



BASS STRAIT PASSENGER VEHICLE  
EQUALISATION SCHEME:  
  
BTE MONITORING REPORT  
  
NUMBER 2

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This report produced by Anthony Carlson and Andrew Kouvaras  
Sea, Air and Safety Branch

## **REVIEW OF THE BASS STRAIT PASSENGER VEHICLE EQUALISATION SCHEME: MONITORING REPORT NO. 2**

### **INTRODUCTION**

In August 1996, the then Commonwealth Minister for Transport and Regional Development announced the introduction of the Bass Strait Passenger Vehicle Equalisation Scheme (the Scheme), effective from 1 September 1996. The Scheme provides a rebate against the fare charged by a ferry operator to transport a driver plus passenger vehicle by sea across Bass Strait, and gives effect to the Government's 1996 election commitment to provide a rebate of up to \$300 for a return trip.

The Scheme operates under a set of Ministerial Directions administered by the Commonwealth's Tasmanian Assistance Team in Hobart, and overseen by the Department of Transport and Regional Services' (DoTRS) Maritime Transport Division.

Clause 16 of the Directions (attachment I) provides for the annual monitoring of the effectiveness of the Scheme by the Bureau of Transport Economics (BTE)<sup>1</sup>. The BTE released its first monitoring report in January 1998, covering only the first 10 months of the Scheme's operation (1 September 1996 to 30 June 1997). Consequently, the report concluded:

"Due to the limited period over which the Scheme has operated, this monitoring report finds that it is too early to draw any firm conclusions about the effectiveness of the Scheme. However, the following points are worth mentioning:

- There has been an increase in total traffic on the *Spirit of Tasmania* since the commencement of the Scheme;
- Load factors (per voyage) have increased resulting in lower per unit costs for TT Line; and
- Unit passenger revenues have remained roughly unchanged while unit vehicle revenues have increased by 5.5 per cent.

There is little doubt that the introduction of the Scheme has contributed to the improved financial performance of TT Line. However, it is possible that TT Line has passed on some of the indirect benefits it has derived from the Scheme through increased discounting during the off peak season." (BTCE 1998, p. 15)

This second monitoring report covers the period 1 July 1997 to 30 June 1998.

In considering the Scheme's effectiveness, it is appropriate to take into account the aim of the Scheme, which is simply stated as "to reduce the cost of seagoing travel for an *eligible passenger*"<sup>2</sup> (clause 2.1). However, comments made by the then

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<sup>1</sup> Formerly the Bureau of Transport and Communications Economics (BTCE).

<sup>2</sup> An eligible passenger is defined as a passenger with an eligible passenger vehicle on a Bass Strait passenger service on or after 1 September 1996, being the driver of that passenger vehicle.

Minister at the time of the announcement of the Scheme suggest an additional aim of helping the Tasmanian tourism industry in particular, and the Tasmanian economy as a whole (Sharp 1996). Therefore, the effectiveness of the Scheme would depend on:

- the extent to which eligible passengers benefited from lower net fares;
- changes in eligible passenger demand, and in the demand of those accompanying eligible passengers<sup>3</sup>, as a result of lower net fares;
- changes in unit operating costs to the service operator and the extent to which any savings are passed onto all passengers through lower gross fares; and
- the resulting change in total demand for passengers travelling across Bass Strait, including travel by air, and the origin of this traffic.

## **OVERVIEW OF THE SCHEME**

### **Calculation of the rebate**

The rebate is calculated on the basis of charging a net fare for an eligible passenger vehicle, plus driver travelling in standard share cabin accommodation, that is comparable to the notional cost of driving an equivalent distance on a highway.

The equivalent highway cost is based on the sea distance between the ports of Devonport and Melbourne (427 kilometres) multiplied by an estimated running cost for an average family saloon (39.87 cents per kilometre<sup>4</sup>). This provides an equivalent highway cost of \$170 for a one-way trip.

For the purposes of the rebate calculation, the fare for an “inside cabin” on the *Spirit of Tasmania* is used as the passenger fare benchmark. This accommodation represents approximately 50 per cent of the berths available on the *Spirit of Tasmania*. The benchmark passenger vehicle fare has been based on the fare for a passenger vehicle of no more than five metres in length.

Due to the seasonal nature of demand, both the passenger and vehicle fares vary according to three seasons (high, shoulder and off-peak seasons). Consequently, the rebate varies. The largest rebate is applied during the high season and smallest during the off-peak season, providing an approximation of the equivalent highway cost across all seasons. The rebates applied for the monitoring period are provided in table 1.

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<sup>3</sup> While it is the eligible passenger who receives the rebate, it is possible that the benefit may be distributed among all those travelling in the vehicle. For example, in the case of a family travelling with a motor car, it is possible the lower net fare results in more than one additional passenger.

<sup>4</sup> The “standard vehicle running cost” is based on the NRMA’s study *What it Costs to Run Your Car* (NRMA 1995). The rebate for a motor cycle was set at 50 per cent of the rebate for a motor car.

The rebate for a one-way trip is 50 per cent of the rebate for a round trip. The value of the rebate is reviewed each year by the Minister. The rebate remained unchanged from the previous monitoring period.

TABLE 1 ROUND TRIP REBATE FOR A DRIVER TRAVELLING WITH AN ELIGIBLE MOTOR CAR, BUS OR MOTOR CYCLE, 1 JULY 1997 TO 30 JUNE 1998

<i>Eligible vehicle</i>	<i>Off-Peak Season</i>	<i>Shoulder Season</i>	<i>Peak Season</i>
	<i>(1 Jul 97 – 27 Sep 97)</i> <i>(19 Apr 98 – 30 Jun 98)</i>	<i>(28 Sep 97 – 12 Dec 97)</i> <i>(25 Jan 98 – 18 Apr 98)</i>	<i>(13 Dec 97 - 24 Jan 98)</i>
Motor car or bus	\$200	\$240	\$300
Motor cycle	\$100	\$120	\$150

Note: The rebate for a one way trip is 50 per cent of the rebate for a round trip. Where a round trip consists of northbound and southbound legs in different seasons, the booking is, for the purposes of determining a rebate, considered as consisting of two one-way trips.

Source Minister's Directions for the operation of the Bass Strait Passenger Vehicle Equalisation Scheme

### **Method of payment**

The rebate is an 'up front' subsidy. That is, the rebate is provided to the driver of an eligible passenger vehicle as a reduction in the fare charged by the relevant service operator. The onus is on the service operator to determine the eligibility of the passenger for the rebate, apply the rebate to the passenger's gross fare, and claim reimbursement of the rebate from the Commonwealth. Clause 9.3 of the Directions limits the service operator to no more than one claim a month, while clause 9.4 allows the service operator to claim reimbursement:

- (a) for an eligible passenger who has travelled within the previous 12 months; and
- (b) subject to clause 10<sup>5</sup>, where an eligible passenger has not yet travelled, but has booked and paid for travel to be undertaken during the period for which the claim is made, for that passenger.

