



SUBMISSION NO. 155

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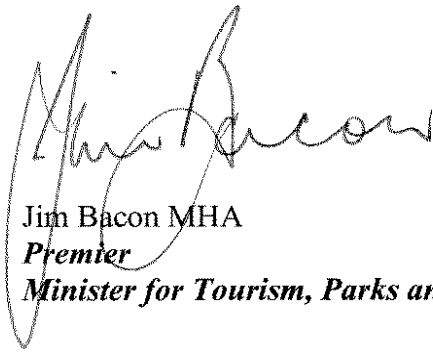
Mr Paul Neville MP
Committee Chair
House of Representatives Standing Committee on Transport and Regional Services
Parliament House
CANBERRA ACT 2600

Dear Mr Neville

Thank you for the opportunity to submit to the House of Representatives Standing Committee on Transport and Regional Services' inquiry into commercial regional aviation services in Australia and transport links to major populated islands.

Please find attached the Tasmanian Government submission to the inquiry. I look forward to being advised of the outcomes of the inquiry in due course.

Yours sincerely



Jim Bacon MHA
Premier
Minister for Tourism, Parks and Heritage



Secretary: *J. Lister*
RECEIVED
23 SEP 2002
HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON
TRANSPORT AND
REGIONAL SERVICES

Tasmanian Government Response to the

**STANDING COMMITTEE ON TRANSPORT
AND REGIONAL SERVICES**

**“Inquiry into regional aviation services in Australia
and transport links to major populated islands”**

5 September 2002

Introduction

Tasmania is an island state with a relatively small population dispersed not only on the Tasmanian 'mainland', but on other islands under its jurisdiction. Of major interest in the context of this Inquiry are mainland Tasmania, King Island and Flinders Island.

Tasmania with its off-shore populated islands is an important regional destination and port of origin. Sustainable and timely access is a critical issue for all the islands of Tasmania. These include:

- Tasmanians have a right to equality of access to a range of health, social, educational and commercial services.
- Fast access to national and international markets for fresh products
- Access to Tasmania for leisure visitors at a cost and time they wish to travel
- Access that competitively meets the demands of business and consumers in the commercial reality of the 21st century.

Tasmania is a regional economy where the value of exports exceeds the value of imports. The State plays a vital role as an earner of export income for Australia. In 2001-2002, Tasmanian merchandise exports were \$2,384 million, an increase of almost 40 per cent over 1996-97.* It is estimated that total outgoing exports including to the Australian mainland total \$4,750 million.

Tasmania's mix of abundant mineral resources, rich forests and fertile soils supports an economy that is reliant on a few key commodity industries, as well as tourism and a growing list of high quality agriculture, aquaculture, fishing, food and beverage products. The Government has set a target of doubling the value of primary industry production by 2010, from \$1.7 billion to \$3.4 billion.

Much of the increase in food and agricultural production will be for export, which, together with on-going export demand for Tasmanian commodities, will bring with it new logistical and capacity issues for the movement of freight.

Tourism is also a key contributor to the Tasmanian economy. The University of Tasmania's Centre for Regional Economic Analysis showed that the contribution of tourism to Gross State Product increased from 7 per cent in 1992 (\$531m) to approximately 10 per cent in 1995 (\$735m). The tourism industry has a revenue target of \$1 billion which can only be realised if there is adequate capacity to cater for the passenger demand this will generate.

All of Tasmania's key industry sectors rely on air and sea services. They are sensitive to time and cost factors and impact on the overall health and wellbeing of the Tasmanian economy and its citizens.

Note: Tasmania is a key regional economy, and the submission that follows emphasises regional air services issues at Term of Reference 1, while sea services are addressed at Term of Reference 3.

*All data presented in this introduction is sourced from the Tasmanian Year Book 2000, published by the Australian Bureau of Statistics, 1999.

Key Issues

1. The provision of adequate passenger services that meet the needs of the Tasmanian passenger movement profile, taking into account the size of the market, seasonality and reason for travel.
2. The provision of adequate airfreight services meeting the needs of time sensitive freight and the imbalance between inbound and outbound volumes.
3. Early consideration of the recommendations of the National Aviation Working Group to the Standing Committee on Transport made in 2001.
4. Better alignment of international air services through code share arrangements, common rated fares and a domestic Star Alliance partner.
5. Recognition of Melbourne Airport as a major hub for South Eastern Australia and consideration of route management and airline profitability issues to support this including the efficient and effective operation of Tullamarine airport.
6. Review of the recommendation in the Commonwealth Government's *10 Year Plan on Tourism* to establish a northern hub in either Darwin or Cairns in favour of other hubs.
7. Support for the proposed change to Part 121B by CASA to bring charter aircraft services into line with regular passenger transport (RPT) services.
8. Swift and comprehensive attention to the issues which impede the timely replacement of piston-engine aircraft with turbine aircraft.
9. Swift and comprehensive attention to regulations which impede the timely upgrading of aircraft size including the requirement for a Ground Proximity Warning System (GPWS) for all aircraft over nine seats.
10. Support to regional airports where necessary to upgrade infrastructure to allow the landing and take-off as aircraft get larger over time.
11. Strategies be identified to encourage greater interconnectivity between domestic trunk and regional carriers, and international carriers.
12. The Commonwealth continue to materially support the provision of quarantine services that preserves Tasmania's disease-free status.
13. The Commonwealth review its taxation requirements with respect particularly to the replacement of aging aircraft, and the viability of smaller owner/operators.
14. The Commonwealth reconsider the funding arrangements under the Airport Local Ownership Program (ALOP) to address the cost burden many small airports impose on small communities.
15. Continuation of the Tasmanian Freight Equalisation Scheme and the Bass Strait Passenger Vehicle Equalisation Scheme.
16. The Commonwealth maintain current funding levels for the provision of security services in Tasmania, with services equitably deployed at the four major Tasmanian airports.
17. The Commonwealth work with the Tasmanian Government to ensure that maximum economic development and job creation opportunities are achieved.
18. A regulatory environment that continues to support viable airline competition.

Terms of Reference

1. The adequacy of commercial air services in regional and rural Australia.

- ❖ *For the purpose of this submission, regional air services in Tasmania are defined as interstate services and services to major offshore islands.*
- ❖ *Rural services are defined as intrastate services.*
- ❖ *Following from these definitions, this document covers all services from mainland Australia to Wynyard/Devonport/Launceston/Hobart, services to the Bass Strait Islands and from Hobart to Burnie (Wynyard). It is important to note that Tasmania's major islands do not have any alternative to air services for most access purposes. These issues are further explored under Terms of Reference 3.*

Current Situation and Key Issues for Tasmania

Current Situation

Qantaslink, Virgin Blue, Regional Express (Rex), King Island Airlines and Island Airlines Tasmania provide services between the Australian mainland and the islands of Tasmania, while Island Airlines Tasmania offers services between Flinders Island and Launceston and Tasair offers services between King Island and Burnie.

