceeds (\$61.2 million) from the sale of the Spirit of Tasmania in 2002–03.

Source: TT-Line (2009) and previous annual reports.

## APPENDIX C

# Bass Strait travel 2007–2009

**TC.1** Estimated adult return passengers travelling between Tasmania and the mainland by purpose, 2007–08 and 2008–09 <sup>a</sup> (thousands)

| Purpose of travel           | 2007–08 |       |         | 2008–09 |       |         |
|-----------------------------|---------|-------|---------|---------|-------|---------|
|                             | Air     | Sea   | Total   | Air     | Sea   | Total   |
| <b>Visitors to Tasmania</b> |         |       |         |         |       |         |
| Holiday/leisure             | 308.1   | 88.4  | 396.5   | 346.1   | 90.4  | 436.6   |
| Visiting friends/relatives  | 218.9   | 15.7  | 234.6   | 224.9   | 15.4  | 240.2   |
| Business                    | 139.5   | 13.3  | 152.8   | 126.3   | 15.0  | 141.3   |
| Conference                  | 24.8    | 0.6   | 25.4    | 33.2    | 0.6   | 33.8    |
| Other/not specified         | 35.8    | 4.7   | 40.5    | 49.5    | 5.8   | 55.3    |
| Total visitors              | 727.1   | 122.6 | 849.7   | 779.9   | 127.3 | 907.2   |
| <b>Tasmanian residents</b>  |         |       |         |         |       |         |
| Holiday/leisure             | 234.0   | 17.5  | 251.5   | 233.4   | 19.4  | 252.8   |
| Visiting friends/relatives  | 241.3   | 14.8  | 256.1   | 264.6   | 14.4  | 278.9   |
| Business                    | 158.8   | 7.5   | 166.3   | 157.3   | 9.4   | 166.7   |
| Conference                  | 22.3    | 0.1   | 22.4    | 24.7    | 0.2   | 24.9    |
| Other/not specified         | 73.1    | 16.8  | 90.0    | 81.4    | 13.7  | 95.1    |
| Total Tasmanians            | 729.5   | 56.7  | 786.3   | 761.4   | 57.1  | 818.5   |
| Total passengers            | 1 456.6 | 179.4 | 1 636.0 | 1 541.3 | 184.3 | 1 725.7 |

<sup>a</sup> Excludes minors and day trippers. Data collected by survey and subject to sampling error.

Source: Tourism Tasmania Tasmanian Visitor Survey—personal communications (2007).

## TC.2 Estimated adult return passengers travelling between Tasmania and the mainland by purpose, 2007–08 <sup>a</sup> (thousands)

|  | Air                |                              | Sea                |                              | Total              |                              |
|--|--------------------|------------------------------|--------------------|------------------------------|--------------------|------------------------------|
|  | Number (thousands) | Percentage change on 2006–07 | Number (thousands) | Percentage change on 2006–07 | Number (thousands) | Percentage change on 2006–07 |
| <b>Visitors</b>                                    |                    |                              |                    |                              |                    |                              |
| Holiday, leisure, or visiting friend and relatives | 527.0              | 6.0                          | 104.0              | –3.8                         | 631.0              | 4.3                          |
| Business/other                                     | 200.1              | –0.9                         | 18.6               | –5.7                         | 218.7              | –1.4                         |
| Total visitors                                     | 727.1              | 4.0                          | 122.6              | –4.0                         | 849.7              | 2.7                          |
| <b>Tasmanian residents</b>                         |                    |                              |                    |                              |                    |                              |
| Holiday, leisure, or visiting friend and relatives | 475.3              | 16.7                         | 32.3               | –10.0                        | 507.6              | 14.6                         |
| Business/other                                     | 254.3              | 19.2                         | 24.4               | 101.9                        | 278.7              | 23.6                         |
| Total Tasmanians                                   | 729.5              | 16.2                         | 56.7               | –6.8                         | 786.3              | 14.1                         |
| <b>Total passengers</b>                            | 1 456.6            | 9.8                          | 179.4              | –4.9                         | 1 636.0            | 7.9                          |

<sup>a</sup> Excludes minors and day trippers. Data collected by survey and subject to sampling error.  
 Source: Tourism Tasmania Tasmanian Visit or Survey—personal communications (2007).

## TC.3 Estimated adult return passengers travelling between Tasmania and the mainland by purpose, 2008–09 <sup>a</sup> (thousands)

|  | Air                |                              | Sea                |                              | Total              |                              |
|--|--------------------|------------------------------|--------------------|------------------------------|--------------------|------------------------------|
|  | Number (thousands) | Percentage change on 2007–08 | Number (thousands) | Percentage change on 2007–08 | Number (thousands) | Percentage change on 2007–08 |
| <b>Visitors</b>                                    |                    |                              |                    |                              |                    |                              |
| Holiday, leisure, or visiting friend and relatives | 571.0              | 8.3                          | 105.8              | 1.7                          | 676.8              | 7.2                          |
| Business/other                                     | 209.0              | 4.4                          | 21.5               | 15.5                         | 230.4              | 5.4                          |
| Total visitors                                     | 779.9              | 7.3                          | 127.3              | 3.8                          | 907.2              | 6.8                          |
| <b>Tasmanian residents</b>                         |                    |                              |                    |                              |                    |                              |
| Holiday, leisure, or visiting friend and relatives | 497.9              | 4.8                          | 33.8               | 4.6                          | 531.7              | 4.8                          |
| Business/other                                     | 263.5              | 3.6                          | 23.3               | –4.8                         | 286.7              | 2.9                          |
| Total Tasmanians                                   | 761.4              | 4.4                          | 57.1               | 0.5                          | 818.5              | 4.1                          |
| <b>Total passengers</b>                            | 1 541.3            | 5.8                          | 184.3              | 2.8                          | 1 725.7            | 5.5                          |

<sup>a</sup> Excludes minors and day trippers. Data collected by survey and subject to sampling error.  
 Source: Tourism Tasmania Tasmanian Visitor Survey—personal communications (2007).

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