

**BASS STRAIT PASSENGER VEHICLE
EQUALISATION SCHEME**

**BTE MONITORING REPORT NO. 4
1999-2000**

Bureau of Transport Economics

Canberra

May 2001

Disclaimers

The BTE seeks to publish its work to the highest professional standards. However, it cannot accept responsibility for any consequences arising from the use of information herein. Readers should rely on their own skill and judgement in applying any information or analysis to particular issues or circumstances.

Cover photographs courtesy of TT-Line Company Pty Ltd

CONTENTS

EXECUTIVE SUMMARY		ix
CHAPTER 1	INTRODUCTION	1
	Overview of Bass Strait travel	1
	Services and operators	1
	The Scheme	2
	Requirement for monitoring	3
	Outline of the report	3
CHAPTER 2	OPERATION OF THE SCHEME	5
	Coverage	5
	Calculation of the rebate	6
	Method of payment	7
	Payments under the Scheme	8
CHAPTER 3	EFFECTIVENESS OF THE SCHEME	12
	Fares	12
	Passenger and vehicle numbers	14
	Factors affecting traffic levels	18
	Operating revenue and expenses	21
CHAPTER 4	CONCLUDING COMMENTS	26
APPENDIX I	CLAUSE 16 OF THE MINISTERIAL DIRECTIONS	28
REFERENCES		30

TABLES

1.1	Number of passengers travelling between Tasmania and the mainland, 1999-2000	2
2.1	One-way trip rebate for driver with eligible vehicle, 1999-2000	7
2.2	TT-Line one-way net fares for selected vehicle classes, 30 June 2000	7
2.3	Reimbursements to TT-Line by claim period, 1998-99 and 1999-2000	9
3.1	Impact of rebates on one-way fares for <i>Spirit of Tasmania</i> , 1996 and 2000	12
3.2	Benchmark one-way passenger fares for <i>Spirit of Tasmania</i> , end of 1999-2000	13
3.3	Selected operational data for TT-Line, 1995-96 to 1999-2000	14
3.4	Number of visitors travelling to Tasmania, by purpose and mode, 1996-97 to 1999-2000	16
3.5	Changes in travel to and from Tasmania, 1996-97 to 1999-2000	16
3.6	Selected financial information for TT-Line, 1996-97 to 1999-2000	20
3.7	Financial indicators for TT-Line, 1996-97 to 1999-2000	21

FIGURES

2.1	Rebate reimbursements to TT-Line under Bass Strait Passenger Vehicle Equalisation Scheme, 1996-97 to 1999-2000	9
2.2	Reimbursements to TT-Line, by claim period, 1996-97 to 1999-2000	10
3.1	Numbers of passengers and vehicles (one-way) carried by TT-Line, 1990-91 to 1999-2000	15
3.2	Numbers of sea and air passengers carried across Bass Strait, 1993-94 to 1999-2000	18
3.3	Number of sea passengers carried across Bass Strait, by category, 1995-96 to 1999-2000	19
3.4	TT-Line's operating revenue and expenses, 1992-93 to 1999-2000	22
3.5	TT-Line's operating revenue and reimbursements, 1992-93 to 1999-2000	23

EXECUTIVE SUMMARY

This report presents the results of the BTE's fourth annual review of the Bass Strait Passenger Vehicle Equalisation Scheme (the Scheme), covering 1999-2000.

TRANSPORT ACROSS BASS STRAIT

Tasmania is reliant on air and sea transport for the movement of cargo and passengers to or from locations outside the State.

In 1999-2000, 918 300 visitors and Tasmanian residents travelled between Tasmania and the mainland. Approximately 17 per cent of these passengers used sea transport, with the remainder travelling by air. Most of the visitors travelled to Tasmania for holiday/leisure (55 per cent), to visit friends and relatives (21 per cent), or for business purposes (16 per cent).

TT-Line provided the main Bass Strait shipping service for passengers and accompanied vehicles in 1999-2000. It operated two ships on the route—the *Spirit of Tasmania* (capacity of around 1300 passengers and up to 360 vehicles) throughout the year and the *Devil Cat* (capacity of nearly 700 passengers and up to 200 cars) in the December-April period.

THE SCHEME

In August 1996 the Commonwealth Government announced the introduction of the Bass Strait Passenger Vehicle Equalisation Scheme. The Scheme applied to travel across Bass Strait from 1 September 1996.

The Scheme provides a rebate against the fare charged by a ferry operator to transport a driver plus passenger vehicle across Bass Strait. The rebate is calculated on the basis of a net fare, for an eligible vehicle plus its driver, that is comparable to the notional cost of driving an equivalent distance on a highway.

The one-way rebate for a motor car or bus was initially set at \$100 in the off-peak season, \$120 in the shoulder season and \$150 in the peak season. Lower rebates applied to motor cycles. The rebates remained unchanged between 1 September 1996 and the end of 1999-2000. Payments under the Scheme in 1999-2000 totalled \$14.2 million, a slight decline from the previous year.

The Scheme applies to any ship operator providing passenger and vehicle services across Bass Strait. Thus, any new operator entering the trade is eligible to participate in the Scheme under the same conditions as an existing operator.

REQUIREMENT FOR MONITORING

The Ministerial Directions that govern the operation of the Scheme require the Bureau of Transport Economics (BTE) to monitor the effectiveness of the Scheme on an annual basis, with specific regard to:

- movement in a service operator's annual operating costs;
- movement in a service operator's revenue; and
- the number of eligible passengers and eligible passenger vehicles.

Other relevant factors are the aim of the Scheme, which is to reduce the cost of sea travel for an eligible passenger, and the impact on Tasmanian tourism.

The BTE prepared earlier reports on the effectiveness of the Scheme in 1998, 1999 and 2000.

EFFECTS OF THE SCHEME

The Scheme has resulted in a significant decline in the cost of sea travel across Bass Strait. Estimates prepared by the BTE indicate that there was an initial decrease of 25-30 per cent in the fares for a standard vehicle and two accompanying passengers using a 2-4 berth inside cabin.

TT-Line's passenger fares increased by around 4 per cent on average during 1999-2000, and vehicle fares were unchanged. The operation of the Scheme provided ongoing savings to passengers travelling with eligible vehicles over this period. Payments under the Scheme were equivalent to 18 per cent of TT-Line's total revenue in 1999-2000.

Fare reductions of the magnitude associated with the Scheme would be expected to stimulate increased travel by sea across Bass Strait. This could involve the diversion of travellers (particularly tourists) from other markets and possibly from air transport.

There were increases of 59 per cent in sea passenger numbers and 97 per cent in vehicle numbers on the Bass Strait route between 1995-96 (the year prior to the commencement of the Scheme) and 1998-99. A decline in passenger numbers (6 per cent) and vehicle traffic (3 per cent) in 1999-2000, compared to the previous year, was attributable to special circumstances (i.e. engine problems on the *Spirit of Tasmania* and a reduction in the number of voyages).

It is difficult to quantify the impact of the Scheme, due to the presence of other influences such as changes in air fares and domestic economic conditions. In addition, it is often not possible to compare trends before and after the

introduction of the Scheme, as a result of data limitations and changes in ships and fare structures. However, several factors indicate that the Scheme has contributed to increased sea traffic between the mainland and Tasmania:

- growth of 51 per cent in sea passenger traffic on the Bass Strait route between 1995-96 and 1999-2000, while air passenger numbers remained virtually unchanged;
- a 91 per cent increase in the number of vehicles (which closely reflects changes in eligible vehicles and eligible passengers) carried across Bass Strait by sea since 1995-96;
- rapid growth in the number of holiday travellers to Tasmania using sea transport (74 per cent), which is significantly above growth in the number of these travellers carried by air transport (19 per cent) since 1996-97; and
- growth of 89 per cent in the number of motor vehicle passengers carried by sea across Bass Strait from 1995-96, but a decline (11 per cent) in the number of berth-only sea passengers.

TT-Line's operating revenue increased by 25 per cent (21 per cent in real terms) between 1996-97 and 1999-2000, driven by growth in passenger and vehicle traffic. There was a decline of 4 per cent in 1999-2000, compared with the previous year, due to one-off factors. Average revenue per passenger rose by 18 per cent (14 per cent in real terms) over the period from 1996-97, and by 5 per cent in the most recent year. Average revenue per vehicle increased by 10 per cent (6 per cent in real terms) and 6 per cent respectively over these periods.

Operating expenses rose by 30 per cent (26 per cent in real terms) between 1996-97 and 1999-2000. There was a 5 per cent increase in 1999-2000 compared with the previous year. On a per passenger basis, TT-Line's operating expenses increased by 5 per cent (1 per cent in real terms) over the period from 1996-97, and by 12 per cent over the most recent year.