Funding for the Scheme is demand-driven, changing to match the actual level of eligible passenger vehicle travel undertaken. Funding for 1997/98 was originally estimated at \$10.9 million based on the carriage of an estimated 93 000 passenger vehicles. A total of nearly \$12.9 million in rebates was paid during 1997/98 in respect of the carriage of 111 477 passenger vehicles<sup>6</sup>.

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<sup>5</sup> Clause 10 provides the Departmental Secretary with discretion to request provision of a surety from an operator in order for the operator to be reimbursed in advance of travel being undertaken by eligible passengers.

<sup>6</sup> Funding for 1998/99 was originally estimated at \$11.2 million. It is estimated that the introduction of the *Devil Cat* will result in rebates totalling \$13.6 million being paid.

## **New operators**

The Scheme does not discriminate between service operators. Should a new operator enter the Bass Strait passenger trade, the Scheme applies to passengers using the new service on the same basis as those using existing services. That is, the rebate applicable to each season, and the dates of the seasons, remain unchanged for any new operator. This arrangement is intended to provide certainty in the market place as to how the Scheme will apply<sup>7</sup>.

## **REIMBURSEMENTS MADE UNDER THE SCHEME**

### **Service operators**

During the monitoring period, there were two operators carrying passengers and their vehicles between Tasmania and the mainland: TT Line with the *Spirit of Tasmania*, the *Tas Cat* and the *Devil Cat*<sup>8</sup>; and Southern Shipping with the much smaller ferry *Matthew Flinders*. The *Spirit of Tasmania* operates between Devonport and Melbourne, the *Devil Cat* between George Town (at the mouth of the Tamar River) and Melbourne. The *Matthew Flinders* operates services between Bridport (Tasmania) and Welshpool (Victoria) via Flinders and Deal Islands. Since eligible passengers using Southern Shipping received rebates totalling only \$1 300 over the monitoring period, this report focuses on the operations of TT Line.

### **Reimbursements made to TT Line**

For the period 1 July 1997 to 30 June 1998, the Commonwealth reimbursed TT Line \$12.9 million in respect of rebates to 111 465 eligible vehicles. This was an increase of 52.7 per cent (\$4.5 million) on the previous financial year, when \$8.5 million was paid for 73 360 eligible vehicles (see table 2). The significant increase in the number of vehicles carried can partly be attributed to the fact that the Scheme was only operational for 10 months during 1996/97 and that the *Devil Cat* service was introduced during the 1997/98 peak period, carrying in excess of 17 000 vehicles. Taking into account only the September to June period, the increase in rebates paid was 37.4 per cent, while the increase in eligible vehicles was 34.2 per cent.

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<sup>7</sup> For example, there have been media reports (eg *The Hobart Mercury*, 8 January 1998, p. 3) on a proposed new fast ferry service between the Mornington Peninsula and Burnie. Should such a service carry eligible passenger vehicles, the Scheme would also apply to it.

<sup>8</sup> While TT Line's year round service, the *Spirit of Tasmania*, was in dock during July 1997, the *Tas Cat* completed 14 voyages as a trial. The *Devil Cat* was used for the first time during the 1997/98 summer period and completed 103 voyages. This report will refer to the *Devil Cat* where catamaran services are concerned and, unless otherwise stated, calculations involving the catamarans will be based on 117 voyages.

There was no commitment by TT Line that the catamaran services would continue on a regular basis.

Of the vehicles carried by TT Line, the vast majority (more than 95 per cent) were motor cars, 4 per cent were motor cycles and less than 1 per cent were buses (see table 3). These ratios were similar to those for the previous year.

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TABLE 2 REIMBURSEMENTS MADE TO TT LINE, 1996/97 - 1997/98

Month	Total Number of Eligible Passenger Vehicles			Total Rebate Paid (\$)		
	1996/97	1997/98	Change (%)	1996/97	1997/98	Change (%)
July	n/a	5 656	n/a	n/a	562 400	n/a
August	n/a	7 325	n/a	n/a	727 500	n/a
September	5 656	7 503	32.7	571 490	751 210	31.4
October	6 759	7 698	13.9	794 220	892 260	12.3
November	7 068	7 128	0.8	831 900	841 500	1.2
December	7 720	11 165	44.6	1 045 830	1 548 330	48.0
January	8 482	15 639	84.4	1 203 225	2 202 555	83.1
February	7 380	11 071	50.0	855 540	1 293 420	51.2
March	8 287	12 615	52.2	945 840	1 432 920	51.5
April	8 038	11 123	38.4	839 820	1 242 320	47.9
May	7 015	7 585	8.1	695 700	753 000	8.2
June	6 955	6 957	0.0	691 350	691 150	0.0
<b>Total</b>	<b>73 360</b>	<b>111 465</b>	<b>51.9</b>	<b>8 474 915</b>	<b>12 938 565</b>	<b>52.7</b>