Following the final demise of Ansett, Qantaslink has been the only provider of scheduled passenger services into Hobart until the commencement of Virgin Blue services on 29 August 2002. Virgin Blue is also servicing Launceston in limited competition with Qantaslink. Whilst Virgin Blue will offer a limited alternative to Qantaslink flights out of Hobart, the frequency and scheduling of the service means that it is not considered by many to be real competition for Qantaslink.

Regional Express Airlines (Rex), an amalgamation of Kendell and Hazelton, continues to service most of the routes operating prior to the collapse of the Ansett group of companies. Rex operates Saab 340 aircraft on the Melbourne-Burnie and Melbourne-Devonport routes and a Metroliner aircraft from Melbourne to King Island. It is also considering re-entering the King Island-Burnie route, as well as forging a Burnie-Strahan route, but the demand and yield on these routes appears to be low at this time. There is also competition on the King Island-Burnie route in the form of locally owned airline, Tasair. These factors are likely to prohibit Rex, at least in the short term, from servicing those routes.

Qantaslink operates in direct competition with Rex on the Melbourne-Burnie and Melbourne-Devonport routes, using Dash-8 aircraft. King Island Airlines operates in competition with Rex on the King Island-Melbourne route, however they operate from Moorabbin rather than from Tullamarine and offer significant freight capacity on the route, thus sufficiently differentiating their business from Rex so as to compete effectively.

Island Airlines Tasmania services the Flinders Island-Victoria and Flinders Island-Launceston routes using Piper Chieftain aircraft. The only competition on routes operating to Flinders Island is by charter operators.

Key Issues

▪ *Passenger Service Adequacy*

The size and nature of the market determines the point at which an operator either increases the frequency of services or alters the size of aircraft flying the route. The nature of the market is reflected in the seasonality or directionality of the route, availability and cost of larger aircraft, and yield per seat.

Size

Tasmania and its off shore islands have in excess of 1.8 million passenger movements (arrivals and departures) annually. Of these, approximately 47 per cent (840,000) are identified in the Tasmanian Visitors Survey* as visitors to the state who arrive and depart by air. These include holiday visitors, visiting friends and relatives (VFR) and business visitors. (Business visitors account for less than 15 per cent of visitors who arrive by air and sea.) The balance of passenger movements are assumed to be residents leaving and returning to the state. The high proportion of visitors using air services to the State and its implications are explored below.

Seasonality

Tasmania experiences peaks in demand for services during school holiday periods (both Tasmanian and other state holidays) and more particularly, heavy visitor demand during January to March. As an example, the TVS records that in July 2000, about 25,000 visitors left Tasmania. In January 2001, 75,000 visitors departed the state.

This variation in market demand is not adequately met by present scheduling and cost structures. In general, airlines hold to core schedules which vary only marginally throughout the year. Unmet demand for low cost airfares has been evidenced by the increase in passenger movements during periods of keen price competition.

The dilemma is to achieve a balance between sufficient low cost seats to meet the visitor demand for Tasmania, and sufficient yield per seat to make the service profitable for the airline. Operators require flights to have a 'mix' of passengers, including passengers that are willing to pay more than discount economy for their seats. There needs to be sufficient numbers of either full economy or business-class fare-paying passengers, in conjunction with discount economy fare-paying passengers, for a flight to be profitable for the operator.

The case for passenger service adequacy is driven by the particular profile of demand Tasmania experiences.

Major populated islands

On some regional routes, including King Island and Flinders Island, the relatively small market size means that the economic cost of provision of the service, as reflected in ticket price, is significantly higher than for larger routes. Some routes are also prone to strong directional flows, particularly at peak periods, resulting in full plane loads in one direction, with low or non-existent loads in the reverse direction.

* Visitors to King and Flinders Islands are not covered by the TVS. In total, there were 11,650 visitors to King Island (1999 Travel Survey); due to unforeseen circumstances, it is not possible to estimate total visitors to Flinders Island.

The difference between user perceptions of adequacy of services, particularly on the Bass Strait Islands, has been identified by both the operators and independent reports, such as the AOS (Whitemark Airport) Report and the air service Value Management Study (VMS) held on Flinders Island, as a case of 'needs' versus 'wants'. In both cases it was identified that current air services to Flinders Island are appropriate for the route density and that there are other larger issues that need to be dealt with on the island in regard to tourism infrastructure before an expansion in tourist numbers is likely. It was also clear from these reports that expansion of tourism and air services on the island is an iterative process requiring a number of sustainable smaller steps rather than unsustainable large jumps in capacity with multi-million dollar aircraft. These same issues are to a large extent relevant to King Island air routes as well.

There is, therefore, a tension between the level of air services, schedules and aircraft types sought by the Bass Strait Island communities and those provided commercially by operators. Analysis indicates that the existing level of service, schedules and aircraft types provided by commercial operators is a realistic response to the current markets. It is anticipated that increases in demand would be met by a commercial response from airline operators through changes to service levels, schedules and aircraft types.

▪ *Air Freight Service Adequacy*

The availability and reliability of air-freight services is regarded by island communities as a very important issue, particularly as it relates to the viability of businesses in those communities.

Scheduled Services

Exporters of perishable produce from Launceston and Hobart airports have experienced difficulties with the availability of freight space on scheduled daytime flights. This is particularly the case for export of time-sensitive perishables, such as live lobsters and abalone, where there are only a limited number of scheduled flights available to meet with suitable international interconnections for export of the product in a suitable condition. This problem is exacerbated by the requirement that express post items are sent out on the first flight of the day, thereby decreasing the amount of space available to meet those international interconnections. This is likely to once again become an issue for the state during the peak lobster and abalone season, as is the impact of high passenger and baggage loads on the actual freight capacity on these flights.

The collapse of Ansett had a significant impact on Tasmania's airfreight capacity. Despite significant capacity upgrades by Australian air Express (AaE), freight capacity at peak periods - Summer, School Holidays and Chinese New Year - on scheduled passenger flights remains an issue for exporters. Of particular concern is the off-loading of some time-sensitive freight, for reasons including aircraft unserviceability, trim management requirements, ground-handling issues, scheduling requirements, or weather patterns requiring extra fuel loadings at the expense of air freight capacity.

