

BASS STRAIT PASSENGER VEHICLE EQUALISATION SCHEME

**BTE MONITORING REPORT
NUMBER 3 – 1998/99**



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Photos courtesy of TT-Line

REVIEW OF THE BASS STRAIT PASSENGER VEHICLE EQUALISATION SCHEME: MONITORING REPORT NO. 3

INTRODUCTION

The then Commonwealth Minister for Transport and Regional Development introduced the Bass Strait Passenger Vehicle Equalisation Scheme (the Scheme), in September 1996. The Scheme provides a rebate against the fare charged by ferry operators 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 Tasmanian Assistance Team, Centrelink (Hobart) under the direction and funding of the Cross-Modal and Maritime Transport (XMT) division of the Department of Transport and Regional Services (DoTRS).

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)¹. The BTE released its second monitoring report in May 1999 for the 1997/98 financial year. The report concluded:

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 Bass Strait. The Scheme, therefore, does appear to be effective. ... In 1997/98, TT Line carried 314 232 passengers ... [which] was an increase of 21.2 per cent on the previous 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 the extra services being offered or the introduction of the *Devil Cat*. 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* service during the peak period, have contributed to the increase in both the number of passengers and the number of eligible vehicles transported.

...

Since the introduction of the Scheme, TT Line has improved its financial position and has introduced a new Bass Strait service during the peak period. Vehicle revenue increased by 45.4 per cent on the previous financial year, while total revenue has increased only 18.7 per cent. Although increased load factors have resulted in lower

¹ Formerly the Bureau of Transport and Communications Economics (BTCE).

operating costs per voyage for the company, the introduction of the *Devil Cat* resulted in a significant increase in TT Line's total expenses (BTE 1999, p. 18)

Objectives of the monitoring report

This third monitoring report covers the period 1 July 1998 to 30 June 1999.

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*² (Ministerial Directions 1998, clause 2.1). However, comments made at the time of the announcement of the Scheme by the then Minister 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 passengers³, 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 passenger demand for travel across Bass Strait, including travel by air, and the origin of this traffic.

OVERVIEW OF THE SCHEME

Calculation of the rebate

The rebate has been calculated on the basis of charging a net fare for an eligible passenger vehicle plus its driver that is comparable to the notional cost of driving an equivalent distance on a highway (equivalent highway cost).

The net fare for an eligible passenger vehicle plus its driver is the sum of the relevant vehicle and passenger fares less the appropriate rebate. For the purposes of the rebate calculation, the adult fare for a 2-4 share 'inside cabin' on the *Spirit of Tasmania* is used as the passenger fare benchmark. This type of accommodation represents approximately 50 per cent of the berths available on the *Spirit of Tasmania*. For the purpose of calculation, the rebate is based on the fare for a passenger vehicle of no more than five metres in length.

The equivalent highway cost is based on the sea distance between the ports of

² An eligible passenger is defined as a passenger accompanying an eligible passenger vehicle on a Bass Strait passenger service, being the driver of that passenger vehicle.

³ While it is the eligible passenger who receives the rebate, it is probable that the benefit would be distributed among all those travelling in the vehicle as the rebate is promoted as being deducted from TT Line's vehicle fares.

Devonport and Melbourne (427 kilometres) multiplied by the estimated running cost

TABLE 1 ONE-WAY TRIP REBATE FOR A DRIVER TRAVELLING WITH AN ELIGIBLE MOTOR CAR, BUS OR MOTOR CYCLE, 1 JULY 1998 TO 30 JUNE 1999

Eligible vehicle	Off-Peak Season	Shoulder Season	Peak Season
	(1 Jul 98 – 26 Sep 98) (18 Apr 99 – 30 Jun 99)	(27 Sep 98 – 11 Dec 98) (24 Jan 99 – 17 Apr 99)	(12 Dec 98 - 23 Jan 99)
Motor car or bus	\$100	\$120	\$150
Motor cycle	\$50	\$60	\$75

Note: The round trip rebate is considered as consisting of two one way trips for the purposes of determining a rebate. It is exactly double the one-way trip rebate provided the Northbound and Southbound legs are in the same season.

Source DoTRS (1998, Schedule 2).

for an average family saloon (39.87 cents per kilometre⁴). This provides an equivalent highway cost of \$170 for a one-way trip. The rebate is capped at a maximum of \$150 per eligible vehicle and eligible passenger per one-way trip.

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 (table 1).