Notes The Scheme commenced in September 1996  
n/a not applicable

Source Tasmanian Assistance Team, Centrelink

TABLE 3 REIMBURSEMENTS MADE UNDER THE SCHEME TO TT LINE,  
1 JULY 1997 TO 30 JUNE 1998

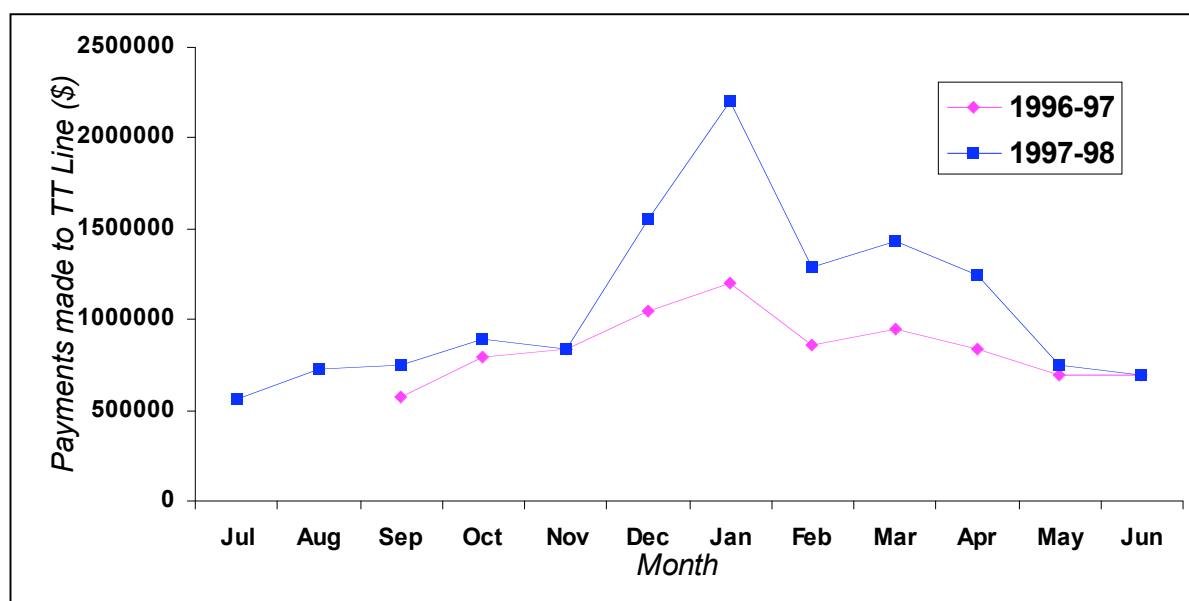
Month	Eligible Motor Cars		Eligible Buses		Eligible Motor Cycles		Total rebate paid (\$)
	Number	Rebate paid (\$)	Number	Rebate paid (\$)	Number	Rebate paid (\$)	
July	5 586	558 600	6	600	64	3 200	562 400
August	7 214	721 400	11	1 100	100	5 000	727 500
September	7 265	737 020	31	3 140	207	11 050	751 210
October	7 137	856 440	36	4 320	525	31 500	892 260
November	6 860	823 200	37	4 440	231	13 860	841 500
December	10 751	1 517 940	14	1 860	400	28 530	1 548 330
January	15 069	2 160 090	17	2 400	553	40 065	2 202 555
February	10 439	1 252 680	47	5 640	585	35 100	1 293 420
March	11 217	1 346 040	50	6 000	1 348	80 880	1 432 920
April	10 697	1 214 980	55	6 000	371	21 340	1 242 320
May	7 443	744 300	32	3 200	110	5 500	753 000
June	6 859	685 900	7	700	91	4 550	691 150
<b>Total</b>	<b>106 537</b>	<b>12 618 590</b>	<b>343</b>	<b>39 400</b>	<b>4 585</b>	<b>280 575</b>	<b>12 938 565</b>

Note An additional \$1 300 in rebates to Southern Shipping were made in the same period for the carriage of 12 eligible passenger vehicles.

Source Tasmanian Assistance Team, Centrelink

The seasonal nature of demand, combined with the higher rebates being provided for peak season travel, resulted in significant variation in total payments made under the Scheme on a monthly basis. Also, the *Devil Cat*, which operated from 17 December 1997 to 18 April 1998, completed 103 voyages and added to the *Spirit of Tasmania's* 120 voyages made during the same period. This enabled extra passenger vehicles to be carried and resulted in a dramatic increase in rebate payments made during this time (see figure 1).

FIGURE 1 COMPARISON OF REBATES PAID TO TT LINE PASSENGERS, 1996/97 – 1997/98



Source Tasmanian Assistance Team, Centrelink

## EFFECTIVENESS OF THE SCHEME

To determine the effectiveness of the Scheme, this analysis considered the following:

- changes in gross fares;
- changes in the number of eligible passenger vehicles and number of passengers accompanying those vehicles;
- TT Line's operating performance; and
- changes in the total demand for passenger travel across Bass Strait.

### Changes in gross fares

The nominal average fare for an adult passenger carried by TT Line increased by 4.0 per cent from 1996/97 to 1997/98. This followed a 5.2 per cent increase from 1995/96 to 1996/97.



Table 4 shows the change in fares for an adult travelling inside a cabin for each of the three seasons from 1996/97 to 1997/98. Table 4 also indicates that there has been an increase in charges for the transportation of vehicles over this period.

TABLE 4 SELECTED TT LINE FARES, ONE WAY

Fare	Length	Off-Peak Season (\$)		Shoulder Season(\$)		Peak Season (\$)	
		1996/97	1997/98	1996/97	1997/98	1996/97	1997/98
Adult, inside cabin							
	n/a	147	151	153	160	168	176
Any vehicle less than 1.9m wide and less than 6m in length							
	0.1-5.0m	125	130	145	150	185	190
	5.1-6.0m	150	155	170	175	220	225
Any vehicle more than 1.9m wide and less than 6m in length							
	0.1-6.0m	169	174	n/a	269	n/a	299
Any vehicle more than 6 metres in length							
	6.1-7.0m	213	218	n/a	318	n/a	363
	7.1-8.0m	257	262	362	367	422	427
	8.1-9.0m	301	306	411	416	486	491
	9.1-10.0m	345	350	460	465	550	555
	10.1-11.0m	389	394	509	514	614	619
	Over 11.0m <sup>1</sup>	n/a	44	49	49	n/a	64

Notes Maximum height of any vehicle is 4.2m

Maximum width of any vehicle is 2.4m

1. Additional charge per metre

n/a not available

Source TT Line fare schedule

### Effect on passenger vehicle numbers

According to TT Line's yield management database, TT Line carried 111 400 vehicles of all types during the 1997/98 financial year, which was an increase of 38.1 per cent on the previous financial year<sup>9</sup> (see table 5). This compares with a 28.1 per cent increase on vehicle numbers from the previous reporting period (1995/96 to 1996/97).

<sup>9</sup> The monthly data in tables 5, 6 and 7 are taken from TT Line's yield management database which provides the best source of disaggregated data. However, the nature of the yield data means that there are minor discrepancies in passenger and vehicle numbers, compared with the figures reported in TT Line's annual and financial reports, as well as those sourced from the Tasmanian Assistance Team. These discrepancies are small enough not to affect the nature of the results of this study.

This increase in traffic can largely be attributed to the introduction of the *Devil Cat* which enabled TT Line to carry an extra 17 046 vehicles during its 1997/98 operating period. The *Spirit of Tasmania* carried an extra 3 938 vehicles during the same period. Overall, however, the smaller carrying capability of the *Devil Cat* contributed to a 1.9 per cent decrease in the number of vehicles transported on a per voyage basis. If the *Spirit of Tasmania* was considered alone, the number of vehicles per voyage increased by 11.2 per cent (258 in 1996/97 to 287 in 1997/98).