Night Freighter Services

Scheduled night freighter services remain important to the state, as they carry the bulk of inbound and outbound freight. The service carries mail, newspapers and consumer items inbound, and perishables, mail and consumer items outbound. The availability of inbound capacity to Tasmania is a significant issue, particularly at certain peak periods, as it impacts on the availability of outbound capacity, particularly for perishable items. If demand varies between inbound and outbound sectors for the freighter aircraft, the cost of operation of the aircraft, and therefore freight rates, can increase. This can affect the viability of running that particular aircraft, as it is not viable to fly empty freight aircraft into the state for low revenue outbound cargo.

▪ ***Competition***

There has been limited competition into Tasmania since the demise of Ansett in September 2001. The maintenance of real competition is a key factor in the continued provision of low cost fares, growth of the Tasmanian tourism market and adequate and appropriate airfreight services.

Virgin Blue now operates limited no frills daily services to both Launceston and Hobart from Melbourne and a direct flight between Launceston and Sydney once a week. Qantas continues to provide up to 11 flights per day from Hobart and five from Launceston to Melbourne, and a smaller number of direct flights are operated from both airports daily to Sydney.

It is important to note that differing transport options on the same route may not necessarily be in direct competition with each other, as they may meet different requirements, such as comfort, speed, cost, or the need to take a car.

▪ ***Rural routes***

King Island services are currently focussed on Victoria, through the provision of services by King Island Airlines and Rex between the Island and Melbourne. The Island is keen to see the reinstatement of a Rex operated service to and from Burnie or Devonport with larger aircraft. This route is currently serviced by Tasair.

Flinders Island's regular passenger service is oriented to the Tasmanian mainland, through a Flinders – Launceston service operated by Island Airlines Tasmania. Island Airlines Tasmania also operate Flinders Island-Melbourne services.

2. Policies and measures required to assist in the development of regional air services:

Current Situation and Key Issues for Tasmania

Current Situation

A paper prepared by the National Aviation Working Group (NAWG) for the Standing Committee on Transport (SCOT) meeting of September 2001 identified nine important policy issues for consideration by the Australian Transport Council (ATC). These policy issues remain applicable in the current aviation environment. However, due to the calling of a federal election, these issues have never been discussed at ATC. They are:

- ATC request the NAWG to investigate the causes and socioeconomic impact of the withdrawal of regional air services from regional Australia and recommend options to stimulate demand;
- Commonwealth consider reversing the tax laws that impact on the replacement of aged aircraft or introduce tax incentives to assist the replacement of aged aircraft;
- (a) Commonwealth evaluate the implementation of the systems safety approach to the safety regulation regimes with the view to reducing the administrative cost burden on small regional airline operators in a way that does not diminish or impact on air safety standards;
(b) informed by the outcome of the above evaluation, the Commonwealth consider providing assistance to the industry to upgrade skills, through training, to enable industry to comply with existing and new safety regulation;
- all levels of government consider the impact of term travel contracts on small regional airlines;
- State and Territory Governments consider restricting the number of operators, by way of regulation, to assist small communities to have access to regular air services;
- Commonwealth Government consider increasing the subsidy to Airservices in recognition of the public benefit derived from the services provided by Airservices and that charges to airline operators, and in particular small regional airline operators be reduced by a similar amount;
- Commonwealth consult with CASA with the view to encouraging CASA to clarify the issue of the probable impacts of its future regulatory oversight of the air-worthiness of piston engine aircraft;
- Commonwealth consult with CASA with the view to encouraging it to investigate the future of Avgas availability and report to the industry in the near future; and
- all levels of Government consider options to forego revenue to assist the viability of small regional airlines.

Key Issues

SCOT Recommendations

These recommendations remain of current interest in the development of a policy and regulatory environment conducive to the viability of small regional airlines. The Tasmanian Government recommends that these issues be progressed as an important and major step towards assisting the development of regional air services.

(a) regional hub services

Current Situation

Melbourne is a critical hub for Tasmanian regional air services. Regular scheduled services operate to Melbourne's Tullamarine, Essendon and Moorabbin airports from Hobart, Launceston, Devonport, Burnie (Wynyard), King Island and Flinders Island. Melbourne is also the hub for international visitor trips from mainland Australia. Its proximity and alignment with the 'green branding' of Victoria and South Australia makes it a natural conduit for international tourists with an interest in Tasmania.

Key Issues

▪ *International Air Services*

International visitors are the fastest growing visitor segment for Tasmania. Policies and measures which would assist growth of this business include code share arrangements and common rated fares. Code share provides a seamless travel experience even though the service may be provided by a different operator, while common rated fares provide point-to-point fares without additional charges for domestic legs.

With the demise of Ansett, the lack of a domestic Star Alliance partner for major international airlines flying into Melbourne has further fragmented the flight arrangements of international visitors to Tasmania.

▪ *Strategic Positioning with Melbourne Airport*

As Melbourne is the hub for Tasmanian air and sea services, the Tasmanian Government retains a keen interest in ensuring the efficient and effective operation of Melbourne ports and airports to facilitate the overall health of Tasmanian air and sea routes, as well as the future expansion and efficient operation of passenger and freight services to and from Tasmania. The two states, Victoria and Tasmania are closely linked, and even closer economic ties are likely to result from the introduction of the two fast ferries between Devonport and Melbourne and the introduction of the gas pipeline and Basslink.

The projected expansion of the food industry and competition for freight from the two new ferries will require the on-going competitive positioning of Melbourne airport. An issue of particular concern for Tasmania is the continued curfew-free status of the airport.

▪ *Other Hubs*

Sydney is not considered a hub for Tasmania, due to limited scheduling and routes flown. Likewise, no Tasmanian airports are considered to be hubs due to the limited number of routes serviced and the small size of the routes. Concern is also expressed at the possibility that Cairns may be seen as a future hub development as floated in the *Ten Year Plan for Tourism Discussion Paper* and promoted by the Commonwealth through the Tourism Ministers Council.

(b) small scale owner-operator services

Current Situation

Regional owner-operators play a key role on Tasmania's major offshore islands, King and Flinders Islands (defined as regional services in Term of Reference 1 of this submission). The Civil Aviation Safety Authority (CASA) has a proposal on the table to remove legislative distinctions between operators of scheduled and unscheduled (charter) services.

Negotiations are close to completion for Cape Barren Island to receive a regular weekly service supported by the Remote Area Subsidy Scheme (RASS). Currently, residents and visitors are moved on and off the island via charter services.