The changes in operating expenses particularly reflect the introduction of a second vessel (the *Devil Cat*) in 1997-98, and variations in the number of voyages undertaken by TT-Line's two ships. Other factors include one-off repair/maintenance costs in 1999-2000 and fluctuations in fuel prices.

There has been significant variability in TT-Line's operating profit over the last four years. The operating profit of \$236 000 in 1999-2000 was well below the figure of \$7.4 million in the previous year, reflecting lower revenue and higher operating costs.

As this report covers the period up to the end of 1999-2000, it does not include the impact of the GST or increases in fuel prices after mid-2000. These developments will be considered in the next BTE monitoring report, covering 2000-01.

CHAPTER 1 INTRODUCTION

Tasmania is reliant on air and sea transport for the movement of cargo and passengers to or from locations outside the State. Passenger and vehicle services across Bass Strait are particularly important, as tourism is a major component of Tasmania's economy.

OVERVIEW OF BASS STRAIT TRAVEL

Table 1.1 provides information on passenger journeys between Tasmania and the mainland in 1999-2000.

Approximately 918 300 passengers travelled across Bass Strait in 1999-2000. They comprised 531 600 domestic and overseas visitors to Tasmania (58 per cent of total passengers) and 386 700 Tasmanian residents travelling to the mainland (42 per cent of total passengers).

Most of the domestic and overseas visitors travelled to Tasmania for holiday/leisure (55 per cent), to visit friends and relatives (21 per cent), or for business purposes (16 per cent). Around 79 per cent of visitors used air transport across Bass Strait, and 21 per cent travelled by sea.

Tasmanian residents who travelled to the mainland primarily went for holiday/leisure (38 per cent), for business purposes (26 per cent) or to visit friends and relatives (24 per cent). Around 90 per cent of Tasmanians travelled by air, and 10 per cent used sea transport.

SERVICES AND OPERATORS

TT-Line operated the two ships that provided the main passenger services across Bass Strait in 1999-2000. These ships carried 17 per cent of passenger traffic (air and sea) on the route, as well as most of the accompanying motor vehicles.

The *Spirit of Tasmania* transported around 90 per cent of the sea passengers moved across Bass Strait. This vessel, which commenced service in November 1993, operated all year round and completed 347 crossings in 1999-2000. It can carry around 1300 passengers and up to 360 vehicles and 70 standard shipping containers on each voyage.

The *Devil Cat* carried almost 10 per cent of the sea passengers moved across Bass Strait. This high-speed catamaran operated over four months during the peak season in summer and autumn, and completed 108 crossings in 1999-2000. It has a capacity of nearly 700 passengers in aircraft-type seating, and can carry more than 200 cars (with a reduced passenger load).

Small numbers of vehicles were also carried on the *Matthew Flinders* during 1999-2000, and on several cargo ships in September 1999 when the *Spirit of Tasmania* was out of service due to engine problems.

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). 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).

TABLE 1.1 NUMBER OF PASSENGERS TRAVELLING BETWEEN TASMANIA AND THE MAINLAND, 1999-2000^a

<i>Purpose of travel</i>	<i>Air</i>	<i>Sea</i>	<i>Total</i>
Visitors to Tasmania			
Holiday/leisure	204 500	86 000	290 500
VFR ^b	95 800	17 500	113 300
Business	80 300	4 800	85 100
Conference	24 800	1 000	25 800
Other reason	14 000	2 900	16 900
Total visitors	419 400	112 200	531 600
Tasmanians			
Holiday/leisure	128 500	19 600	148 100
VFR ^b	86 800	7 600	94 400
Business	95 100	3 700	98 800
Conference	6 900	500	7 400
Leaving Tasmania	4 800	6 900	11 700
Other reason	24 000	2 300	26 300
Total Tasmanians	346 100	40 600	386 700
<i>Total passengers</i>	<i>765 500</i>	<i>152 800</i>	<i>918 300</i>

a. Excludes minors and day trippers/excursionists.

b. Visiting friends and relatives.

Note Figures may not add to totals due to rounding.

Source Tourism Tasmania (2001).

The Scheme, which applied to travel from 1 September 1996, provides a rebate against the fare charged by a ferry operator to transport a driver plus passenger vehicle across Bass Strait. It operates under a set of Ministerial Directions issued by the Minister for Regional Services, Territories and Local Government.

The Ministerial Directions are administered by Tasmanian Assistance Services (part of Centrelink). Direction and funding are provided by Cross-Modal and Maritime Transport Division (Department of Transport and Regional Services).

REQUIREMENT FOR MONITORING

Clause 16 of the Ministerial Directions (see appendix I) requires the Bureau of Transport Economics (BTE) to monitor the effectiveness of the Scheme on an annual basis. It states that the BTE should have specific regard to movements in a service operator's revenue and annual operating costs, and the annual number of eligible passengers and eligible passenger vehicles.

The BTE prepared reports on the effectiveness of the Scheme in 1998, 1999 and 2000. The most recent report, covering 1998-99, was completed in April 2000. The BTE generally concluded that the fare reductions provided by the Scheme appeared to be resulting in increased demand for sea travel across Bass Strait.

OUTLINE OF THE REPORT

This report presents the results of the BTE's fourth annual review of the effectiveness of the Scheme, covering 1999-2000. It primarily examines fare changes, traffic levels, and operating revenue and expenses. This is similar to the earlier reports. The BTE has also been able to undertake more detailed analysis of some aspects due to the availability of data for longer periods.

Chapter 2 covers the operation of the Scheme. It describes the coverage, calculation of the rebate, the method of payment, and payments.

Chapter 3 examines the effectiveness of the Scheme. It includes analysis of changes in fares paid by travellers, passenger and vehicle numbers, factors affecting traffic levels, and operating revenue and expenses.

Chapter 4 presents some concluding comments.

This report incorporates data provided by TT-Line (from its yield management database and annual reports), Tasmanian Assistance Services and Tourism Tasmania. There are some discrepancies in the operational and financial data from individual sources, but these discrepancies do not appear to affect the overall findings of the study.

In general, 1995-96 is the preferred base period for the analysis, as this is the year immediately prior to the introduction of the Scheme. However, the BTE's analysis of several aspects starts in 1996-97, as this is the earliest year for which certain data are available.

CHAPTER 2 OPERATION OF THE SCHEME

The operation of the Bass Strait Passenger Vehicle Equalisation Scheme can be considered in terms of its coverage, calculation of the rebate, the method of payment, and payments under the Scheme.

COVERAGE

The Scheme covers eligible passenger vehicles (motor cars, buses and motorcycles) with accompanying drivers. It applies to any ship operator providing passenger and vehicle services across Bass Strait.

Any new operator entering the trade is eligible to participate in the Scheme under the same conditions as an existing operator. This arrangement is intended to provide certainty in the market place as to how the Scheme would apply to new operators' services.

Two operators carried passengers and their vehicles between Tasmania and the mainland during 1999-2000:

- TT-Line, operating the *Spirit of Tasmania* (Devonport—Melbourne) all year round and the *Devil Cat* (George Town—Melbourne) during the peak season; and
- Southern Shipping, operating the *Matthew Flinders* (Bridport—Welshpool via Flinders Island and Deal Island) all year round.

Southern Shipping received rebates totalling only \$6910 for 55 eligible cars, three eligible buses, and two eligible motorcycles in 1999-2000.¹ This report therefore focuses on the operations of TT-Line.

Services across Bass Strait were disrupted in September 1999 when engine problems on the *Spirit of Tasmania* resulted in its temporary withdrawal from service and the loss of 20 voyages (TT-Line 2000b, p. 11). Special provisions were therefore introduced for passengers, with bookings on the *Spirit of Tasmania*, who were unable to have their vehicles carried on this vessel during

¹ Unlike TT-Line, Southern Shipping does not submit monthly claims. The company usually claims retrospectively three times per year. As a result, the 1999-2000 claim period does not equate to the financial year and includes some vehicles carried during 1998-99.

the affected period. Rebates were extended to intending sea passengers who subsequently travelled by air and either hired a vehicle in Tasmania or had their own vehicle carried across Bass Strait by Brambles or Holyman Shipping vessels.²

CALCULATION OF THE REBATE

The rebate is calculated on the basis of 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 (the equivalent highway cost).

The net fare for an eligible passenger vehicle plus its driver is the sum of the vehicle and passenger gross fares³ less the appropriate rebate. It is the fare actually paid by the passenger. 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 calculations, 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 Devonport and Melbourne (427 kilometres) multiplied by the estimated running cost for an average family saloon⁴. This provided an equivalent highway cost of \$170 for a one-way trip at the commencement of the Scheme. The rebate is capped at a maximum of \$150 per eligible vehicle and eligible passenger for a one-way trip.