TABLE 5 NUMBER OF VEHICLES CARRIED BY TT LINE, 1996/97 – 1997/98

Month	<i>Spirit of Tasmania</i>			<i>Devil Cat</i>		Total Vehicles	
	1996/97	1997/98	Change (%)	1997/98	1997/98	Change (%)	
July	3 868	4 014	3.8	1 601	5 615	45.2	
August	3 773	7 325	94.1	n/a	7 325	94.1	
September	5 657	7 502	32.6	n/a	7 502	32.6	
October	6 759	7 696	13.9	n/a	7 696	13.9	
November	7 066	7 128	0.1	n/a	7 128	0.1	
December	7 717	9 340	21.0	1 825	11 165	44.7	
January	8 484	11 038	30.1	4 600	15 638	84.3	
February	7 377	6 980	-5.4	4 090	11 070	50.1	
March	8 286	8 630	4.2	3 979	12 609	52.2	
April	7 907	8 559	8.2	2 552	11 111	40.5	
May	6 872	7 584	10.4	n/a	7 584	10.4	
June	6 871	6 957	1.3	n/a	6 957	1.3	
<b>Total</b>	<b>80 637</b>	<b>92 753</b>	<b>15.0</b>	<b>18 647</b>	<b>111 400</b>	<b>38.1</b>	
<i>Per voyage</i>	258	287	11.2	159	253	-1.9	

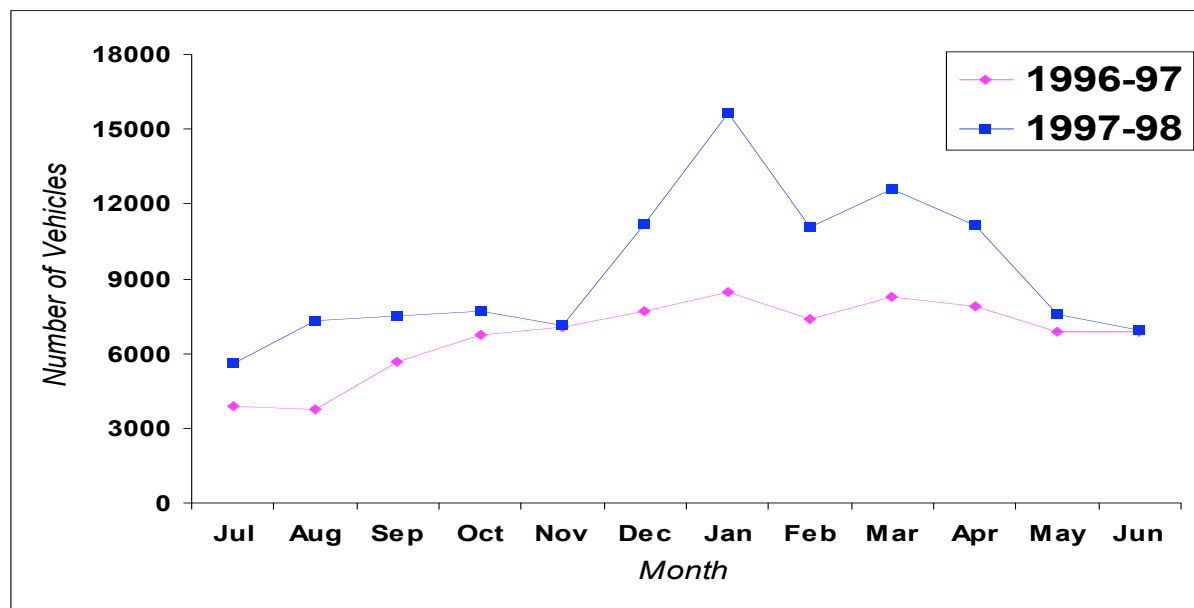
Notes: Vehicles of all types included, freight excluded. The *Devil Cat* was not operational in 1996/97. The July 1997/98 figure in the "*Devil Cat*" column represents the 14 trial voyages made by the *Tas Cat*.

n/a - not applicable as the catamaran service did not operate during these month

Source TT Line yield management database

Most months had an increase in the number of vehicles transported. However, the peak season had the largest increase in the total number of vehicles carried by TT Line (see table 5, figure 2). Although August had a relatively large increase in traffic, it had the smallest base of all months in 1996/97.

FIGURE 2 COMPARISON OF TOTAL NUMBER OF VEHICLES CARRIED, 1996/97 – 1997/98



Source TT Line yield management database

### Effect on passenger movements

During the 1997/98 financial year, TT Line carried a total of 314 232 passengers (see table 6) – a 21.1 per cent increase on the previous year. Of these, 271 492 were carried on the *Spirit of Tasmania* and 42 740 were carried on the *Devil Cat*. For the *Spirit of Tasmania*, this was a 4.6 per cent increase on the previous year.

As the *Devil Cat* was used for the first time during 1997/98, comparative figures are limited in their usefulness. However, it is worth noting the decrease in berth-only passengers (9.4 per cent from the previous reporting year) and an overall increase in motor vehicle passengers (37.7 per cent). Considering the *Spirit of Tasmania* on its own, there was a 16.5 per cent decrease in berth-only passengers and a 19.7 per cent increase in motor vehicle passengers.

Table 6 provides a break down of overall berth-only and motor vehicle passenger numbers based on TT Line's yield management database, while figure 3 illustrates the overall net increase in the total number of passengers carried during 1997/98 compared with 1996/97.

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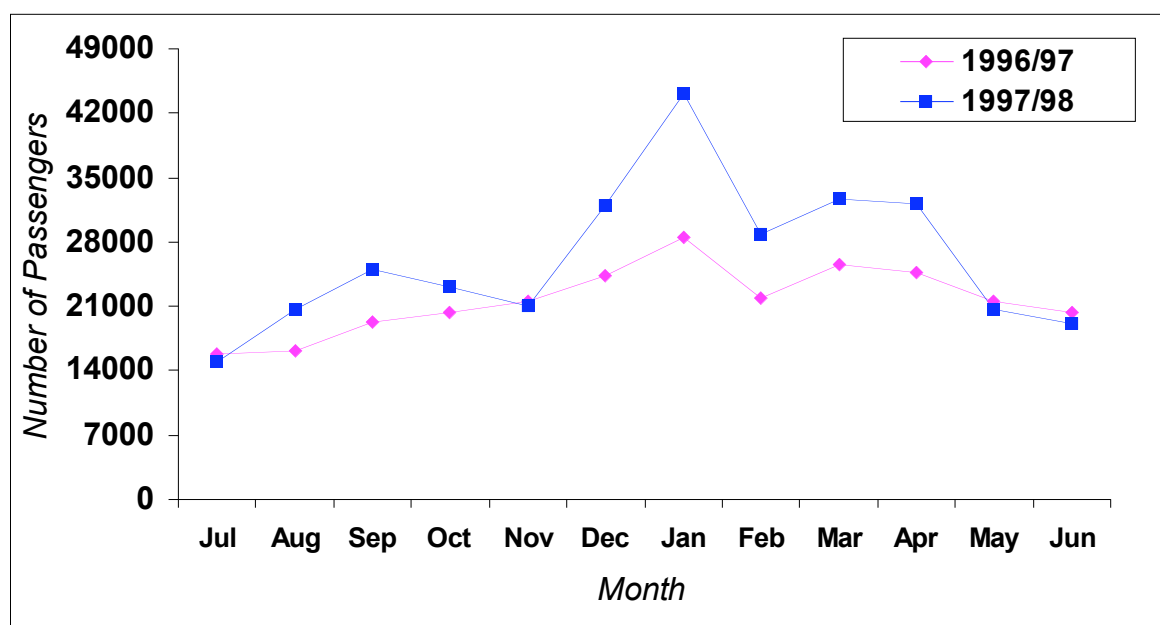
TABLE 6 PASSENGERS CARRIED BY TT LINE, 1996/97 – 1997/98