Key Issues

▪ *RPT/Charter Services*

If the CASA proposed Part 119/121B changes are enacted, any legislative distinctions between operators of scheduled and unscheduled services will be removed, requiring both to meet the same strict requirements, particularly in regard to safety. This may have one of two effects:

(i) if charter operators are allowed to advertise scheduled services they may 'cherry-pick' passengers on routes that are currently serviced by RPT operators. This has the potential to detrimentally impact on the already fine balance of some sensitive low-volume passenger markets in Tasmania;

(ii) conversely, as a result of the extra effort required by charter operators to achieve these standards, there may be a reduction in the number of charter operators around the country - however large or small, and whether through opt-outs or mergers. The loss of these services may leave some communities with either no competition on the route or no passenger service at all.

Both Flinders Island and King Island have large numbers of unlicensed private landing strips. It appears that potentially significant numbers of passengers are flown either privately or by charter to these landing strips, bypassing the airports operated by the respective Councils, and limiting the already small market available to RPT service providers on most Bass Strait Island routes. The changes proposed by CASA, as well as addressing safety issues, may assist in building the critical mass needed for increasing RPT services, increased airport usage and therefore viability. For these reasons the Tasmanian Government supports the change.

▪ *Viability*

The viability of an individual route is related to a number of factors, including market size and nature, seasonality, directionality, yield, aircraft type, schedule and capacity offered. Small-scale owner operators are particularly sensitive to changes in any one of these areas, as they do not have the economies of scale of larger operations and the consequent ability to absorb losses in any one area for a given period of time. Many of the issues identified in the nine SCOT recommendations address the issue of viability for small owner/operators. For this reason, the Tasmanian government is supportive of further consideration of these issues.

(c) the deployment of most suitable aircraft types

Current Situation

Qantaslink operates Boeing 717s on Melbourne-Launceston, Melbourne-Hobart, Launceston-Sydney, Hobart-Sydney and Hobart-Coolangatta, and Virgin Blue operates Boeing 737s on the same routes (except there is no Hobart-Sydney or Hobart-Coolangatta service at present).

Regional Express Airlines (Rex) operates Saab 340 aircraft on the Melbourne-Burnie and Melbourne-Devonport routes and a Metroliner aircraft from Melbourne to King Island. There is competition on the King Island-Burnie route in the form of locally owned airline, Tasair which uses Chieftains and Shrikes in its fleet. King Island Airlines operates in competition with Rex on the King Island-Melbourne route, however they operate from Moorabbin rather than from Tullamarine using Chieftains and a Bandeiranti.

Qantaslink operates in direct competition with Rex on the Melbourne-Burnie and Melbourne-Devonport routes, using Dash-8 aircraft. Island Airlines Tasmania services the Flinders Island-Victoria and Flinders Island-Launceston routes using Piper Chieftain aircraft.

Key Issues

▪ *Piston-engine Aircraft*

The capital cost of upgrading to turbine aircraft is between four and ten times that of purchasing piston-engine aircraft. A key to encouraging small operators to move to more economical and environmentally friendly turbine aircraft is the Commonwealth Government's taxation regime. One of the recommendations made to SCOT by NAWG is as follows:

Commonwealth consider reversing the tax laws that impact on the replacement of aged aircraft or introduce tax incentives to assist the replacement of aged aircraft.

Consideration of this, and the other complementary recommendations made to SCOT to encourage operators to move to turbine aircraft will have the effect of environmental benefits, passenger comfort and safety and will address the avgas issue outlined below.

Avgas is likely to be available for a limited time only. As it is the only fuel source currently used by Australia's piston-engine passenger fleet, this raises a serious question as to the future viability of these aircraft. Piston engines that run on diesel have been developed overseas, but are expensive to purchase.

▪ *Community Demand*

Passengers may perceive small aircraft to be less safe or less comfortable than larger aircraft - whether or not this may actually be the case - yet the size of the market may only justify use of a small aircraft type. Even where the service provided may be perfectly adequate, communities frequently expect that the Commonwealth, State and/or Local Government will subsidise the introduction of larger aircraft. However, these subsidies may not be appropriate in markets currently serviced on a commercial basis, especially markets serviced by more than one operator.

Whilst passengers on some small routes prefer the use of larger turbine-powered aircraft, the market may be such that an operator can only justify the use of smaller piston-engine aircraft. Unless the market expands significantly, or the operator is subsidised, larger aircraft are unlikely to be viable on such routes, including Flinders Island routes and King Island to Burnie/Devonport.

Regulatory Impacts

The regulatory environment has a significant impact on choice of aircraft, particularly for RPT operators. For example, under current CASA regulations a Ground Proximity Warning System (GPWS) is required to be fitted to all passenger aircraft with more than nine seats. This is a very expensive system, the cost of which can delay the point at which the upgrading of aircraft size would otherwise be viable under normal market conditions.

▪ ***Airports***

The operational requirements of airport infrastructure, including runways, can have an impact on the type of aircraft chosen for a particular route. For example, international services to Hobart Airport are currently limited by the length of the runway and the proximity of the airport perimeter. These infrastructure limitations prevent some larger aircraft such as A330 Airbus' and Boeing 777s, from taking off fully laden, and completing direct flights. This is particularly an issue for the established charter business between Singapore and Tasmania.

All Tasmanian airport infrastructure is under-utilised - all airports could accommodate many more aircraft movements per day than currently is the case. However current infrastructure limitations at some smaller airports and the viability of using larger aircraft may limit moves by airline operators to newer, more efficient aircraft. Some airports, including Flinders Island and King Island, operate at a loss. They have either no, or very limited, capacity to re-invest funds into the aerodrome to either upgrade the aerodrome or maintain it in its current condition. The Tasmanian Parliament recently approved legislation designed to make it easier for Tasmanian airport operators to recover landing fees. The introduction of the *Aerodrome Fees Act* is seen as a positive step in limiting losses by airports as a result of non-payment of fees by users. One of the major contributors to economic losses by regional airports has been the collapse of both large and small airlines that were unviable at the time. For example, the Ansett collapse left unpaid debts of approximately \$12 million owing to regional Australian airports.

3. The adequacy of commercial air services to major populated islands and the adequacy of alternative sea services.

As outlined in the response to Term of Reference 1, regional air services addresses the issue of commercial air services to the major populated islands of Tasmania, King Island and Flinders Island.

The response below addresses the issue of alternative sea services.

Current Situation and Issues for Tasmania

Current Situation

Tasmania is now serviced by two new passenger vessels. TT-Line, a Tasmanian State owned company, operates two ships, Spirit of Tasmania I and Spirit of Tasmania II between Melbourne and Devonport on the North West Coast of Tasmania. The new vessels will increase passenger movements on Bass Strait in 2002-2003 by an estimated 100,000, an increase of 31 per cent. It is anticipated that this will provide a significant boost for both the tourism and freight industries.