Due to the seasonal nature of demand, TT-Line's passenger and vehicle fares vary during the year (off-peak, shoulder and peak seasons). The rebate also varies on a seasonal basis. The largest rebate is applied during the peak season and the smallest rebate is applied during the off-peak season. Table 2.1 presents the rebates that applied in 1999-2000.

Table 2.2 shows TT-Line's net fares for selected vehicle classes at 30 June 2000. These fares are equivalent to the gross fare less the rebate for each vehicle class. Seasonal variation in net fares is particularly noticeable for vehicles greater than six metres in length, reflecting TT-Line's approach of encouraging efficient use of shipboard space.

The Minister reviews the level of the rebate each year. The rebates have remained unchanged since the commencement of the Scheme in 1996.

² Passengers had 12 months from the date of travel to claim the rebate.

³ The gross fare is the amount charged by the service operator for the carriage of an eligible passenger and an eligible passenger vehicle, prior to the deduction of the rebate.

⁴ The 'standard vehicle running cost' is based on the NRMA's study of vehicle running costs.

METHOD OF PAYMENT

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. Tasmanian Assistance Services conduct quarterly audits of TT-Line claims.

TABLE 2.1 ONE-WAY TRIP REBATE FOR DRIVER WITH ELIGIBLE VEHICLE, 1999-2000

\$

<i>Eligible vehicle class</i>	<i>Off-peak season^a</i>	<i>Shoulder season^b</i>	<i>Peak season^c</i>
Motor car or bus	100	120	150
Motorcycle	50	60	75

a. 1 July 1999—25 September 1999 and 1 May 2000—30 June 2000.

b. 26 September 1999—10 December 1999 and 24 January 2000—30 April 2000.

c. 11 December 1999—23 January 2000.

Note The round-trip rebate is exactly double the one-way trip rebate, provided the northbound and southbound trips are undertaken in the same season.

Source DoTRS (1999, p. 14).

TABLE 2.2 TT-LINE ONE-WAY NET FARES FOR SELECTED VEHICLE CLASSES, 30 JUNE 2000

\$

<i>Eligible vehicle class</i>	<i>Off-peak season</i>	<i>Shoulder season</i>	<i>Peak season</i>
Motorcycle	25	25	30
Vehicle \leq 6 metres long, \leq 1.9 metres wide			
0.01-5.0 metres long	30	30	40
5.01-6.0 metres long	55	55	75
Vehicle \leq 6 metres long, $>$ 1.9 metres wide			
0.01-6.0 metres long	74	149	149
Vehicle $>$ 6 metres long			
6.01-7.0 metres long	118	198	213
7.01-8.0 metres long	162	247	277
8.01-9.0 metres long	206	296	341
9.01-10.0 metres long	250	345	405
10.01-11.0 metres long	294	394	469
Additional charge over 11.0 metres ^a	44	49	64

a. Additional charge per metre.

Source TT-Line (2000a).

Clause 9.3 of the Ministerial Directions limits a service operator to no more than one claim for reimbursement in any one calendar month. Clause 9.4 allows the operator to claim:

- (a) for an eligible passenger who has travelled within the previous 12 months; and
- (b) subject to clause 10⁵, for an eligible passenger who has not yet travelled, but who has booked and paid for travel to be undertaken during the period for which the claim is made.

TT-Line provides Tasmanian Assistance Services with a completed claim form on a monthly basis. The form indicates the scheduled voyages and expected number of vehicles for the next period, and actual numbers for the previous period. Tasmanian Assistance Services determine the rebate on the basis of the schedule for the next period and an adjustment to reflect the difference between expected and actual activity in the previous period.

PAYMENTS UNDER THE SCHEME

The level of payments under the Scheme is open-ended and varies with the number (and type) of eligible vehicles carried by sea across Bass Strait.

Figure 2.1 presents data on reimbursements to TT-Line under the Scheme between 1996-97 and 1999-2000. It indicates a significant increase in payments, from \$8.5 million to \$14.2 million over this period. However, it should be noted that payments in 1996-97 covered only 10 months, from the commencement of the Scheme in September 1996. TT-Line accounted for over 99 per cent of total payments in each year.

Figure 2.1 indicates that reimbursements declined slightly over the most recent period, with payments of \$14.4 million in 1998-99 and \$14.2 million in 1999-2000. The payments in the most recent year involved 121 222 eligible vehicles—115 954 motor cars (95.6 per cent of eligible vehicles), 4 915 motor cycles (4.1 per cent) and 353 buses (0.3 per cent).

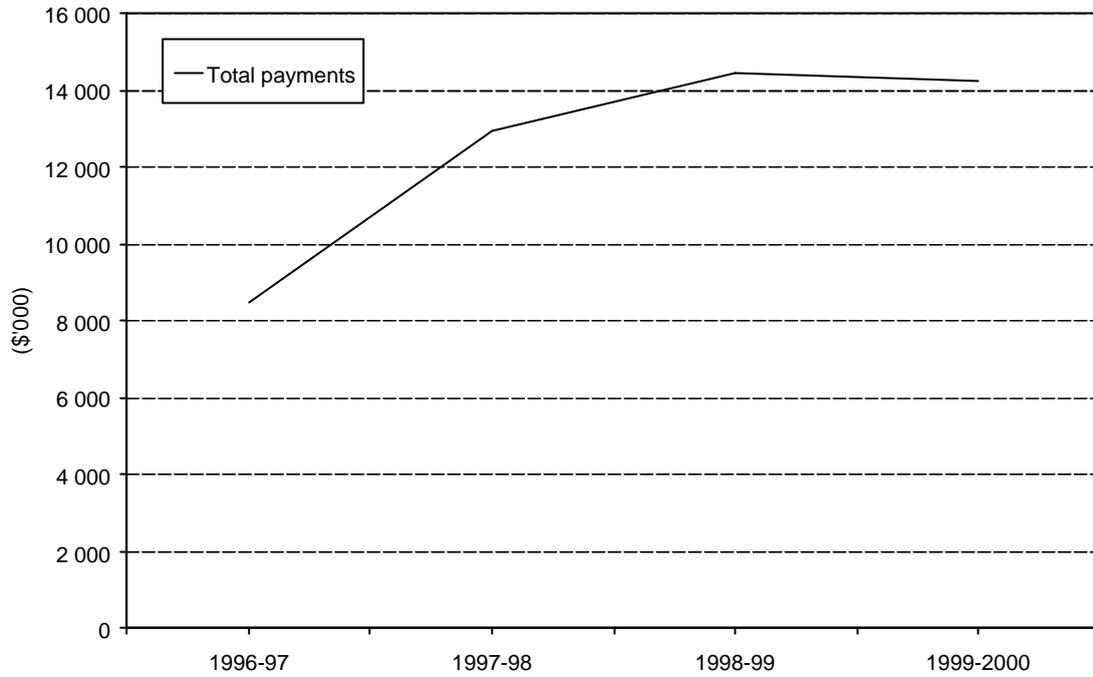
Table 2.3 presents data on reimbursements to TT-Line in individual claim periods during 1999-2000 and the previous year. It indicates significant monthly variation in payments, reflecting the seasonal nature of traffic across Bass Strait.

Figure 2.2 provides information on the timing of the reimbursements to TT-Line since the commencement of the Scheme. The pattern of payments over the last three years has been reasonably consistent, but differs significantly from the

⁵ Clause 10 provides the Secretary to the Department 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.

pattern in 1996-97. In particular, payments between December and April have typically been much higher over the last three years.

FIGURE 2.1 REBATE REIMBURSEMENTS TO TT-LINE UNDER BASS STRAIT PASSENGER VEHICLE EQUALISATION SCHEME, 1996-97 TO 1999-2000



Source Tasmanian Assistance Services (pers. comm. Feb. 2001).