The Minister reviews the value of the rebate each year. However, the rebates have remained unchanged since the commencement of the 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 Ministerial 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

⁴ The 'standard vehicle running cost' is based on the NRMA's study *What it Costs to Run Your Car* (NRMA 1995).

(b) subject to clause 10⁵, 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 open-ended and will vary with the actual level of eligible passenger vehicle travel undertaken. Funding for 1998/99 was originally estimated at \$11.2 million, but this estimate was increased to \$13.6 million on account of the introduction of the *Devil Cat*. Actual Commonwealth expenditure on the Scheme during the 1998/99 financial year totalled \$14 432 015 (Tasmanian Assistance Team, pers. comm. November 1999). During 1998/99, the Commonwealth accrued⁶ \$14 446 755 in rebates in respect of the 124 676 eligible passenger vehicles that were transported during this period (table 2). Funding for 1999/2000 is estimated to be \$15.5 million based on the carriage of 133 000 vehicles.

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 to new operator's services.

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* and the *Devil Cat*; 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 during the summer period (December to April). The *Matthew Flinders* operates services between Bridport (Tasmania) and Welshpool (Victoria) via Flinders and Deal Islands. Since Southern Shipping received rebates totalling only \$3290 for 28 eligible passenger vehicles carried during the monitoring period, this report focuses on the operations of TT Line.

⁵ 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.

⁶ The difference between expenditure and accrued rebates is due to the method of reimbursing rebates to TT Line. The monthly reimbursements are calculated on the advance bookings for the coming month plus the *balance* between the previous month's advance bookings and the number of eligible vehicles actually transported.

Reimbursements made to TT Line

For the period 1 July 1998 to 30 June 1999, the Commonwealth reimbursed TT Line \$14.4 million in respect of rebates for 124 676 eligible vehicles. This was an increase of 11.7 per cent (\$1.5 million) on the previous financial year, when \$12.9 million was paid for 111 465 eligible vehicles (table 2). There has been a 42.1 per cent increase in average monthly reimbursements between 1996/97 (the Scheme's first 10 months of operation) and 1998/99. The introduction of the *Devil Cat* service in 1997/98 provided additional capacity to service the increased demand.

There was significant monthly variation in the numbers of eligible vehicles transported and the rebates paid compared with 1997/98. The unavailability of the *Spirit of Tasmania* for two weeks in July 1997⁷ will have affected passenger numbers, leading to the substantial increase for July 1998 (table 2). The large increase in April 1999 will have been influenced by Easter and school holidays.

Of all the vehicles carried by TT Line, 95.8 per cent were motor cars, 3.9 per cent were motor cycles and 0.3 per cent were buses (table 3). These proportions were similar to those for previous years. Eligible motor cars attracted 97.7 per cent of the rebate compared with 2.1 per cent for motor cycles.

TABLE 2 REIMBURSEMENTS MADE TO TT LINE BY MONTH, 1997/98 - 1998/99

Month	Total reimbursements (\$)		
	1997/98	1998/99	Change
July	562 400	755 200	34.3%
August	727 500	616 050	-15.3%
September	751 210	807 470	7.5%
October	892 260	1 093 200	22.5%
November	841 500	827 340	-1.7%
December	1 548 330	1 370 430	-11.5%
January	2 202 555	2 632 575	19.5%
February	1 293 420	1 486 620	14.9%
March	1 432 920	1 455 360	1.6%
April	1 242 320	1 655 660	33.3%
May	753 000	866 000	15.0%
June	691 150	880 850	27.4%
Total	12 938 565	14 446 755	11.7%

Source Tasmanian Assistance Team, Centrelink

⁷ The *Spirit of Tasmania* was in dry dock for two weeks in July 1997. During this period the *Tas Cat* undertook 14 voyages.