There are no sea passenger services to King Island, and only a limited sea passenger service to Flinders Island. As such, air services are the link for the movement of people onto and off the islands. The Commonwealth-funded Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES) is available on the King Island-Victoria sea route, with passengers travelling by air and their car by a scheduled sea service. BSPVES is also available for the Flinders Island-Victoria sea route, but passengers travel in accommodation quarters on the freight ship. Sailings on the Flinders Island-Victoria route are freight-demand driven rather than a scheduled service. Most freight for the islands travels by sea except for some time-sensitive freight which travels by air.

Following the collapse of Ansett/Kendell, significant capacity constraints were evident to some destinations. Qantas was subsequently able to increase passenger capacity to compensate for the absence of Ansett. Ansett/Kendell recommenced limited services to Tasmanian airports in November 2001. Virgin Blue also commenced limited services to Launceston in November 2001 and is scheduled to commence limited services to Hobart in late August 2002. Following the withdrawal of subsidies for Ansett/Kendell services to Launceston and Hobart these services were terminated. Analysis by the Tasmanian Government indicate that both air passenger and airfreight capacity has returned to levels experienced prior to the collapse of Ansett. However, there are capacity constraints on scheduled passenger flights at certain peak periods.

Key Issues

▪ *Impact of Increased Sea Passenger Capacity*

Some observers believe that the increased passenger capacity of the new vessels will directly compete for passengers with airlines such as Rex, Qantas and Virgin Blue. However, in *A Report On The Decision To Acquire Two Superfast Vessels For Bass Strait* (Department of Infrastructure, Energy and Resources, Tasmania 2002) it states that "...research available to the Department of State Development (Tourism Tasmania) supports the view that sea and air transports essentially cater for different travel markets and are substitutes in only some sub-markets. Therefore, implementation of the 'Superfast' vessel option is unlikely, of itself, to have major implications for the air service market."

▪ ***Impact of Increased Sea Freight Capacity***

The new vessels have the potential to double the TT-line's freight capacity, providing shorter times to market and providing new opportunities for shippers of time-sensitive goods.

It is expected that freight companies such as Patrick, Brambles and ANL will respond in a competitive manner and anticipated the new vessels will assist in expanding the overall market for both freight and passengers. Significant growth in the containerised freight market has already been evident for many years, with the container market growing from around 215,000 TEU (Twenty-foot Equivalent Unit) in 1993/94 to 307,000 TEU in 2000/01, an increase of 43 per cent.

▪ ***Impact on King and Flinders Islands with Introduction of New Vessels***

While concern has been expressed, particularly by the King Island Council that the new Bass Strait ships will jeopardise both passenger and freight services to the islands, it is not anticipated that this will affect the number of travellers to the islands. Generally, travellers to the Bass Strait Islands travel directly to and from the islands and do not visit them as an extension of a trip to Tasmania. Hence concerns that increased visitors to Tasmania travelling with their cars are not expected to reduce the planned growth in tourism to either island. Increased travel to the islands due to increased advertising and recognition of the Tasmanian brand may be the result.

4. Interconnectivity between regional air transport systems, major national air services and international services (including on-carriage, through ticketing, freight handling, timetabling and airport slotting).

Current Situation and Issues for Tasmania

Current Situation

Qantas provides high levels of interconnectivity to domestic and international destinations from Tasmania's major airports. Virgin Blue offers connections to major domestic and regional destinations. Rex offers lower levels of interconnectivity, mainly to regional destinations in Southern Australia.

There are no direct international RPT services to Tasmania. The Tasmanian tourism industry relies on international services to mainland Australian airports, with interconnections on domestic services, to provide access to Tasmania for overseas travellers. There are, however, a small number of charters each year to Hobart from Singapore. Hobart airport has an international terminal but the once-a-week RPT service to New Zealand ceased some years ago.

Direct interconnectivity to other destinations on the smaller regional and rural airlines is currently non-existent.

Key Issues

▪ ***Interconnectivity for Small Regional and Rural Airlines***

There is a need for small airlines to forge alliances with major domestic airlines, including alliances through airline booking systems and airport terminal access arrangements. This can, however, be very expensive both financially and in terms of human capital. Whilst Melbourne Airport (Tullamarine) is the major hub for Tasmania, many small operators prefer to use alternate airports, such as Essendon or Moorabbin for reasons of cost, ease of access, service differentiation and so forth. In addition, aircraft types used by small airlines tend to be unsuitable for major airports. Piston twins and some turbine aircraft are comparatively slow on approach and departure and are not compatible with high-density jet operations. As a result, access to some large airports for these aircraft is either not available or may be limited to non-peak periods.

The drawback of small airlines operating from alternate airports is that interconnection to other destinations is not seamless, involving extra time and cost for the transfer of passengers, baggage and sometimes freight. This may impact on economic activity and/or development in regions serviced by these operators, in particular, tourism may be detrimentally impacted by this lack of connectivity.

Access to the major Computer Reservation Systems (CRS) is also very expensive, with the technical compatibility of the systems used by small operators and CRS's being a major hurdle to their implementation.

For small airlines interconnecting with larger airlines at major airports, difficulties can arise from security arrangements for passenger, baggage and freight handling.

▪ ***Quarantine Considerations***

Quarantine arrangements at airports and seaports are also critical to maintaining Tasmania's pest- and disease-free status in a number of areas. Tasmania therefore supports strong measures in this area. However, it is also recognised that the cost impact of quarantine arrangements could become a critical issue for airports and seaports, as well as small airline operators.

5. The role of all three levels of Government in supporting and assisting the development of regional air services and island transport systems.

Current Situation and Issues for Tasmania

Commonwealth Government

Current Situation

The Commonwealth Government is responsible for the provision of policy and planning for the aviation sector on a national basis including negotiation of bi-lateral agreements. It is a signatory to a number of international conventions on aviation, including the Warsaw convention. These conventions specify Australia's responsibilities in a number of areas, such as carriers liability.

The Department of Transport and Regional Services (DoTaRS) chairs the National Aviation Working Group (NAWG), which reports to the Standing Committee on Transport (SCOT) and the Australian Transport Council (ATC). The Commonwealth has responsibilities through DoTaRS to ensure that aviation policies facilitate economic development in regional Australia.

The Commonwealth regulates interstate aviation through various legislation including the *Civil Aviation (Carriers Liability) Act*, and administers safety legislation and standards, including those relating to the licencing of airports, airlines and pilots through the Civil Aviation Safety Authority (CASA).