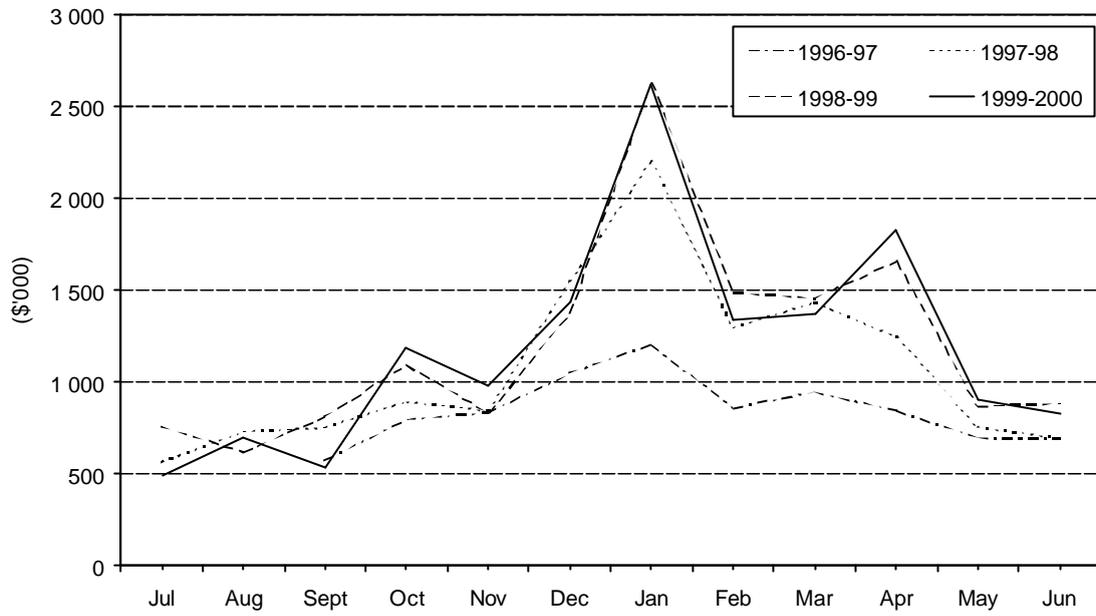
TABLE 2.3 REIMBURSEMENTS TO TT-LINE BY CLAIM PERIOD, 1998-99 AND 1999-2000

Claim period	1998-99		1999-2000		Change in rebates (per cent)
	Claims (no.)	Total rebates (\$)	Claims (no.)	Total rebates (\$)	
July	7 589	755 200	4 959	494 050	-34.6
August	6 218	616 050	7 020	698 000	13.3
September	8 063	807 470	5 251	528 410	-34.6
October	9 444	1 093 200	10 163	1 185 240	8.4
November	7 033	827 340	8 287	979 200	18.4
December	9 928	1 370 430	10 476	1 432 395	4.5
January	18 600	2 632 575	18 649	2 626 170	-0.2
February	12 864	1 486 620	11 606	1 340 940	-9.8
March	12 494	1 455 360	11 814	1 371 240	-5.8
April	14 839	1 655 660	15 591	1 827 600	10.4
May	8 736	866 000	9 140	907 250	4.8
June	8 868	880 850	8 266	820 950	-6.8
<i>Total</i>	<i>124 676</i>	<i>14 446 755</i>	<i>121 222</i>	<i>14 211 445</i>	<i>-1.6</i>

Source: Tasmanian Assistance Services (pers. comm. Feb. 2001).

This change reflects the introduction of the *Devil Cat* which has provided increased capacity, thereby facilitating higher passenger and vehicle loadings, during the December-April period. Capacity on the *Spirit of Tasmania* has generally been fully utilised during busy periods, particularly in December/January (Christmas/school holidays) and April (Easter/school holidays).

FIGURE 2.2 REIMBURSEMENTS TO TT-LINE, BY CLAIM PERIOD, 1996-97 TO 1999-2000



Source Tasmanian Assistance Services (pers. comm. Feb. 2001).

CHAPTER 3 EFFECTIVENESS OF THE SCHEME

Clause 16 of the Ministerial Directions requires the BTE to monitor the effectiveness of the Scheme on an annual basis, with specific regard to:

- movement in a service operator's annual operating costs;
- movement in an operator's revenue; and
- the number of eligible passengers and eligible passenger vehicles carried per annum by the operator.

In considering the Scheme's effectiveness, it is also 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'⁶ (DoTRS 1999, p. 3). In addition, when announcing the Scheme, the then Minister for Transport and Regional Development noted that it would help to kick-start the Tasmanian tourist industry and provide a boost to the Tasmanian economy as a whole (Sharp 1996).

The following sections examine the effectiveness of the Scheme in terms of fares, passenger and vehicle numbers, factors affecting traffic levels, and operating revenue and expenses.

FARES

The introduction of the Scheme resulted in a significant reduction in the vehicle fares paid by eligible passengers travelling across Bass Strait by sea.

Table 3.1 provides information on the impact of the rebate on fares paid by passengers with an accompanying vehicle on the *Spirit of Tasmania*. It covers the total fare for a standard vehicle, the driver and one other passenger. This reflects the average ratio of approximately two accompanying passengers per car on the route since 1996-97. The analysis is based on 'package' fares for representative passengers, as the rebate affects the total travel cost of the passengers (including the cost of transporting their vehicle).

⁶ 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.

The 'package gross fare' is the total payment received by TT-Line to transport the vehicle and accompanying passengers across Bass Strait. The 'package net fare' is the total fare paid by the passengers (including payment for carriage of the vehicle), and is equal to the 'package gross fare' less the rebate paid by the Commonwealth Government under the Scheme.

The data in table 3.1 indicate that the introduction of the Scheme resulted in an initial decrease of 25-30 per cent in the fares paid by travellers for the carriage of a standard vehicle and two accompanying adult passengers using a 2-4 share inside cabin. The proportional reductions would have been lower for passengers using more expensive cabins, and higher for passengers using less expensive accommodation.

The levels of the rebates have been unchanged since the introduction of the Scheme. The proportional reduction in the 'package net fare' attributable to the rebate has therefore declined over time. Table 3.1 indicates that, at 30 June 2000, the rebate represented a 22-27 per cent reduction in the fares paid for the standard vehicle and two accompanying passengers (2-4 share inside cabin).

Table 3.2 presents benchmark adult passenger fares for the *Spirit of Tasmania* in the fare schedule that was current at the end of 1999-2000. TT-Line's passenger fares increased by an average of around 4 per cent (2-4 share inside cabin) during 1999-2000, and vehicle fares remained unchanged. There were no changes in passenger or vehicle fares in the previous year.

The introduction of the GST, which occurred after the period covered by this report, resulted in an increase in passenger and vehicle fares from 1 July 2000. The impact of the GST will be considered in the next BTE monitoring report, covering 2000-01.

TABLE 3.1 IMPACT OF REBATES ON ONE-WAY FARES FOR *SPIRIT OF TASMANIA*, 1996 AND 2000

<i>Period/payments^a</i>	<i>Off-peak season</i>	<i>Shoulder season</i>	<i>Peak season</i>
1 September 1996			
Package gross fare ^b	405	435	505
Rebate	100	120	150
Package net fare	305	315	355
30 June 2000			
Package gross fare ^b	454	494	552
Rebate	100	120	150
Package net fare	354	374	402

a. For the purposes of the analysis, the fares are based on a 2-4 share inside cabin. The package gross fares and package net fares include two adult passengers and one standard motor vehicle.

b. Incorporates fares of \$125/\$145/\$185 for the standard vehicle and \$140/\$145/\$160 for each passenger in 1996, and \$130/\$150/\$190 for the standard vehicle and \$162/\$172/\$181 for each passenger in 2000.

Sources TT-Line (1996a; 2000a).

PASSENGER AND VEHICLE NUMBERS

Fare reductions of the magnitude associated with the Scheme would be expected to stimulate increased travel by sea across Bass Strait. Table 3.3 presents traffic and other operational data for TT-Line since 1995-96.

Most recent period

There were declines of 6 per cent in the total number of passengers and 3 per cent in the total number of vehicles carried by TT-Line in 1999-2000, compared with the previous year. As eligible vehicles comprise around 99 per cent of the vehicles carried by TT-Line, changes in the total number of vehicles closely track changes in the number of eligible vehicles. The traffic reductions in the most recent period appear to be attributable to special circumstances—a loss of traffic when the *Spirit of Tasmania* was out of service, and a fall in the number of *Devil Cat* voyages from the high level in 1998-99.

Table 2.3 on page 9 indicates that major reductions in rebate reimbursements to TT-Line (compared with the previous year) occurred in July and September 1999. These periods coincided with the dry-docking and engine problems of the *Spirit of Tasmania*. The BTE attempted to estimate the underlying traffic levels in 1999-2000 (i.e. in the absence of these circumstances) by calculating revised figures for July and September. The first step involved estimation of the average change in traffic relative to 1998-99 in the other ten months. This growth factor was then applied to the 1998-99 figures for July and September. The resulting estimates indicated that underlying traffic increased by around 2 per cent between 1998-99 and 1999-2000.