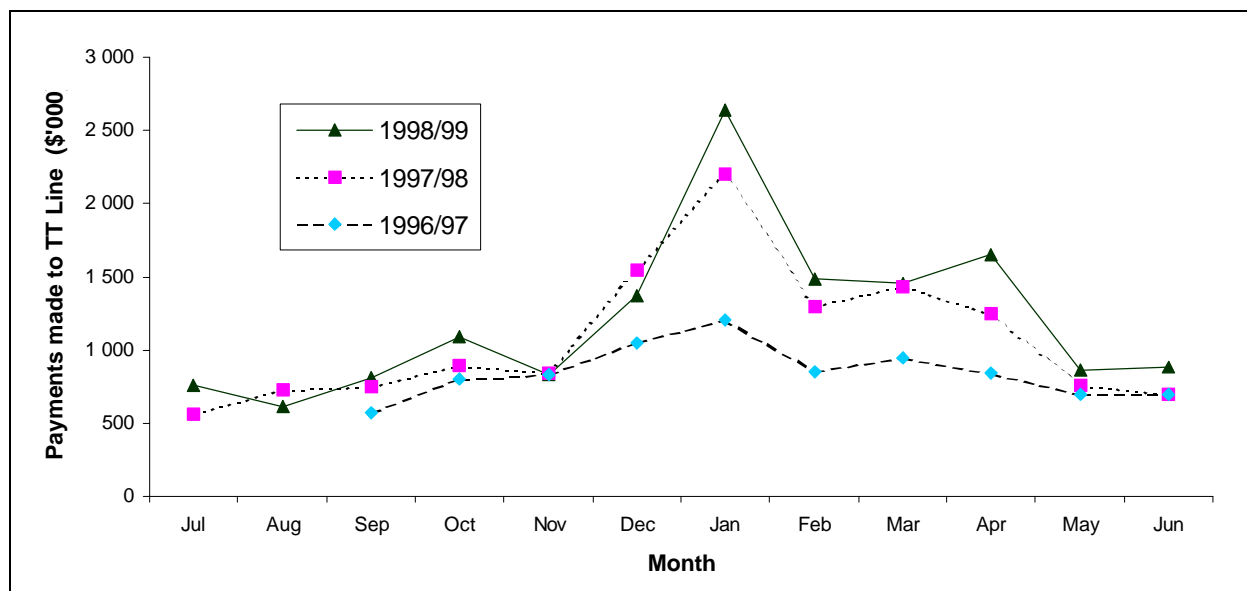
TABLE 3 REIMBURSEMENTS TO TT LINE BY VEHICLE TYPE, 1 JULY 1998 TO 30 JUNE 1999

Eligible vehicle type	Number of vehicles	Rebate paid (\$'000)
Motor cars	119 487	14 112
Buses	310	36
Motor cycles	4 879	299
Total	124 676	14 447

Note An additional \$3 290 in rebates were paid to Southern Shipping in the same period for the carriage of 28 eligible passenger vehicles (increasing the total rebates to \$14 450 045).

Source Tasmanian Assistance Team, Centrelink

FIGURE 1 COMPARISON OF MONTHLY REBATES PAID TO TT LINE PASSENGERS, 1996/97 – 1998/99



Source Tasmanian Assistance Team, Centrelink

The seasonal nature of demand, combined with the higher rebates provided for peak season travel, resulted in significant variation in monthly payments made under the Scheme (table 2). In addition to the voyages of the *Spirit of Tasmania*, the *Devil Cat* completed 171 voyages between 12 December 1998 and 18 April 1999, representing a 66 per cent increase on the 103 voyages made over the equivalent period in 1997/98. The additional *Devil Cat* voyages enabled extra passenger vehicles to be carried and resulted in the increase in rebate payments made during this period on top of the dramatic increase that followed the *Devil Cat's* introduction in the 1997/98 peak period (figure 1).

TABLE 4 SELECTED TT LINE FARES 1998/99, ONE WAY
(\$)

Passenger Fares^a						
<i>Passenger type</i>	<i>Off-peak season</i>		<i>Shoulder season</i>		<i>Peak season</i>	
Adult	151		160		176	
Seniors	128		136		149	
Tertiary student	113		120		134	
Child/ Student	76		81		89	
Vehicle Fares						
<i>Vehicle class</i>	<i>Gross</i>		<i>Net^b</i>		<i>Net^b</i>	
Motor Bike	75	25	85	25	105	30
<i>Any vehicle less than 1.9m wide and less than 6m in length</i>						
0.1-5.0m	130	30	150	30	190	40
5.1-6.0m	155	55	175	55	225	75
<i>Any vehicle more than 1.9m wide and less than 6m in length</i>						
0.1-6.0m	174	74	269	149	299	149
<i>Any vehicle more than 6 metres in length</i>						
6.1-7.0m	218	118	318	198	363	213
7.1-8.0m	262	162	367	247	427	277
8.1-9.0m	306	206	416	296	491	341
9.1-10.0m	350	250	465	345	555	405
10.1-11.0m	394	294	514	394	619	469
Over 11.0m ^c	44	44	49	49	64	64