Month	Total passengers			Berth-only passengers			Motor vehicle passengers		
	1996/97	1997/98	Change (%)	1996/97	1997/98	Change (%)	1996/97	1997/98	Change (%)
Jul	15 766	14 997	-4.9	8 239	3 623	-56.0	7 527	11 374	51.1
Aug	16 150	20 612	27.6	9 135	6 154	-32.6	7 015	14 458	106.1
Sep	19 239	24 981	29.8	7 109	7 784	9.5	12 130	17 197	41.8
Oct	20 299	23 085	13.7	6 978	7 509	7.6	13 321	15 576	16.9
Nov	21 530	20 949	-2.7	7 991	7 057	-11.7	13 539	13 892	2.6
Dec <sup>1</sup>	24 262	32 008	31.9	7 100	7 276	2.5	17 162	24 732	44.1
Jan <sup>1</sup>	28 504	44 096	54.7	7 341	6 916	-5.8	21 163	37 180	75.7
Feb <sup>1</sup>	21 876	28 885	32.0	7 279	7 760	6.6	14 597	21 125	44.7
Mar <sup>1</sup>	25 575	32 588	27.4	9 065	8 752	-3.5	16 510	23 836	44.4
Apr <sup>1</sup>	24 591	32 194	30.9	7 866	8 554	8.7	16 725	23 640	41.3
May	21 478	20 712	-3.6	7 626	6 137	-19.5	13 852	14 575	5.2
Jun	20 253	19 125	-5.6	6 006	5 612	-6.6	14 247	13 513	-5.2
<b>Total</b>	<b>259 523</b>	<b>314 232</b>	<b>21.1</b>	<b>91 735</b>	<b>83 134</b>	<b>-9.4</b>	<b>167 788</b>	<b>231 098</b>	<b>37.7</b>

1. These months incorporate passengers carried by both the *Spirit of Tasmania* and the *Devil Cat*. See table 11 for breakdown.

Source TT Line yield management database

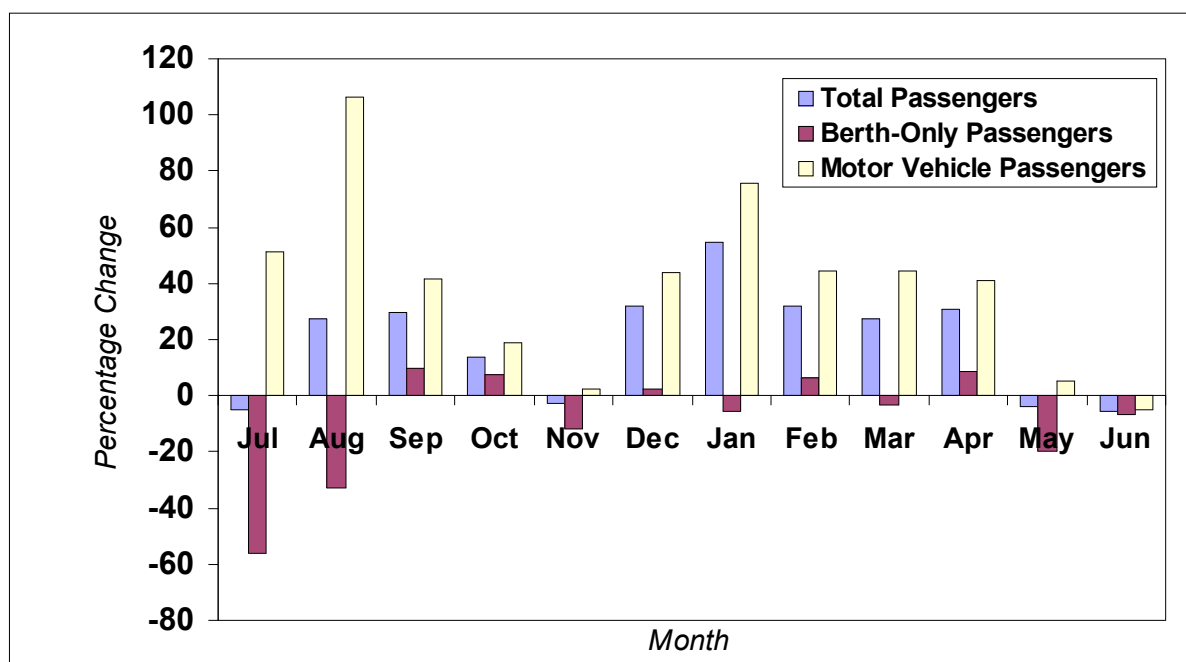
FIGURE 3 COMPARISON OF TOTAL NUMBER OF PASSENGERS CARRIED, 1996/97 – 1997/98



Source TT Line yield management database

Figure 4 indicates that some of the increase in vehicle passenger traffic can be attributed to a transfer of demand from berth-only passengers.

FIGURE 4 PERCENTAGE CHANGE IN PASSENGER MOVEMENTS, 1996/97 – 1997/98



Source TT Line yield management database

### Summary of passenger movements

The number of passengers travelling with a motor car increased by 38.0 per cent, from 162 790 in 1996/97 to 224 722 in 1997/98. However, given that the number of cars increased by 38.7 per cent, from 76 899 to 106 650 in 1997/98, the number of passengers per car remained steady from the previous year, at 2.1. This was also the ratio reported in 1995/96 (TT Line, pers. comm. 26 February 1999).

Although the number of occupants per car has not changed, overall the Scheme does appear to be having a positive effect on the demand for sea travel across Bass Strait. During 1997/98, TT Line had a 21.1 per cent increase in the total number of passengers carried and a 38.1 per cent increase in the number of passenger vehicles transported compared to 1996/97.

The ability of TT Line to handle the increase in passenger numbers was greatly enhanced by the introduction of the *Devil Cat*, resulting in 43.8 per cent extra capacity during the highly patronised peak season.

The *Spirit of Tasmania* alone had a higher utilisation rate and carried an extra 12 323 (5 per cent) passengers and an extra 12 116 (15 per cent) passenger vehicles throughout the 1997/98 financial year.

## TT Line's Operating Performance

### Operating Costs

TT Line's operating costs in 1997/98 amounted to \$61.4 million – a 26.3 per cent increase on the previous financial year. A significant proportion of this expense can be attributed to the catamaran trial and the introduction of the *Devil Cat* services which cost \$11.6 million for 117 voyages. The smaller capacity of the catamarans resulted in per voyage costs being less than for the *Spirit of Tasmania* and contributed to TT Line reducing overall expenditure per voyage by 10.2 per cent (see table 7).