Table 3.3 indicates that the average number of passengers per voyage increased by 4 per cent in 1999-2000 compared with the previous year. The average number of vehicles per voyage rose by 7 per cent. These increases appear to be

TABLE 3.2 BENCHMARK ONE-WAY PASSENGER FARES FOR *SPIRIT OF TASMANIA*, END OF 1999-2000^a

<i>Passenger type</i>	<i>Off-peak season</i>	<i>Shoulder season</i>	<i>Peak season^b</i>
Adult	162	172	181
Seniors	137	146	153
Tertiary student	121	129	138
Child/student	81	86	92

a. Fares are for an inside cabin (2-4 berth). This is the benchmark accommodation on the *Spirit of Tasmania* for the purposes of calculating the rebate.

b. Incorporates fares that applied to the peak season during 1999-2000. Peak season fares that are directly comparable to the off-peak and shoulder season fares were not available in TT-Line's fare schedule that was current at 30 June 2000, as the GST applied to the peak season fares (2000-01) included in this schedule.

Sources TT-Line (1998a; 2000a).

mainly attributable to the reduction in the number of voyages by the *Devil Cat*, which has a smaller capacity than the *Spirit of Tasmania*.

Changes since 1990-91

Figure 3.1 illustrates changes in the number of passengers carried by TT-Line over the 10 years to 1999-2000. It indicates two periods of growth, with the second period commencing in the year that the Scheme was introduced. Figure 3.1 also indicates three short periods of traffic decline, which appear to be attributable to a range of one-off factors.

The most recent period of growth, over the three years between 1995-96 and 1998-99, accompanied the operation of the Scheme. It involved an increase of 59 per cent. This was higher than growth in the earlier three-year period from 1991-92 to 1994-95 (52 per cent).

Figure 3.1 indicates that the number of vehicles carried by TT-Line has broadly followed changes in the number of passengers since 1990-91. However, vehicle traffic appears to have been less volatile, with annual fluctuations being lower. There was a 97 per cent rise in vehicle numbers between 1995-96 and 1998-99.

Over the period from 1995-96 to 1999-2000, sea passenger traffic on the Bass Strait route increased by 50 per cent. The number of vehicles, which closely reflects changes in eligible vehicles and eligible passengers, rose by 91 per cent.

Tourist traffic

It was noted in chapter 1 that the introduction of the Scheme was expected to result in direct benefits to the Tasmanian tourist industry. Table 3.4 presents

TABLE 3.3 SELECTED OPERATIONAL DATA FOR TT-LINE, 1995-96 TO 1999-2000

<i>Indicator</i>	<i>1995-96</i>	<i>1996-97</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>
Traffic					
Passengers (no.)	215 986	259 169	314 232	343 338	323 211
Vehicles (no.)	63 029	80 637	111 400	124 395	120 084
Freight (teus)	23 199	22 112	19 116	20 589	17 816
Voyages (no.)					
<i>Spirit of Tasmania</i>	295	313	323	334	347
<i>Devil Cat</i>	np	np	117	171	108
Total voyages	295	313	440	505	455
Traffic per voyage					
Passengers	732	828	714	680	710
Vehicles	214	258	253	246	264

np not applicable.

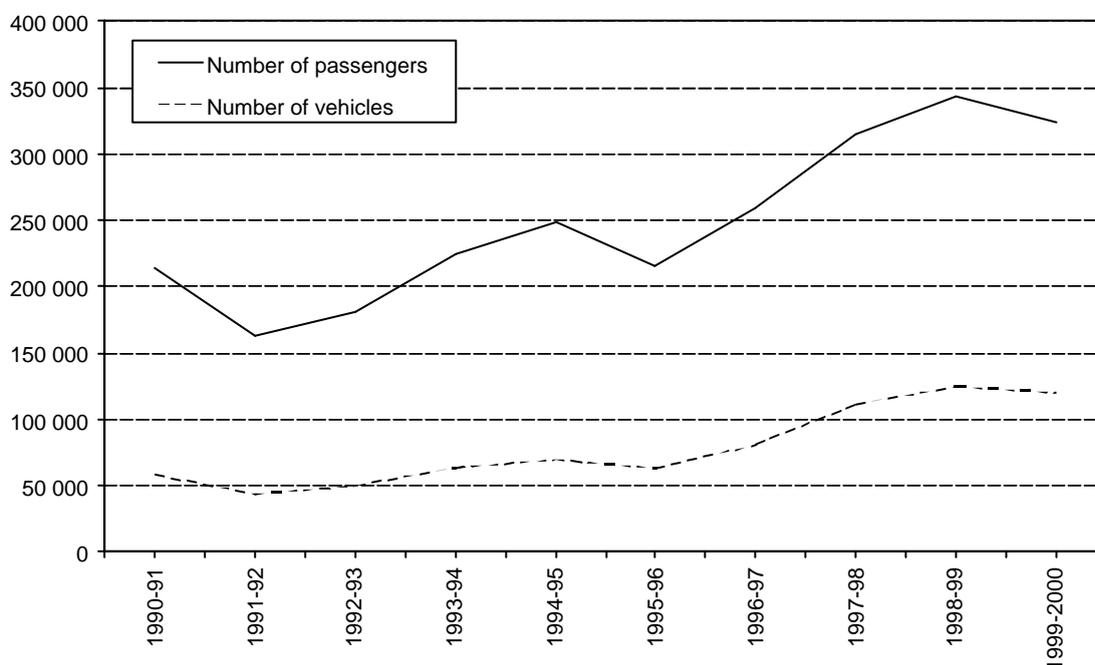
Source TT-Line (2000b).

Tourism Tasmania data on the number of visitors to Tasmania, by purpose of travel and mode, over the four years to 1999-2000. The data are not directly comparable with TT-Line figures, which are expressed in terms of one-way trips and also include children.

Table 3.4 indicates that, for visitors travelling on holidays or to visit friends and relatives, the number of sea passengers increased much more rapidly than the number of air passengers. In particular, the number of holiday travellers using sea transport rose by 74 per cent between 1996-97 and 1999-2000, while the number of these travellers using air transport grew by only 19 per cent. There was a similar pattern in business travel, although the difference between sea and air transport was less pronounced. These trends are consistent with the view that the Scheme has contributed to increased traffic to Tasmania.

Table 3.5 presents data on changes in travel by visitors and Tasmanian residents over the period from 1996-97 to 1999-2000. It indicates that the number of visitors to Tasmania increased more rapidly than the number of Tasmanians travelling to the mainland.

FIGURE 3.1 NUMBERS OF PASSENGERS AND VEHICLES (ONE-WAY) CARRIED BY TT-LINE, 1990-91 TO 1999-2000



Note The passenger data in this figure are expressed in terms of one-way trips (i.e. one return journey is counted as two trips). They are not directly comparable with the passenger data in figure 3.2, which are expressed in terms of passenger journeys (i.e. one return journey is counted as one trip). There are also some differences between figures 3.1 and 3.2 in the treatment of travel by minors and day trippers/excursionists.

Sources TT-Line (2000b) and earlier issues. TT-Line (pers. comm. Jan. 2001). PDC (1994) and earlier issues.

The BTE also attempted to compare changes in Tasmanian and Australian domestic travel over the period from 1996-97. The only source of detailed data on Australian domestic travel is a series on visitor nights published by the Tourism Forecasting Council. However, there is a major break in the series in 1997-98, due to a change in survey technique. As a result of this discontinuity, it is not possible to use this series to estimate the change in Australian domestic travel between 1996-97 and 1999-2000.

TABLE 3.4 NUMBER OF VISITORS TRAVELLING TO TASMANIA, BY PURPOSE AND MODE, 1996-97 TO 1999-2000

<i>Purpose/mode</i>	<i>Visitors (no.)</i>				<i>Change over period (per cent)</i>
	<i>1996-97</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	
<i>Holiday/leisure</i>					
Sea	49 563	71 712	85 258	86 000	74
Air	171 808	187 588	191 327	204 500	19
<i>VFR^a</i>					
Sea	12 887	16 266	18 356	17 500	36
Air	113 579	102 104	106 932	95 800	-16
<i>Business</i>					
Sea	4 079	4 188	4 987	4 800	18
Air	75 886	71 490	70 320	80 300	6
<i>Other^b</i>					
Sea	7 384	4 497	5 536	3 900	-47
Air	47 993	43 651	41 306	38 800	-19
<i>Total</i>					
Sea	73 913	96 663	114 137	112 200	52
Air	409 266	404 833	409 885	419 400	2

a. Visiting friends and relatives.

b. Includes attendance at conferences and other purposes.

Source Tourism Tasmania (2001).