Notes Maximum height of any vehicle is 4.2m, maximum width of any vehicle is 2.4m

a Inside cabin (2 or 4 bunk) – this is the benchmark accommodation on the *Spirit of Tasmania* for purposes of calculating the rebate.

b Net vehicle fares are what the customer pays (ie. the gross vehicle fare less the appropriate BSPVES rebate)

c Additional charge per metre

Source TT Line fare schedule

EFFECTIVENESS OF THE SCHEME

To determine the effectiveness of the Scheme, the BTE considered the following:

- the extent to which eligible passengers benefited from changes in gross and net fares;
- changes in the number of eligible passenger vehicles and number of passengers accompanying those vehicles;
- TT Line's unit operating cost; and
- changes in the total demand for passenger travel across Bass Strait.

Changes in gross fares and net fares

There were no changes in the selected nominal fares between 1997/98 and 1998/99 (table 4) or in the rebates. Consequently there were no changes in the net fares paid. This compares with a 4.0 per cent increase in average⁸ fares from 1996/97 to 1997/98 and a 5.2 per cent increase in gross fares from 1995/96 to 1996/97 (BTE 1999, p.6)⁹.

Effect on passenger vehicle numbers

According to TT Line's yield management database, TT Line carried 124 400 vehicles of all types during the 1998/99 financial year, which was an increase of 11.7 per cent (13 000 vehicles) on the previous financial year. This is a slowing of growth in vehicle numbers following the 38.1 per cent increase between 1996/97 and 1997/98 incorporating the introduction of the *Devil Cat* and the 28.1 per cent increase between 1995/96 and 1996/97 incorporating the start of the Scheme. Vehicle numbers have almost doubled (increasing by 97.5 per cent) over the three years of the Scheme's operation.

The extension of vehicle decks on the *Spirit of Tasmania* during 1998/99 increased its car carrying capacity by approximately 60 vehicles per sailing, which allowed it to carry 5 per cent more vehicles per voyage compared with 1997/98. However, overall, there was a small (2.8 per cent) decrease in the average number of vehicles carried per voyage for both vessels combined (TT Line 1999, p.1)

Effect on passenger movements

During the 1998/99 financial year, TT Line carried a total of 343 324 passengers, a 9.3 per cent increase on the previous year (table 5)¹⁰. Overall, there has been a 58.9 per cent increase in passenger numbers over the three years of the Scheme's operation.

⁸ From TT Line's 1996/97 and 1997/98 Annual Reports - increases in weighted average nominal adult passenger fares.

⁹ Since 30 June 1999, *Spirit of Tasmania* passenger and vehicle fares were increased by approximately 6 per cent. *Devil Cat* non-driver passenger fares decreased by approximately 24 per cent and *Devil Cat* driver fares increased by approximately 19 per cent (effective 26 September 1999).

All TT Line fares will increase by a further 7.2 per cent from 1 July 2000 when they become GST inclusive.

¹⁰ The data in table 5 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 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.

TABLE 5 TOTAL PASSENGERS CARRIED BY TT LINE, 1997/98 – 1998/99

Passenger type	Number of passengers		Change
	1997/98	1998/99	
Motor vehicle	231 098	261 487	13.1
Berth-only	93 134	81 837	-1.6
Total	314 232	343 324	9.3

Source TT Line yield management database

The 1.6 per cent decrease in berth-only (foot) passengers (table 5) was in contrast to the 13.1 per cent increase in motor vehicle passenger numbers. The corresponding changes between 1996/97 and 1997/98 were a decrease of 9.4 per cent and an increase of 37.7 per cent respectively. It is worth noting that the *Devil Cat* only had 10.0 per cent of its passengers being berth-only (foot) passengers compared with 26.3 per cent for the *Spirit of Tasmania*.

The average number of occupants per vehicle remained steady at 2.1—this was also the ratio reported in 1995/96, 1996/97 and 1997/98 (BTE. 1999, p.11).

Summary of passenger and vehicle movements

The Scheme has had a positive effect on passenger and vehicle numbers for TT Line. During 1998/99, compared with 1997/98:

- The number of passengers travelling with a motor vehicle increased by 13 per cent;
- The number of foot passengers decreased 1.6 per cent; and
- The total number of passenger vehicles increased by 12 per cent.