Considering the *Spirit of Tasmania* independently, there was a 2.6 per cent increase in expenditure (from \$48.6 million in 1996/97 to \$49.9 million in 1997/98). However, there were 10 more voyages in 1997/98 (323 compared with 313 in 1996/97). Expenditure per voyage remained relatively steady (\$155 412 in 1996/97 and \$154 446 in 1997/98).

TABLE 7 TT LINE OPERATING EXPENDITURE, 1996/97 –1997/98

	Expenditure (\$'000s)		Change (%)	Expenditure per voyage (\$)		Change (%)
	1996/97	1997/98		1996/97	1997/98	
<b>Expenditure by Department</b>						
<i>Spirit of Tasmania</i>						
Operations	22 357	22 853	2.2	71 428	70 752	-0.9
Hotel services	15 296	16 106	5.3	48 869	49 864	2.04
Customer services	4 893	4 711	-3.7	15 633	14 585	-6.7
Administration	6 098	6 216	1.9	19 482	19 245	-1.2
<b>Total</b>	<b>48 645</b>	<b>49 886</b>	<b>2.6</b>	<b>155 412</b>	<b>154 446</b>	<b>-0.6</b>
<i>Devil Cat</i>	n/a	11 554	n/a	n/a	98 752	n/a
<b>Total operating expenditure</b>	<b>48 645</b>	<b>61 439</b>	<b>26.3</b>	<b>155 412</b>	<b>139 634</b>	<b>-10.2</b>

Notes Figures may not add to totals due to rounding.

Operating expenditures are shown by profit centre. In some cases, expenditure on one particular item may be distributed among a number of profit centres.

The expenditure per voyage by department figure is based on the 323 *Spirit of Tasmania* voyages. The expenditure per voyage for the *Devil Cat* is based on 117 voyages (14 by the *Tas Cat* and 103 by the *Devil Cat*).

The 1996/97 total expenditure per voyage calculation is based on 313 *Spirit of Tasmania* voyages, while the 1997/98 calculation is based on the 440 voyages completed by the three vessels.

n/a – not applicable

Source TT Line financial reports

### Operating Revenue

TT Line earned \$72.9 million in revenue during 1997/98, which was an 18.4 per cent increase on the previous financial year. A significant proportion of this revenue (10.9 per cent) can be attributed to the catamaran trial and the introduction of the *Devil Cat* service during the peak period. The smaller capacity of the *Devil Cat*, however, resulted in the company's overall revenue per voyage falling by 15.8 per cent (from \$196 661 in 1996/97 to \$165 591 in 1997/98).

The *Spirit of Tasmania* had a 5.4 per cent increase in its operating revenue (from \$61.6 million in 1996/97 to \$64.9 million in 1997/98) and its revenue per voyage increased by 2.2 per cent.

TABLE 8 TT LINE OPERATING REVENUE

Revenue Source	Revenue (\$000)		Change (%)	Revenue per voyage (\$)		Change (%)	
	1996/97	1997/98		1996/97	1997/98		
<i>Spirit of Tasmania</i>							
Passenger	27 494	31 031	12.9	87 840	96 071	9.4	
Vehicle	11 725	14 054	19.9	37 460	43 511	16.2	
Freight	17 050	14 376	-15.7	54 473	44 508	-18.3	
On-board food & beverage	2 891	2 610	-9.7	9 238	8 080	-12.5	
Franchise	497	527	6.0	1 589	1 632	2.7	
Cruise	674	499	-26.0	2 154	1 545	-28.3	
Other	660	885	34.1	2 109	2 740	29.9	
Holiday packages	581	914	57.3	1 856	2 830	52.5	
Gain (loss) sale fixed assets	(18)	(1)	94.4	(58)	(3)	94.8	
<b>Total</b>	<b>61 555</b>	<b>64 896</b>	<b>5.4</b>	<b>196 661</b>	<b>200 916</b>	<b>2.2</b>	
<i>Devil Cat</i>							
Passengers	n/a	4 791	n/a	n/a	40 949	n/a	
Vehicles	n/a	3 000	n/a	n/a	25 641	n/a	
On-Board Food	n/a	173	n/a	n/a	1 479	n/a	
<b>Total</b>	<b>n/a</b>	<b>7 964</b>	<b>n/a</b>	<b>n/a</b>	<b>68 068</b>	<b>n/a</b>	
<b>Total operating revenue</b>	<b>61 555</b>	<b>72 860</b>	<b>18.4</b>	<b>196 661</b>	<b>165 591</b>	<b>-15.8</b>	

Notes Figures may not add to totals due to rounding.

The revenue per voyage for the *Devil Cat* is based on 117 voyages – 14 by the *Tas Cat* and 103 by the *Devil Cat*.

The 1996-97 revenue per voyage calculation is based on 313 *Spirit of Tasmania* voyages, while the 1997-98 calculation is based on the 440 voyages completed by the three vessels.

n/a – not applicable

Source TT Line financial reports

### **Summary of TT Line's operations**

With the catamarans providing an extra 117 voyages for the year and the *Spirit of Tasmania* sailing ten more times, TT Line was able to increase voyages across Bass Strait by 40.6 per cent from 1996/97 to 1997/98. This assisted 38.1 per cent more vehicles and 21.2 per cent more passengers to be carried (see table 9).

The increase in vehicle numbers, however, was slightly offset by a reduction in freight capacity, resulting in reduced freight revenue. The number of Twenty-foot Equivalent Units (TEUs) of cargo carried by the *Spirit of Tasmania* decreased by 13.5 per cent. This helped increase passenger vehicle capacity to enable the ship to carry more vehicles.

Operating profit for the *Spirit of Tasmania* more than doubled from the previous year (\$2.6 million in 1996/97 to \$5.4 million in 1997/98). However, due to the substantial losses incurred as a result of the *Devil Cat* and *Tas Cat* trials (\$3.6 million), the overall operating profit for TT Line fell from \$2.6 million in 1996/97 to \$1.8 million in 1997/98.

Table 10 gives a breakdown of revenue and expenses generated by TT Line's operations per passenger, per vehicle and per voyage. Revenue per passenger increased by 7.1 per cent (from \$122 per passenger in 1996/97 to \$136 per passenger in 1997/98) while revenue per vehicle increased by 4.8 per cent (from \$145 per vehicle in 1996/97 to \$152 per vehicle in 1997/98).

The *Spirit of Tasmania* reduced its operating costs per voyage by 1.9 per cent (from \$189 137 in 1996/97 to \$185 625 in 1997/98). Due to the smaller size of the *Devil Cat* and the resulting lower costs incurred (\$98 748 per voyage), TT Line had an overall 14.1 per cent decrease in cost per voyage.