Airspace management and air navigation services are provided by Airservices Australia. As a government agency these services are provided at some airports on an un-economic basis. In some cases the services provided may be of a higher level than could otherwise be justified by the level of passenger throughput at the airport. Air and sea search and rescue services are coordinated through the Australian Maritime Safety Authority (AMSA) by Australian Search and Rescue (AusSAR) with the actual search operations carried out in conjunction with state and federal police.

The Australian Competition and Consumer Commission (ACCC) has primary responsibility for administering the economic regulatory arrangements that apply to the privatised Australian airports and the issue of price regulation of airports has been the subject of a recent report by the Productivity Commission (PC).

Australian Transport Safety Bureau (ATSB) is operationally independent from Government and is responsible for investigation of transport (road, rail, sea and air) safety accidents on a 'no blame' basis.

Key Issues

▪ *Taxation Policy*

The Commonwealth government is responsible for the tax laws that impact on the replacement of aged aircraft. This can have a significant impact on all operators, particularly of small airlines, affecting their viability and that of the routes they service.

The Tasmanian government supports the recommendation made to the Standing Committee on Transport for the review of these taxation provisions and the possible development of incentives for the upgrading of aircraft.

- ***Commonwealth Charges***

There are a number of charges levied on airlines by the Commonwealth Government which impact on airline viability and costs to passengers. In the case of Tasmania's major populated islands, King Island and Flinders Island, these charges have a direct impact on the cost of flying, where there is no other realistic means of moving on and off the islands. NAWG has recommended to SCOT that *all levels of Government consider options to forego revenue to assist the viability of small regional airlines*. The Commonwealth Government is requested to assess all the SCOT recommendations, including this critical one, as a way of supporting and assisting the development of regional air services and island transport systems.

- ***EnRoute Charges***

Following the collapse of Ansett/Kendell and the subsequent re-establishment of subsidised services under administration, the Commonwealth government exempted RPT aircraft below 15 tonnes Maximum Take Off Weight (MTOW) from enroute charges. Because Rex operates Saab 340 aircraft, which are below 15 tonnes MTOW, on the Devonport-Melbourne and Burnie-Melbourne routes, they are exempted from enroute charges. Qantaslink, however, operates Dash-8 aircraft on these routes. Dash-8 aircraft are above 15 tonnes MTOW and therefore remain subject to enroute charges. While the principle of this exemption is welcomed, the current approach advantages Rex over Qantaslink, and raises important issues of equity in a competitive environment.

- ***Airport Local Ownership Program (ALOP)***

In 1990 the Commonwealth Government announced the transfer of regional aerodromes owned by them with a transfer grant and 'social benefit' subsidy. The aerodromes were mostly unviable and in many cases small grants were soon expended on capital-intensive maintenance and upgrades.

Five Tasmanian airports were transferred to local ownership under this program - Strahan, Queenstown, St Helens, Flinders Island and King Island. Costs of operation of Strahan, Queenstown and St Helens, as licenced airports, exceeds revenue annually by factors of approximately five times in some cases. Due to their low utilisation and the viability of alternate road connections, these airports received relatively small transfer funds from the Commonwealth. On the other hand, whilst Flinders Island and King Island received larger transfer funding, locals, tourists and business travellers are almost entirely reliant on air travel for access to the islands. Thus the aerodromes require much more capital input into upgrading and maintenance. However, both municipalities have very small populations and rate bases and are there not in a position to fund airport losses or heavy maintenance or upgrading costs.

Whilst King Island's aerodrome is considered to be almost viable from a market-size perspective, and therefore not a significant economic burden on the community, Flinders Island's aerodrome is considered to be uneconomic, and a greater financial burden on its local community. This makes any upgrades to the standard of the aerodrome by the Council in the short-to-medium term an unlikely prospect without either increased traffic or some form of assistance. The State Government provided substantial funding for Flinders Council for the sealing of runway 05/23 at Whitemark airport in 1999.

Economic Development

The Commonwealth has responsibilities through DoTaRS to ensure that their aviation policies facilitate economic development in regional Australia. Many parts of regional Australia are reliant on adequate, viable and sustainable regional services to ensure that impediments to access are reduced for locals, tourists and business travellers. This facilitates economic development by having viable regional airlines, tourism businesses, and both airport and non-airport related businesses. It is critical that the Commonwealth Government recognises the importance of healthy regional communities for the overall social and economic health of Australia.

Commonwealth government policy is to liberalise international air services part of which has been the introduction of the Regional Package. This package offers open access to regional Australia in all air services negotiations. The aim of the package was to provide unconstrained access for international airlines to airports other than Sydney, Melbourne, Brisbane and Perth for both freight and passenger services. In the case of Hobart there has been no benefits and international airlines have not made any use of the package.

The Tasmanian government support a review of this approach to ensure that regional Australia benefits from international services. This issue was highlighted in the recent Tourism Task Force report, *Keeping the Bush in the Game*.

▪ ***Tasmanian Freight Equalisation Scheme (TFES)***

The Tasmanian Freight Equalisation Scheme (TFES) is an infrastructure substitute to alleviate the sea freight cost disadvantage incurred by shippers of eligible non-bulk goods moved between mainland Australia and Tasmania by sea. The scheme is now an essential part of the Tasmanian economy and reduction or removal of the scheme would have a significant negative impact on Tasmania's economic and social health.

The scheme is not enshrined in legislation, but is set in place by Ministerial Direction for a five year term at any one time, with a rolling review which determines each year whether or not the assistance will continue to be provided five years beyond that date.

TFES is calculated on a notional 'wharf-to-wharf' sea-freight cost disadvantage. The sea-freight cost disadvantage is the difference between actual freight rates paid and an estimate for how much it would cost to move the freight over a similar distance by road freight, the 'road freight equivalent cost'. Assistance payments are based on this difference. To provide an incentive mechanism for shippers to pursue lower freight rates, actual assistance paid is measured against the median wharf-to-wharf sea freight cost disadvantage. The lower the freight rate a shipper secures, the more of the disadvantage is made up in assistance payments. There is also an adjustment to cover 'fixed' costs associated with inter-modal interchange at each end that are not captured on freight rates. Appendix A provides a brief overview of the method for calculating TFES.

Approximately 40 per cent of freight moving between Tasmania and the mainland receives assistance under the scheme. A Commercial-in-Confidence survey report prepared by the Department of Infrastructure, Energy and Resources (DIER) found that the expenditure to assistance ratio for companies receiving TFES is as high as 23:1, with most of this expenditure directly flowing into the Tasmanian economy. The ratio of capital turnover to assistance was found to be 36:1, and the ratio of annual turnover to assistance was 48:1. The multiplier effect for jobs was found to be around seven external jobs for every direct employee of a company receiving TFES.