TABLE 3.5 CHANGES IN TRAVEL TO AND FROM TASMANIA, 1996-97 TO 1999-2000^a
(per cent)

<i>Purpose of travel</i>	<i>Visitors</i>	<i>Tasmanian residents</i>
Holiday	31	7
VFR ^b	-10	3
Business	6	8
Other	-23	-12
Total	10	3

a. Estimated from changes in number of air and sea passengers.

b. Visiting friends and relatives.

Source Tourism Tasmania (2001).

The BTE explored alternative sources in an effort to obtain estimates of changes in domestic travel. It contacted various industry associations and government agencies, and also reviewed some of the literature on Australian tourism. However, these inquiries did not reveal any data series or even broad estimates of changes in Australian domestic travel over the period since 1996-97.

FACTORS AFFECTING TRAFFIC LEVELS

Fare reductions of the magnitude noted earlier would potentially attract travellers from other markets (e.g. other tourism destinations in Australia). In addition, they could possibly encourage some Bass Strait travellers (particularly fly-drive tourists) to switch to sea transport.

It is difficult to quantify the contribution of the Scheme to changes in Bass Strait traffic since 1996. This partly reflects data limitations and changes in ships and fare structures, which prevent valid comparisons of trends before and after the introduction of the Scheme.

In addition, factors other than lower vehicle fares may have contributed to increased traffic. Examples of these factors include changes in:

- air fares (affecting relative prices of air and sea travel);
- household incomes in Tasmania and the rest of Australia;
- \$A exchange rates (affecting relative costs of domestic and overseas travel);
- other aspects of domestic economic conditions (e.g. population, unemployment, interest rates);
- expenditure on tourism promotion activities for Tasmania and other parts of Australia;
- changes in capacity (e.g. introduction of the *Devil Cat*); and
- one-off factors such as Tasmanian Government payments to provide a \$30 discount in the off-peak APEX fare in 1996-97.

Ideally, the impact of the Scheme would be estimated by incorporating all relevant factors in a model, but this option is not viable due to data limitations. The BTE's assessment of the factors affecting passenger and vehicle traffic is therefore based on an analysis of traffic patterns across Bass Strait.

Air and sea traffic

Figure 3.2 contains data on numbers of sea and air passengers carried between the mainland and Tasmania since 1993-94.

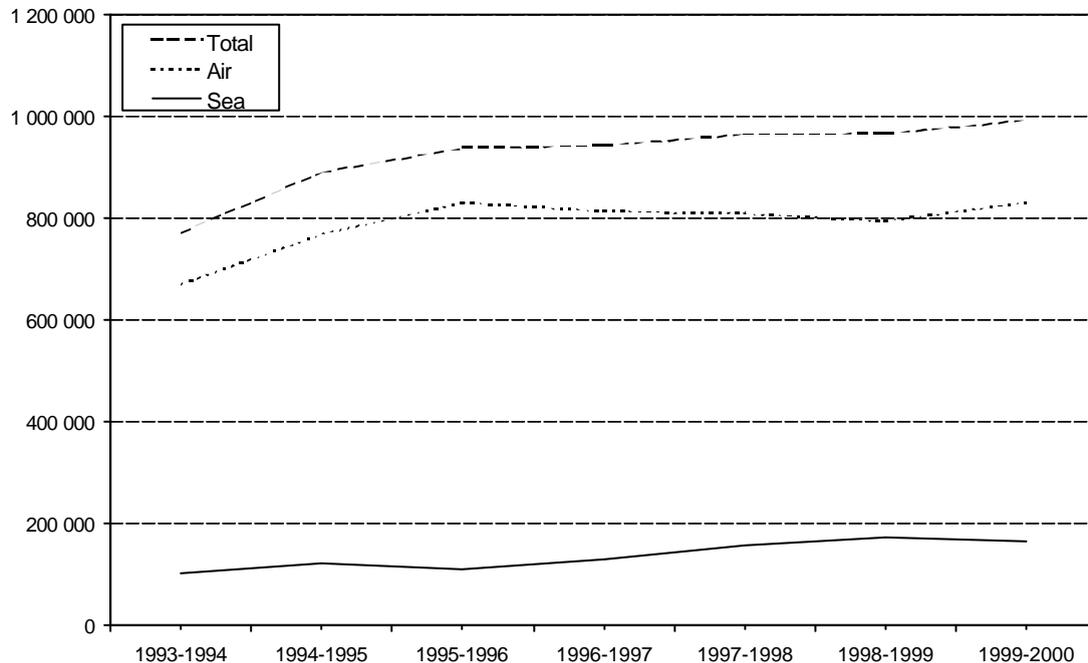
In the period up to 1995-96, air traffic grew strongly while sea traffic was virtually unchanged. In the next period, from 1995-96 to 1998-99, sea traffic grew strongly (60 per cent) and air traffic declined slightly (4 per cent). In the most recent period (1998-99 to 1999-2000), sea traffic fell as a result of the special circumstances noted earlier, with air transport carrying some displaced sea

travellers. The BTE estimates that, in the absence of these circumstances, sea traffic would have increased moderately in the most recent period. Over the full period from 1995-96 to 1999-2000, sea passenger traffic increased by 51 per cent while air passenger numbers were virtually unchanged.

The introduction of the Scheme was therefore accompanied by a significant change in the growth patterns of sea and air transport. The Tourism Tasmania data in table 3.4 indicate that the increase in sea traffic after 1995-96 mainly involved visitors travelling to Tasmania for holiday/leisure or to visit friends and relatives. As these passengers are a primary focus of the Scheme, it seems likely that the Scheme generated additional tourist travel on the route and possibly contributed to some modal shift from air transport.

Changes in relative fares after the introduction of the Scheme may also have contributed to any shift of traffic from air to sea. Data from the BTE's air fare database indicate that the best available discount air fare rose by around 31 per cent between 1996-97 and 1999-2000. The benchmark fare for an adult sea passenger increased at a lower rate of around 10-12 per cent over this period.

FIGURE 3.2 NUMBERS OF SEA AND AIR PASSENGERS CARRIED ACROSS BASS STRAIT, 1993-94 TO 1999-2000^a



a. Includes day travellers, Tasmanians and visitors (adults and minors).

Note The sea passenger data in this figure are expressed in terms of passenger journeys (i.e. one return journey is counted as one trip). They are not directly comparable with the sea passenger data in figure 3.1, which are expressed in terms of one-way trips (i.e. one return journey is counted as two trips).

Source Tourism Tasmania (2001).

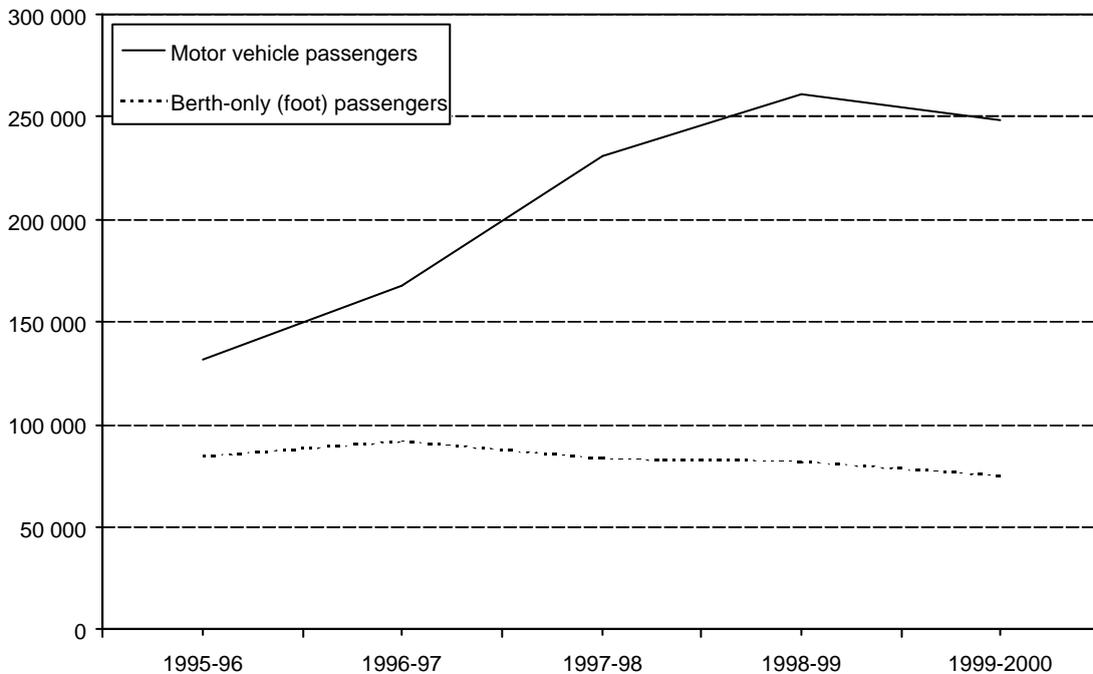
As the Scheme is directed at passengers travelling with their own vehicle, it might be argued that the most appropriate basis of comparison with air travel is the total cost of fly-drive packages. Any movement in car hire charges would affect the relative costs of air and sea transport for these passengers. However, data on these charges are not readily available.