Though the *Spirit of Tasmania* more than doubled its profit per voyage, there was a net decrease of 49.7 per cent in profit per voyage (from \$8 198 in 1996/97 to \$4 123 in 1997/98) for the company. A significant proportion of this decrease can be attributed to the losses incurred from the *Devil Cat* (more than \$30 000 per voyage).

Of the overall 314 232 passengers carried by TT Line during 1997/98, the *Spirit of Tasmania* carried 86.4 per cent (271 492) and the catamarans 13.6 per cent (42 740). During its operating period from 17 December 1997 to 18 April 1998, the *Devil Cat* carried 39 384 passengers, which was 27 per cent of the total number carried (146 457) for that period. The *Spirit of Tasmania* increased its total number of passengers per voyage from 829 in 1996/97 to 841 in 1997/98. However, due to the smaller capacity of the *Devil Cat*, the overall number of passengers per voyage carried by TT Line fell to 714 (see table 11).



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TABLE 9 TT LINE SUMMARY OF OPERATIONS

	1996/97	1997/98	Change (%)
<b>Number of Passengers</b>			
<i>Spirit of Tasmania</i>	259 169	271 492	4.8
<i>Devil Cat</i>	n/a	42 740	n/a
<b>Total</b>	<b>259 169</b>	<b>314 232</b>	<b>21.2</b>
<b>Number of Vehicles</b>			
<i>Spirit of Tasmania</i>	80 637	92 753	15.0
<i>Devil Cat</i>	n/a	18 647	n/a
<b>Total</b>	<b>80 637</b>	<b>111 400</b>	<b>38.1</b>
<b>Number of TEUs</b>			
<i>Spirit of Tasmania</i>	22 112	19 116	-13.5
<b>Number of Voyages</b>			
<i>Spirit of Tasmania</i>	313	323	3.2
<i>Devil Cat</i>	n/a	117	n/a
<b>Total</b>	<b>313</b>	<b>440</b>	<b>40.6</b>
<b>Passenger Revenue<sup>1</sup> (\$000)</b>			
<i>Spirit of Tasmania</i>	31 558	34 667	9.9
<i>Devil Cat</i>	n/a	4 964	n/a
<b>Total</b>	<b>31 558</b>	<b>39 631</b>	<b>25.6</b>
<b>Vehicle Revenue<sup>1</sup> (\$000)</b>			
<i>Spirit of Tasmania</i>	11 725	14 054	19.9
<i>Devil Cat</i>	n/a	3 000	n/a
<b>Total</b>	<b>11 725</b>	<b>17 054</b>	<b>45.4</b>
<b>Total Revenue<sup>1</sup> (\$000)</b>			
<i>Spirit of Tasmania</i>	61 766	65 361	5.8
<i>Devil Cat</i>	n/a	7 964	n/a
<b>Total</b>	<b>61 766</b>	<b>73 325</b>	<b>18.7</b>
<b>Total Expense<sup>1</sup> (\$000)</b>			
<i>Spirit of Tasmania</i>	59 200	59 957	1.3
<i>Devil Cat</i>	n/a	11 554	n/a
<b>Total</b>	<b>59 200</b>	<b>71 511</b>	<b>21.0</b>
<b>Operating Profit/(Loss)<sup>2</sup> (\$000)</b>			
<i>Spirit of Tasmania</i>	2 566	5 404	110.6
<i>Devil Cat</i>	n/a	(3 590)	n/a
<b>Total</b>	<b>2 566</b>	<b>1 814</b>	<b>-29.3</b>

Notes:

1. These revenue and expense figures are taken from the profit and loss statement of TT Line's Annual Report. The discrepancies between these and the financial reports (tables 7 and 8) are insignificant for comparative purposes.
2. Operating profit/(loss) before abnormal items and taxation equivalent included.

n/a – not applicable

Source TT Line 1998 Annual Report

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TABLE 10 TT LINE OPERATING REVENUES AND EXPENSES SUMMARY

	1996/97 (\$)	1997/98 (\$)	Change (%)
<i>Spirit of Tasmania</i>			
Revenue per Passenger	122	136	7.1
Revenue per Vehicle	145	152	4.8
Revenue per TEU	771	752	-2.5
Revenue per Voyage	197 335	202 356	2.6
Expense per Voyage	189 137	185 625	-1.9
<b>Profit/(Loss) per Voyage</b>	<b>8 198</b>	<b>16 731</b>	<b>104.1</b>
<i>Devil Cat</i>			
Revenue per Passenger	n/a	116	n/a
Revenue per Vehicle	n/a	161	n/a
Revenue per Voyage	n/a	68 067	n/a
Expense per Voyage	n/a	98 748	n/a
<b>Profit/(Loss) per Voyage</b>	<b>n/a</b>	<b>(30 684)</b>	<b>n/a</b>
<i>TT Line (Total)</i>			
Revenue per Passenger	122	126	3.3
Revenue per Vehicle	145	153	5.5
Revenue per Voyage	197 335	166 648	-15.6
Expense per Voyage	189 137	162 525	-14.1
<b>Profit/(Loss) per Voyage</b>	<b>8 198</b>	<b>4 123</b>	<b>-49.7</b>

n/a – not applicable

Source TT Line 1998 Annual Report - Profit and Loss Statement for year ended 30 June 1998

TABLE 11 *DEVIL CAT AND SPIRIT OF TASMANIA COMPARISON, 1997/98*

Month	<i>Spirit of Tasmania</i>					<i>Devil Cat</i>				
	Voyages	Berth- Only Pass'ers	Vehicle Pass'ers	Total Pass'ers per Voyage	Total V'cles per Voyage	Voyages	Berth- Only Pass'ers	Vehicle Pass'ers	Total Pass'ers per voyage	Total V'cles per voyage
Jul	15	3 241	8 400	776	267	14 <sup>1</sup>	382	2 974	240	114
Aug	26	6 154	14 458	793	282	n/a	n/a	n/a	n/a	n/a
Sep	26	7 784	17 197	961	289	n/a	n/a	n/a	n/a	n/a
Oct	27	7 509	15 576	855	285	n/a	n/a	n/a	n/a	n/a
Nov	25	7 057	13 892	838	285	n/a	n/a	n/a	n/a	n/a
Dec	33	6 416	20 993	831	283	13	860	3 739	354	140
Jan	35	5 381	27 197	931	315	27	1 535	9 983	427	170
Feb	24	6 403	13 821	843	291	24	1 357	7 304	361	170
Mar	28	7 534	16 699	865	308	23	1 218	7 137	363	173
Apr	28	7 332	18 611	926	306	16	1 222	5 029	391	160
May	30	6 137	14 575	690	253	n/a	n/a	n/a	n/a	n/a
Jun	26	5 612	13 513	736	268	n/a	n/a	n/a	n/a	n/a
<b>Total</b>	<b>323</b>	<b>76 560</b>	<b>194 932</b>	<b>841</b>	<b>287</b>	<b>117</b>	<b>6 574</b>	<b>36 166</b>	<b>365</b>	<b>159</b>

1. 14 voyages during July carried out by the *Tas Cat*

n/a - not applicable as the catamaran service did not operate during these month

Source TT Line yield management database

### Changes in total demand for sea travel across Bass Strait

Table 12 indicates that there was a greater increase in the number of passengers travelling south to Tasmania than the number travelling north to Victoria. From 1996/97 to 1997/98 there was a 27.4 per cent increase in one way passenger fares to Tasmania, while over the same period there was only a 12.5 per cent increase in one way fares to Victoria.