Sixty percent of the companies interviewed stated that they would not be able to continue operating in Tasmania without TFES assistance. This relates to over 3,000 direct jobs that would be lost within Tasmania, with the potential to cost the Commonwealth Government over \$30 million per year in unemployment benefits. With an employment ratio of seven external jobs for every job created by TFES recipient-companies, this could potentially result in an additional \$210 million annually in unemployment benefits that would need to be paid out by the Commonwealth government if TFES assistance was removed.

The survey report highlighted the need for the following: the continuation of TFES to ensure ongoing confidence in the Tasmanian economy; use of annually adjusted indicators to provide an overview of the significance of the scheme for the Tasmanian economy; the investigation of expanding TFES to include additional commodities which presently do not qualify for assistance; and investigation of Bass Strait disadvantages also not currently included under the scheme.

▪ ***Bass Strait Passenger Vehicle Equalisation Scheme***

The Bass Strait Passenger Vehicle Equalisation Scheme is another infrastructure substitute introduced in 1996 to reduce the cost of transporting passenger vehicles between Tasmania and mainland Australia, in recognition of the higher transport cost posed by Bass Strait in undertaking such activities. Since the scheme's introduction the number of passenger vehicles shipped across Bass Strait has more than doubled, from 217,000 passengers and 63,000 vehicles in 1995-96 to 338,000 passengers and 133,000 vehicles in 2000-01. This highlights the immense importance of the scheme to Tasmania, both in terms of reducing barriers to tourists visiting the state and for Tasmanian residents. From a Federation perspective, it is also valuable in moving towards equality of access for Australians to move between all states without being economically penalised. The BTRE annually report on the BSPVES as to its effectiveness and operation. Given the average spend of visitors to Tasmania is \$1,080 per visitor, the increase of 121,000 passengers since 1996-96 is equivalent to \$130.68m per annum additional revenue for the Tasmanian economy.

As part of the 2002-03 Commonwealth Budget an additional \$15.2 million will be provided for enhancement of the Scheme over the next four years. Funding for the Scheme is demand driven and uncapped and varies to match the actual level of travel undertaken. It is estimated that there was \$17.4 million in fare rebates paid to eligible passengers during 2001-2002, increasing to an estimated \$26.6 million in 2002-03 following the introduction of the enhanced Scheme, and commencement of new ferries on the Bass Strait service from 1 September 2002.

BSPVES is available between mainland Tasmania and Victoria, as well as King Island-Victoria and Flinders Island-Victoria. No subsidy is available for movement of passenger vehicles between these island and mainland Tasmania as the scheme is designed to facilitate travel between states, not within states. Thus no other islands around the country receive similar Commonwealth funding as their routes are primarily intrastate.

▪ *Aviation Security*

Australia operates to International Civil Aviation Organisation (ICAO) regulations for the provision of passenger & baggage screening and security arrangements at airports. Following the events of September 11, 2001 the Commonwealth has tightened rules regarding passenger and baggage screening. Further to DoTaRS benchmarks set for security, assistance has been provided at major airports for the introduction of security services by the Australian Protective Service (APS).

Whilst the Commonwealth requires APS security services at Hobart airport, they are not required at Launceston airport, despite similar destinations being serviced and similar sized aircraft being used. The Tasmanian government believes that the Commonwealth should maintain at least current levels of funding for APS services in Tasmania, but that the funding be split over the four major Tasmanian airports, with 'fixed' security staff in Hobart and Launceston and 'floating' staff attending all four airports on a random basis.

State Government

Current Situation

Tasmania does not regulate air services and will only consider re-regulation in the event of market failure. However, it does have a range of legislative and policy frameworks that promote the smooth operation of aviation in the state.

The Tasmanian government introduced the *Civil Aviation (Carriers' Liability) Act* in 1963 to support a common legislative approach across State and Commonwealth jurisdictions in fulfilling Australia's obligations under the Warsaw convention. This legislation is currently being amended to ensure that the State Act continues to reflect the intent of the Commonwealth Act.

The planning framework, the Resource Management and Planning System (RMPS), provides the basis for the development of statewide rules governing airport noise. The Department of Primary Industries, Water and the Environment (DPIWE) is currently formulating a framework for development around airports in relation to airport noise. This will establish statewide rules governing development in the vicinity of airports to ensure that noise-sensitive development does not occur in inappropriate areas.

The State Government also provides supporting infrastructure at or near airports, facilitates an effective and efficient aviation industry, and owns and maintains a number of airstrips of varying size and utilisation.

In 1998 the Tasmanian government commenced a program of partnerships with local governments to enable both parties to work together to reach mutually agreed goals. Aviation services and infrastructure are linked to the strategies and objectives of some Partnership Agreements (PA) and regional plans. Good examples of this are the Partnership Agreement with Flinders Island and the PA currently being negotiated with King Island, which covers a range of specific aviation issues and strategies.

Key Issues

▪ *Economic Development*

State Governments share the responsibility with other levels of government for ensuring that its aviation policy works to support economic development in regional Australia. The Tasmanian government considers the expansion of aviation-related business opportunities and the facilitation of business through quality air links to be a priority. An inter-related priority is the development of a Tasmanian aviation industry skills base. Facilitating the development of Tasmania's local airline industry is recognised as being very important for the economy as it facilitates the retention and expansion of high-value service industries within the state, rather than exporting Tasmanian jobs to other states/countries for the provision of Tasmanian air services.

Developing a local aviation industry also reduces the reliance on relatively low-yielding, and potentially non-renewable, primary and secondary industries to provide the bulk of Tasmania's income, as well as assisting in the retention of valuable skilled staff in the state, such as pilots, engineers, management, administration and consultants. Once lost, an aviation skills base is difficult to rebuild, particularly in regional locations.

A further advantage of generating employment through expanding the local aviation industry, and the freeing-up of aviation-related restrictions to business development in the state, is the attraction of related industries and employment for the state, as well as employment in unrelated areas through enhanced economies of scale.

▪ *Access and Equity*

In addition to facilitating economic development in regional areas, states have a social obligation to maintain and improve access for citizens to health, education, banking, personal and other services. The Tasmanian government is involved in the facilitation of viable and sustainable air services, particularly in regional Tasmania, to ensure that the needs of communities are met. The Tasmanian government subsidises air travel for the Bass Strait Islands for health and education purposes as well as for pensioners. For the year 2001/02, this assistance amounted to approximately \$290,000, the majority of which was for patient travel.