Categories of sea passengers

As the Scheme applies to eligible vehicles and passengers, data on these passengers potentially provide information on the impact of the Scheme.

Figure 3.3 presents data on motor vehicle passengers (i.e. eligible passengers plus other passengers travelling with vehicles covered by the Scheme) and other passengers since 1995-96. It clearly indicates that the number of motor vehicle passengers has generally been increasing since the introduction of the Scheme, while the number of other passengers has generally been declining. The number of motor vehicle passengers increased by 89 per cent between 1995-96 and 1999-2000, while the number of berth-only sea passengers fell by 11 per cent. The number of eligible vehicles has closely tracked the number of motor vehicle passengers over the period.

FIGURE 3.3 NUMBER OF SEA PASSENGERS CARRIED ACROSS BASS STRAIT, BY CATEGORY, 1995-96 TO 1999-2000



Source TT-Line (2001).

The differing trends in motor vehicle passengers and berth-only passengers suggest that the Scheme has been contributing to growth in passenger numbers on the Bass Strait route. Incorporation of data for earlier periods would potentially allow a more definite conclusion to be drawn from these indicators.

OPERATING REVENUE AND EXPENSES

Table 3.6 contains information on TT-Line's financial performance over the four years to 1999-2000. Various financial indicators are reported in table 3.7. Figure 3.4 indicates changes in TT-Line's operating revenue and expenses over the period from 1992-93 to 1999-2000.

Operating revenue

TT-Line earned revenue of \$77.5 million in 1999-2000, a 4 per cent decline compared with the previous year. This reduction appears to be attributable to the loss of *Spirit of Tasmania* voyages when the ship had engine problems and to a decline in the number of voyages undertaken by the *Devil Cat*.

TABLE 3.6 SELECTED FINANCIAL INFORMATION FOR TT-LINE, 1996-97 TO 1999-2000
(\$'000)

Category	1996-97	1997-98	1998-99	1999-2000
Total operating revenue	61 766	73 325 ^a	80 607	77 481
Operating expenses				
Operations	22 357	22 724	33 932	44 102 ^b
Hotel services	15 296	15 464	17 783	16 924
Customer acquisition	4 893	4 698	6 015	5 900
Administration	6 098	6 219	5 707	4 889
Other ^c	10 556	22 406 ^d	9 793	5 430 ^e
Total operating expenses	59 200	71 511	73 230	77 245
Operating profit/loss	2 566	1 814	7 377	236
Abnormals/extraordinaries	0	780	0	0
Profit/loss	2 566	1 034	7 377	236

a. Includes \$8.0 million revenue from the *Devil Cat* and catamaran trial.

b. Includes interest and depreciation and amortisation (previously in the 'other' category). These payments totalled \$9.8 million in 1998-99.

c. Interest and depreciation were included in this category prior to 1999-2000.

d. Includes \$11.6 million operating expenses from the *Devil Cat* and catamaran trial.

e. TT-Line's 1999-2000 operating expenses were affected by the breakdown of the *Spirit of Tasmania*, which added approximately \$5.4 million to total operating expenses (i.e. above the expected insurance recovery).

Sources TT-Line (2000b) and earlier issues. TT-Line (pers. comm. Jan. 2001).

TT-Line's annual operating revenue rose by 25 per cent (21 per cent in real terms) between 1996-97 and 1999-2000. The major increase occurred between 1996-97 and 1997-98, when total operating revenue rose by 19 per cent. This increase probably reflects traffic growth, due to factors such as the commencement of the Scheme and the removal of some capacity constraints following the introduction of the *Devil Cat*.

The data in table 3.7 indicate that average revenue per voyage increased by 7 per cent (4 per cent in real terms) in 1999-2000 compared with the previous year. It appears that this mainly reflects the reduction in the number of voyages by the *Devil Cat*, which has a smaller capacity than the *Spirit of Tasmania*. The largest change in this indicator since the introduction of the Scheme was a 16 per cent decline between 1996-97 and 1997-98, when the entry into service of the *Devil Cat* was the major contributor to a 41 per cent increase in the annual number of voyages.

Average revenue per passenger increased by 5 per cent in 1999-2000 (2 per cent in real terms) compared with the previous year, and by 18 per cent (14 per cent in real terms) over the longer period from 1996-97 to 1999-2000. Average revenue per vehicle increased by 6 per cent (4 per cent in real terms) in the most recent period, and by 10 per cent (6 per cent in real terms) between 1996-97 and 1999-2000.

Figure 3.5 indicates the amount of TT-Line's revenue that was attributable to the Scheme. Rebates paid to TT-Line (and passed on to passengers in the form of lower fares for eligible vehicles) were equivalent to around 18 per cent of the Line's total revenue in 1999-2000.

TABLE 3.7 FINANCIAL INDICATORS FOR TT-LINE, 1996-97 TO 1999-2000

<i>Indicator</i>	<i>1996-97</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>
Operating revenue				
Per passenger ^a	106	99	120	125
Per vehicle ^b	145	126	150	159
Per voyage ^c	197 335	166 648	159 618	170 288
Operating expenses ^d				
Per passenger	228	228	213	239
Per voyage	189 137	162 525	145 010	169 769
Operating profit/loss				
Per voyage	8 198	4 123	14 608	519

a. Passenger revenue divided by number of passengers.

b. Vehicle revenue divided by number of vehicles.

c. Total revenue divided by the number of voyages.

d. Incorporates expenses for passengers, vehicles and freight.

Sources TT-Line (2000b) and earlier issues. TT-Line (2001). TT-Line (pers. comm. Jan. 2001).

Operating expenses

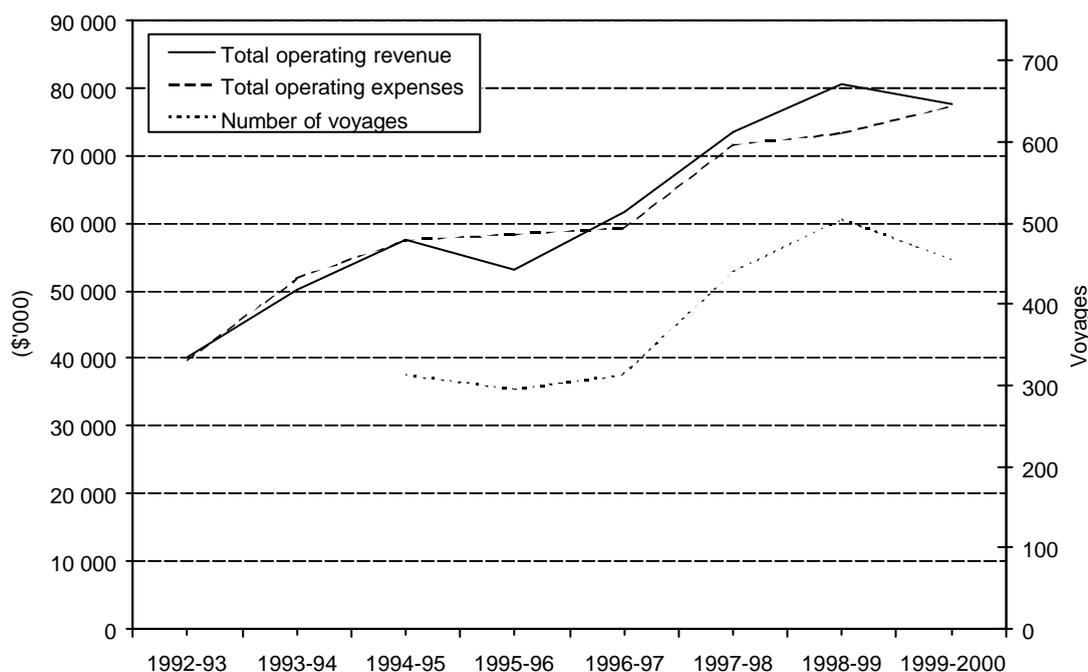
TT-Line's operating expenses totalled \$77.2 million in 1999-2000, a 5 per cent increase compared with the previous year (table 3.6). This increase is attributable to the engine problems of the *Spirit of Tasmania*, which resulted in net additional expenses of \$5.4 million, and higher fuel prices (expenditure reportedly \$3.5 million above the projected levels). However, these expenses may have been slightly offset by some savings attributable to a reduction in voyages undertaken by the *Devil Cat*.