Given that there was a 21.2 per cent increase in total passengers carried by TT Line, the percentage that were Victoria-bound actually dropped from 45.8 per cent (118 577) in 1996/97 to 44.3 per cent (139 074) in 1997/98. The percentage that were heading to Tasmania increased from 54.2 per cent (140 592) to 55.7 per cent (175 158).

TABLE 12 DIRECTION OF TRAVEL FOR TT LINE PASSENGERS

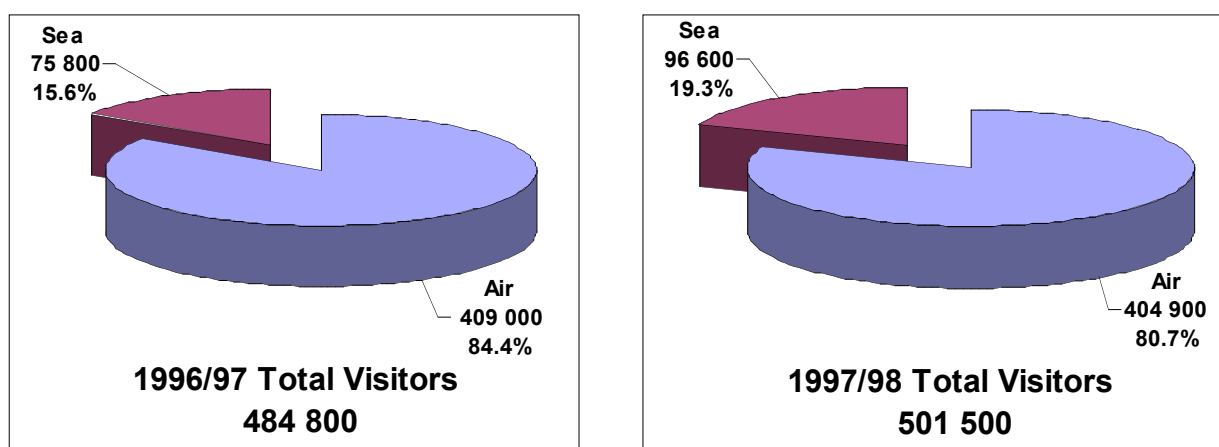
	1996/97	1997/98	Increase	Change (%)
To Tasmania (1 way)	75 800	96 600	20 800	27.4
To Victoria (1 way)	53 785	60 516	6 731	12.5
Return trips <sup>1</sup>	129 584	157 116	27 532	21.2
<b>Total Passengers</b>	<b>259 169</b>	<b>314 232</b>	<b>55 063</b>	<b>21.2</b>

1. A return trip is counted as 1 trip in each direction for this table

Source TT Line yield management database

According to Tourism Tasmania's *Tasmanian Visitor Survey Bulletin*, there was a 4 per cent increase in the number of visitors to Tasmania in 1997/98. Of the 484 800 visitors in 1996/97, 84.4 per cent (409 000) travelled by air and 15.6 per cent (75 800) travelled by sea. In 1997/98, the number of visitors travelling by air fell to 404 900, which was 80.7 per cent of total travellers. In 1997/98 the number of Tasmanian visitors arriving by sea increased by 27.4 per cent on the previous year (see figure 5).

FIGURE 5 MODE OF TRANSPORT TO TASMANIA 1996/97 TO 1997/98



Source *Tasmanian Visitors Survey Bulletin*, Tourism Tasmania

## CONCLUSION

Using the change in passenger numbers as a simple measure of effectiveness, the reduction in fares provided by the Scheme does appear to be resulting in increased demand for sea travel across the Bass Strait. The Scheme, therefore, does appear to be effective. In 1997/98, TT Line carried 314 232 passengers. This was an increase of 21.1 per cent on the previous financial year and a 45.7 per cent increase on 1995/96, the last financial year without the rebate.

This increase in patronage was not due just to extra services being offered. Considering the *Spirit of Tasmania* independently, the average number of passengers carried per voyage was 731 in 1995/96, 829 in 1996/97 and 841 in 1997/98.

Reductions in the amount of freight being carried, coupled with the introduction of the *Devil Cat* during the peak period, have contributed to the increase in both the number of passengers carried and the number of eligible passenger vehicles transported.

Although it is too early to make conclusive statements on the directional effect of the Scheme, the number of visitors to Tasmania has increased, while demand for air travel has slightly decreased, reflecting that a higher percentage of visitors are making use of the ferry services.

It should be noted that during 1996/97 the Tasmanian Government provided \$350,000 for a \$30 discount in the off-peak APEX fare for both Tasmanian and mainland passengers. This subsidy was not offered in 1997/98. However, 53.3 per cent of total passenger fares during 1997/98 were bought at a discount rate offered by TT Line. Although information on the size of each discount per ticket is not available, it does appear that some of the increases in passenger revenue obtained from higher published fares have been offset by greater discounting in the off-peak season.

Since the introduction of the Scheme, TT line has improved its financial position and has introduced a new Bass Strait passenger service during the peak period. Vehicle revenue has increased by 45.4 per cent on the previous financial year, while total revenue increased by only 18.7 per cent. Although increased load factors have resulted in lower operating costs per voyage for the company, the introduction of the *Devil Cat* resulted in a significant increase in TT Line's total expenses. The operating profit for the *Spirit of Tasmania* increased by 110.6 per cent from the previous reporting period. However, the losses incurred by the *Devil Cat* resulted in TT Line reporting a total operating profit 29.3 per cent less than in 1996/97.

## REFERENCES

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## **ATTACHMENT I**

### **CLAUSE 16 OF THE MINISTER'S DIRECTIONS FOR THE OPERATION OF THE BASS STRAIT PASSENGER VEHICLE EQUALISATION SCHEME**

16.1 A Service Operator who claims reimbursement under the Scheme shall be subject to monitoring by the Bureau.

16.2 The Bureau shall, on an annual basis, monitor the effectiveness of the Scheme, with specific regard to:

- (a) movement in a Service Operator's annual operating costs;
- (b) movement in an Operator's revenue; and
- (c) the number of eligible passengers and eligible passenger vehicles carried per annum by the Operator.

16.3 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.