▪ *Island Sea Services*

The Flinders Island shipping service, provided by Southern Shipping, is subsidised by the State Government. Without State Government assistance the service would not otherwise be economically viable. Until recently sea freight services to King Island were also subsidised by the State Government. Sea freight services to King Island are currently provided by Patrick Shipping on a fully commercial basis.

There are no sea passenger services currently available on King Island routes, however BSPVES can be claimed on these routes for an eligible passenger vehicle where the driver travels on a commercial airline in the same direction as their vehicle on or around the same day that their vehicle is being transported by sea. A limited sea-passenger service is available to Flinders Island on the freight vessel. This is a slow service on potentially rough seas, with an RPT air passenger service available on the route. For that reason only passengers wishing to travel with their car tend to use the sea service.

- ***Facilitation of Island Air Services***

The State Government has been involved in ensuring the continuity of RPT services for both King and Flinders islands and is responsible for the creation and maintenance of contingency plans to ensure essential service continuity, including delivery of charter services as an interim measure, pending re-establishment of RPT services in the event of commercial failure. In doing so, the Tasmanian Government maintains an awareness of, and contact with, suitably licenced potential providers of aviation services, should existing operators withdraw from service provision.

Local Government

Current Situation

Councils have responsibility for the planning and regulation of land use around airports within the planning framework, the provision of some essential infrastructure and community advocacy.

Key Issues

- ***Local Ownership of Airports***

Following the Commonwealth government's ALOP program, a number of Councils around Tasmania own airports serving their local community. In most cases, costs at these airports exceeds revenue, placing the economic burden of the airport on the local Council and their community. The cost impact of airport ownership can be onerous, either through maintenance/upgrade costs or as a result of bad debts of airport users. This includes bad debts resulting from airline financial collapses, such as those incurred following the collapse of Ansett. On the upside, in managing their airports, Councils have forged a commercial relationship with airlines and charter operators to facilitate continuity of services and in some cases the enhancement of existing services.

- ***Land Use***

Further to State and Commonwealth requirements in this area, Councils have responsibility for the planning and regulation of land use around airports. In particular, this involves ensuring that incompatible development, including tall structures, areas that create bird hazards, facilities that are brightly lit at night and noise-sensitive development, does not occur near airport operations. Some Councils have less strict rules than others, and some airports are located on or near the boundary of two Councils, thereby creating conflicts of interest between the two planning regimes. Insensitive development near airports can create unnecessary impositions on the current and future operations of the airport, and therefore on the flying public of the areas that they serve. It is essential for the healthy operation of airports that developments in their proximity be compatible with a number of standards, including AS2021 *Acoustics - Aircraft noise intrusion - Building siting and construction*, as well as CASA standards regarding the operation of airports near tall structures, bird hazards and facilities that are brightly lit at night.

- ***Economic Development***

Councils, as airport owners and overseers of local financial health, have a strong interest in ensuring that any impediments to business or tourist travel to their airport are reduced or removed. This is done in discussion with Commonwealth and State governments, airlines and other airport users. Councils may also review their own infrastructure and airport charging regime, to see if they meet the community's requirements. This is a delicate balance, given the financial demands of airport ownership.

Local government airport owners also focus on the passenger demand side and encourage local businesses to improve facilities/services to encourage more visitors to the region. In this, local government plays a valuable facilitation role in their community.

6. The role of major air transport carriers in providing regional services

Current Situation and Issues for Tasmania

Current Situation

Major carriers to Tasmania are Qantas and its subsidiaries, Virgin Blue and Regional Express. Currently, Virgin Blue has no affiliations with regional carriers, whilst Rex has no affiliation with a major carrier, restricting carriage effectively to their limited networks. Minor airlines, such as King Island Airlines, Tasair and Island Airlines Tasmania are not currently affiliated with any major airlines. Qantas provides a seamless service from four centres on mainland Tasmania.

Key Issues

▪ *Regional Affiliation with Major Airlines*

The availability of codeshare arrangements, or other suitable formal or informal affiliations between the major and minor airlines, can assist in enhancing regional aviation by providing interconnectivity with domestic and international destinations, thus reducing barriers to travel to and from regional Australia. This would enhance tourism and business opportunities for regional communities.

▪ *Competitive Environment*

The situation remains fluid with regard to current operators to Tasmania. It is unclear whether Rex will succeed in the long-term, particularly without affiliations to Qantas or Virgin Blue for on-carriage. The reorganisation of Impulse/Southern/Eastern Airlines under the Qantaslink banner has provided Qantas with the required brand recognition, route network, schedules, capacity and interconnectivity from regional Australia, as well as having the financial backing of Qantas, and as such will provide keen competition on those routes where it is in direct competition with Rex.

Other Issues

Transport Security

In the heightened security environment post-September 11, maritime and aviation security have increasingly come under the scrutiny of various authorities, with consequent tightening of arrangements being made in a number of areas, including:

- Arrangements for ports and shipping companies are currently being formulated and agreed to at a domestic and international level to ensure that Australia is able to continue trading with other countries. This will dramatically affect the movement of freight and the costs involved in having freight moved.
- Security arrangements at airports and on airlines have been dramatically tightened in the area of passenger and baggage screening, as well as in providing additional security staff at some airports, and on aircraft. As with sea transport, this has a significant cost attached.
- There is the potential for these arrangements to impact on the competitive environment. For example, the APS is currently required to have a presence at Hobart Airport but not at Launceston Airport. If the Federal government were to discontinue funding for these services the costs would have to be borne by Hobart airport, clearly putting it at a significant disadvantage in comparison with Launceston airport.

Impact of Ansett collapse

- In addition to the immediate loss of air freight and passenger capacity the overall loss of competition on certain routes, and bad debts, Tasmania's economy has lost the following post-Ansett collapse:
 - o 379 Ansett staff – including call centre staff in Launceston; airport ground handling staff; cargo handling staff; state sales management team.
 - o \$20.6m in wages and salaries; \$1.3m in payroll tax, \$0.8m in Workcover and \$91k in rates.
 - o Investment in facilities: \$1.4m in total property assets; \$1.2m pa in annual rental charges and outgoings; and \$357,000 in annual utilities costs
 - o Use of Tasmanian products by Ansett in-flight catering: wines, cheeses, salmon and chocolates
 - o Sponsorship of the Tasmanian Cricket Association, the Tasmanian VFL Team and the Tasmanian Symphony Orchestra.
- Qantaslink currently employs 511 people in Tasmania. This represents an increase of 40 per cent over pre-Ansett collapse levels. This number is expected to increase further over the next 12 months. Virgin Blue also employs a number of personnel in the State to service its operations.