Total operating expenses increased by 30 per cent (26 per cent in real terms) between 1996-97 and 1999-2000. Contributing factors included the costs attributable to the introduction of a second vessel (the *Devil Cat*) and an increased number of voyages by the *Spirit of Tasmania*.

The data in table 3.7 indicate that total operating expenses per voyage increased by 17 per cent (14 per cent in real terms) in 1999-2000 compared with the previous year. This reflects the increase in total operating costs and the decline in the number of voyages in the latest period.

Table 3.7 also presents operating expenses on a per passenger basis. This ratio has some shortcomings since total expenses also include costs for vehicles and freight. However, it provides useful information on trends in unit costs.

FIGURE 3.4 TT-LINE'S OPERATING REVENUE AND EXPENSES, 1992-93 TO 1999-2000



Sources TT-Line (2000b) and earlier issues.

Operating expenses on a per passenger basis increased by 12 per cent (10 per cent in real terms) in 1999-2000 compared to the previous year. Between 1996-97 and 1999-2000 there was an increase of 5 per cent (1 per cent in real terms).

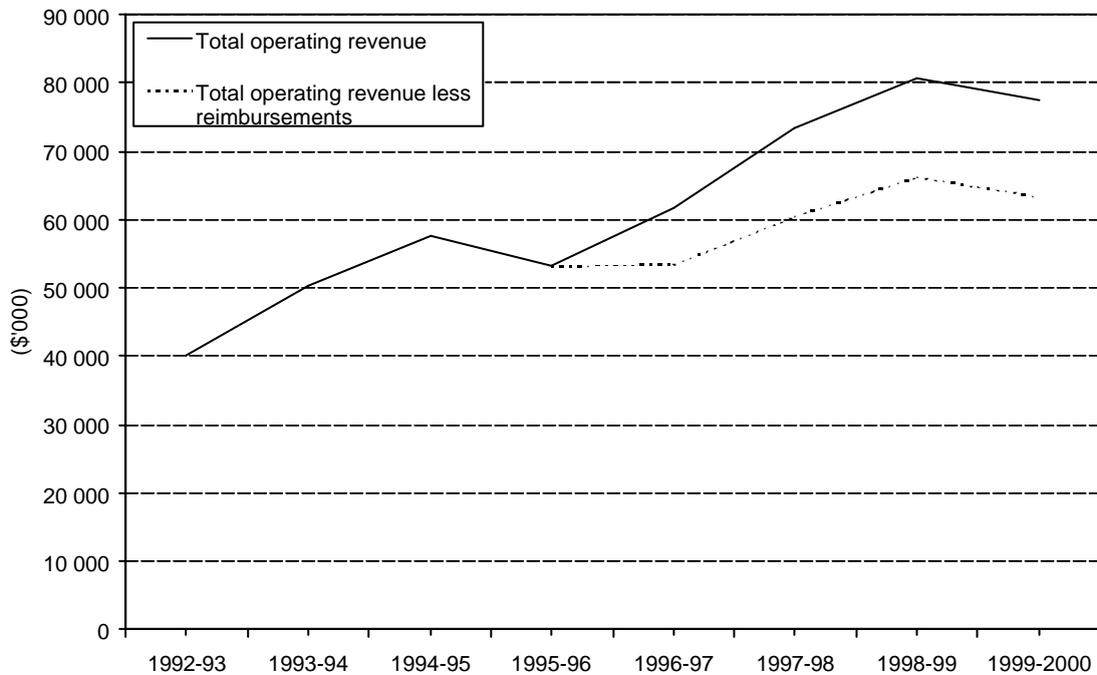
TT-Line (2000b, p. 1) has noted that the rising cost of fuel continued to put pressure on the company's operating margins in 1999-2000 and could not be sustained in the longer term. The impact of the significant fuel price increases that subsequently occurred in 2000-2001 will be considered in the next BTE monitoring report.

Profitability

TT-Line earned an operating profit of \$236 000 in 1999-2000 (table 3.6). This was well below the figure of \$7.4 million in the previous year. The decline in profitability reflects lower revenue and higher operating expenses.

Table 3.6 indicates that there has been significant variability in TT-Line's profitability. The major contributing factors have included one-off repair/maintenance costs, changes in passenger numbers, variations in the number of *Devil Cat* voyages, fluctuations in fuel prices, and changes in fares.

FIGURE 3.5 TT-LINE'S REVENUE AND REIMBURSEMENTS, 1992-93 TO 1999-2000



Sources TT-Line (2000b) and earlier issues. DoTRS (pers. comm. Feb. 2001).

CHAPTER 4 CONCLUDING COMMENTS

The Scheme has resulted in a significant decline in the cost of sea travel across Bass Strait. There was an initial fare reduction of 25-30 per cent for a standard vehicle and accompanying passengers using a standard cabin. The Scheme provided ongoing savings to passengers with eligible vehicles in 1999-2000.

Fare reductions of this magnitude would be expected to stimulate increased sea travel across Bass Strait. There were substantial increases in sea passenger numbers and vehicle numbers on the Bass Strait route between 1995-96 and 1998-99. A decline in passenger and vehicle traffic in 1999-2000, compared to the previous year, was attributable to special circumstances.

It is difficult to quantify the impact of the Scheme, due to data limitations and the presence of other influences such as changes in domestic economic conditions. However, several factors indicate that the Scheme has contributed to increased sea traffic between the mainland and Tasmania:

- substantial growth in sea passenger and vehicle numbers on the Bass Strait route since 1995-96, with virtually no change in air passenger numbers;
- rapid growth in the number of holiday-makers travelling to Tasmania by sea, which significantly exceeded growth in the number of these travellers using air transport; and
- growth in the number of motor vehicle passengers carried by sea across Bass Strait, but a decline in the number of berth-only sea passengers.

TT-Line's operating revenue increased significantly between 1996-97 and 1999-2000, but declined in the most recent year. Average revenue per passenger and per vehicle rose over these periods.

There was also a significant increase in operating expenses between 1996-97 and 1999-2000 and an increase in the most recent year. On a per passenger basis, operating expenses rose over these periods.

There has been significant variability in TT-Line's operating profit over the last four years, with a substantial decline in 1999-2000 compared to the previous year. The major factors contributing to this variability have included one-off repair/maintenance costs in 1999-2000, changes in passenger and vehicle numbers, variation in the number of voyages, fluctuations in fuel prices, and changes in fares.

APPENDIX I CLAUSE 16 OF THE MINISTERIAL DIRECTIONS

- 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.

REFERENCES

DoTRS 1999, *Directions by the Minister for Regional Services, Territories and Local Government for the Operation of the Bass Strait Passenger Vehicle Equalisation Scheme*, Department of Transport and Regional Services, Canberra.

PDC 1991, *Annual Report 1990-91*, Port of Devonport Corporation, Devonport.

— 1992, *Annual Report 1991-92*, Port of Devonport Corporation, Devonport.

— 1993, *Annual Report 1992-93*, Port of Devonport Corporation, Devonport.

— 1994, *Annual Report 1993-94*, Port of Devonport Corporation, Devonport.

Sharp, J. 1996, *Bass Strait Passenger Vehicle Equalisation Scheme*, media statement by Minister for Transport and Regional Development, 23 August.

Tourism Tasmania 2001, Unpublished data on travel by Tasmanian visitors and residents, Hobart.

TT-Line 1993, *Financial Statements for the 4 months ended 31 October 1993*, Transport Commission, Hobart.

— 1994, *Annual Report for the 8 months ended 30 June 1994*, TT-Line Company Pty Ltd, Devonport.

— 1996a, *Passenger fares and accompanied vehicle rates*, 26 August, TT-Line Company Pty Ltd, Devonport.

— 1996b, *Annual Report 1995-96*, TT-Line Company Pty Ltd, Devonport.

— 1997, *Annual Report 1996-97*, TT-Line Company Pty Ltd, Devonport.

— 1998a, *General information passenger fares and vehicle rates*, Brochure no. 11/99, TT-Line Company Pty Ltd, Devonport.

— 1998b, *Annual Report 1997-98*, TT-Line Company Pty Ltd, Devonport.

— 1999, *Annual Report 1998-99*, TT-Line Company Pty Ltd, Devonport.

— 2000a *General information passenger fares and vehicle rates*, Brochure no. 01/00, TT-Line Company Pty Ltd, Devonport.

— 2000b, *Annual Report 1999-2000*, TT-Line Company Pty Ltd, Devonport.

— 2001, Unpublished data from yield management database, TT-Line Company Pty Ltd, Devonport.