The increases occurred despite there being no change in gross or net fares, suggesting that other factors may also be influencing demand. Promotion by the tourism industry is one possible factor. However, the BTE has no information on tourism promotion expenditure or its trends.

In addition, demand for travel across Bass Strait is subject to the same economic forces that influence travel patterns elsewhere in Australia. Although the Scheme undoubtedly has been the major factor behind the substantial growth in passengers during the last three years, the more general factors influencing travel demand also will have contributed.

The continued increase in passenger numbers indicates that the Scheme has been successful in increasing demand. The different response by motor vehicle passengers and foot passengers indicates that the Scheme has had an impact on those passengers benefiting from the Scheme. Prospective foot passengers may also have an incentive to take a motor vehicle to take advantage of the subsidy.

TABLE 6 TT LINE OPERATING EXPENDITURE, 1997/98 – 1998/99

	1997/98	1998/99	Change (per cent)
Total operating expenditure (\$'000)	61 439	63 435	3.2
Operating expenditure per voyage ^a (\$)	139 634	125 614	-10.0

a The expenditure per voyage figures are based on the 323 *Spirit of Tasmania* voyages and 117 *Devil Cat* voyages (14 by the *Tas Cat* and 103 by the *Devil Cat*) in 1997/98, and the 334 *Spirit of Tasmania* voyages and 171 *Devil Cat* voyages in 1998/99.

Source TT Line financial reports

TABLE 7 TT LINE OPERATING REVENUE

	1997/98	1998/99	Change (per cent)
Total revenue (\$'000)	72 860	80 058	9.9
Revenue per voyage ^a (\$)	165 591	158 531	-4.3

a The revenue per voyage figures are based on the 323 *Spirit of Tasmania* voyages and 117 *Devil Cat* voyages (14 by the *Tas Cat* and 103 by the *Devil Cat*) in 1997/98, and the 334 *Spirit of Tasmania* voyages and 171 *Devil Cat* voyages in 1998/99.

Source TT Line financial reports

TT LINE'S OPERATING PERFORMANCE

Operating Costs

TT Line's operating costs in 1998/99 amounted to \$63.4 million—a 3.2 per cent increase on the previous financial year. A significant proportion of this expense can be attributed to the *Devil Cat* service. The cost per voyage of the *Devil Cat* was less than for the *Spirit of Tasmania*. The lower cost per voyage for the *Devil Cat* and its increased number of voyages contributed to TT Line reducing overall expenditure per voyage by 10 per cent (table 6).

Reductions in operations and administration were the major contributors to lower voyage costs. Some of the reduction in costs per voyage can be attributed to fixed costs being distributed over a larger number of voyages. However, aggregate costs were reduced for all cost components except hotel services, indicating that some efficiency gains had been achieved. Generally lower fuel costs during 1998/99 would also have assisted in reducing operating costs for both vessels.

Operating Revenue

TT Line earned \$80.1 million in revenue during 1998/99, which was a 9.9 per cent increase on the previous financial year. A significant proportion of the increase can

TABLE 8 TT LINE SUMMARY OF OPERATIONS

	1996/97	1997/98	1998/99	Change ^a (%)
Number of Passengers	259 169	314 232	343 338	9.3
Number of Vehicles	80 637	111 400	124 395	11.7
Number of TEUs	22 112	19 116	20 589	7.7
Number of Voyages	313	440	505	14.8
Passenger Revenue (\$'000)	31 558	39 631	45 610	15.1
Vehicle Revenue (\$'000)	11 725	17 054	18 705	9.7
Total Revenue (\$'000)	61 766	73 325	80 607	9.9
Total Expense (\$'000)	59 200	71 511	73 230	2.4
Operating Profit/(Loss) ^b (\$'000)	2 566	1 814	7 377	306.7

Note: The figures in this table are taken from the annual report. There are minor differences from the figures in earlier tables, which were taken from TT Line's yield management system.

a. 1998/99 compared with 1997/98

b. Operating profit/(loss) before abnormal items and taxation equivalent payments.

n/a not applicable

Source TT Line (1998, 1999)

TABLE 9 TT LINE OPERATING REVENUES AND EXPENSES SUMMARY

	1996/97 (\$)	1997/98 (\$)	1998/99 (\$)	Change ^a (%)
Revenue per Passenger	122	126	133	5.4
Revenue per Vehicle	145	153	150	-1.7
Revenue per Voyage	197 335	166 648	159 618	-4.2
Expense per Voyage	189 137	162 525	145 010	-10.8
Profit/(Loss) per Voyage	8 198	4 123	14 608	254.3

a 1998/99 compared with 1997/98

n/a – not applicable

Source TT Line (1998, 1999)

be attributed to the *Devil Cat* service undertaking an extra 46 per cent voyages in 1998/99 (171 compared with 117). However, the smaller capacity of the *Devil Cat* compared with the *Spirit of Tasmania*, and the increased proportion of voyages made by the *Devil Cat* (33.9 per cent of voyages in 1998/99 compared with 23.2 per cent in 1997/98) resulted in the company's overall revenue per voyage falling by 4.3 per cent (table 7).

Summary of TT Line's operations

The 1998/99 financial year was a positive one for TT Line. The results for the year (tables 8 and 9) included:

- an increase in operating profit of 307 per cent;

- an increase in revenue per passenger of 5.4 per cent;
- an increase of 14.8 per cent in the number of voyages;
- a reduction of 10.0 per cent in the operating costs per voyage and an increase of profit per voyage of 254 per cent; and
- an increase of 7.7 per cent in the number of TEUs carried by the *Spirit of Tasmania*.

CHANGES IN TOTAL DEMAND FOR SEA TRAVEL ACROSS BASS STRAIT

Table 10 indicates that there has been a consistent increase in the number of passengers travelling across Bass Strait from 1996/97 to 1998/99. The increase in passengers with Tasmania as an origin has slowed from 16.1 per cent between 1996/97 and 1997/98 to 1.1 per cent between 1997/98 and 1998/99. There has been a larger increase in the number of visitors.

Although the increase in visitors to Tasmania is larger than the increase in Tasmanian travellers, the visitor increase has remained relatively steady, being 27.9 per cent between 1996/97 and 1997/98 and 25.7 per cent between 1997/98 and 1998/99. The Tasmanian Visitor Survey results provide some evidence that the Scheme has had success in attracting additional visitors to Tasmania (table 10).

According to the results of the *Tasmanian Visitor Survey 1998/99*, there was a 6.1 per cent increase in the total number of passengers travelling across Bass Strait by air and sea in 1998/99. Of the estimated 964 419 passengers travelling in 1998/99, 82.2 per cent (792 829) travelled by air and 17.8 per cent (171 590) travelled by sea. In 1998/99, the number of visitors travelling by air increased by 3.8 per cent, which more than compensated for the 1.7 per cent decrease in air travel between 1996/97 and 1997/98 (figure 2).

TABLE 10 ORIGIN OF TRAVEL FOR TT LINE PASSENGERS

Origin	1996/97		1997/98		1998/99	
	Number	Proportion	Number	Proportion	Number	Proportion
Tasmania	39 993	34.0%	46 440	31.9%	46 930	27.4%
Visitors ^a	77 531	66.0%	99 149	68.1%	124 660	72.6%
Total (return) trips^b	117 524	100.0%	145 589	100.0%	171 590	100.0%

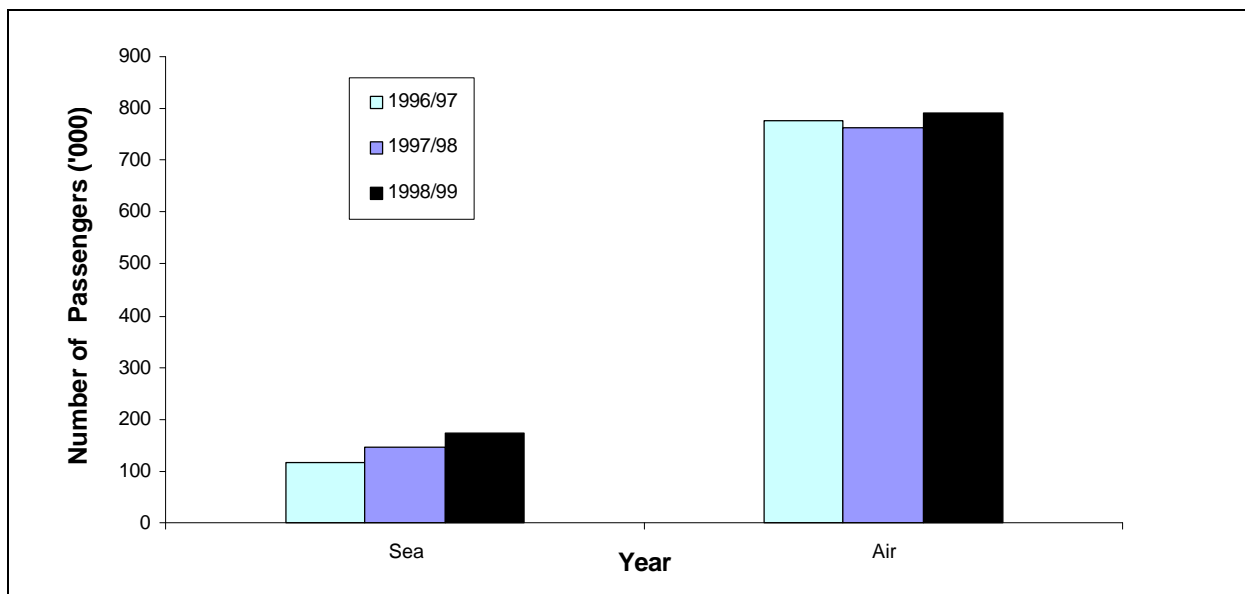
Note: These figures are estimates based on a voluntary survey of 10 000 to 11 000 passengers selected randomly as they departed Tasmania. Standard errors vary, but are likely to average in the vicinity of 4000.

a Visitors are passengers with their place of residence outside Tasmania.

b The estimates are effectively for the number of return trips. The number of equivalent one-way trips will be twice the number of return trips.

Source Tourism Tasmania (1997, 1998, 1999)

FIGURE 2 MODE OF TRANSPORT TO TASMANIA 1996/97 TO 1998/99



Source Tourism Tasmania(1997, 1998, 1999)

CONCLUSION

Based on the criteria for assessing effectiveness of the Scheme, it can be concluded that the Scheme has achieved the objectives set for it.

Gross and net fares

There were no changes in fare levels or in the rebate during 1998/99.

Passenger and vehicle numbers

With a significant decrease in net fares for eligible vehicles, it is reasonable to expect that numbers of passengers and vehicles would increase as a result of the Scheme. This has been borne out in practice. Both passenger numbers and vehicle numbers have increased significantly since the introduction of the Scheme. In 1998/99 passenger number increased by 9.3 per cent on the previous financial year and since 1995/96, the last financial year without the rebate, numbers have increased by 58.9 per cent.

There was an 11.7 per cent increase in the number of vehicles carried by TT Line in 1998/99. Vehicle traffic has almost doubled, increasing by 97.5 per cent, over the three years of the Scheme.

Promotion of Tasmania as a tourist destination will have had an effect on the number of passengers. The BTE has no information about the level of promotional expenditure or its trends. The existence of subsidised TT Line fares will have

provided promotional opportunities to the tourism industry. Economic factors influencing domestic passenger travel will also have had an influence on Bass Strait passenger demand. However, it is clear the Scheme has been the main driving force behind the substantial growth since the Scheme's inception.

TT Line's operating performance

Since the introduction of the Scheme, TT line has improved its financial position considerably. Record passenger and vehicle numbers as well as reduced operating costs during 1998/99, contributed to the company's record profit of \$7.4 million after tax-equivalent payments. This represents a 307 per cent increase on its \$1.8 million profit in 1997/98. Shareholder equity increased by \$9.3 million to \$56.7 million and the cash position of the company improved a further \$2.1 million after repaying a further \$7.4 million of debt (TT Line 1999, p.1).

The increased profits for 1998/99 have contributed to TT Line debt reduction. TT Line has stated in its annual report that debt reduction is the central feature of its business strategy. The improved financial performance has not resulted in reduced fares for passengers, although there were no increases during 1998/99. However, pricing strategy would need to take into account expected demand, load factors of the two vessels and anticipated prices for inputs. Fare structures and levels are ultimately a commercial matter for TT Line.

Total demand for travel across Bass Strait

Overall, the Scheme has been successful in promoting sea travel across Bass Strait through the use of subsidised fares. A large proportion of increased travel across Bass Strait has come from increased visitor numbers to Tasmania, which should be of benefit to the Tasmanian tourist industry.

The number of air passengers does not appear to have been affected significantly by the existence of subsidised sea travel.

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ATTACHMENT I

CLAUSE 16 OF THE MINISTERIAL 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*¹¹.

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.

¹¹ Clause 1.1(d) of the Ministerial Directions (November 1998) defines '*The Bureau*' as meaning the Bureau of Transport Economics (BTE).
