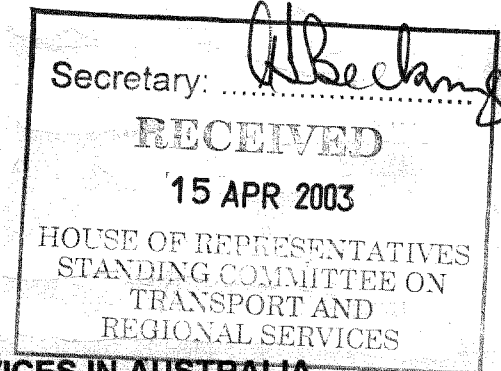


**KANGAROO ISLAND FERRY SERVICES PTY LTD**  
**ABN 16 096 751 567**

Mr Ian Beckingham  
 Inquiry Secretary  
 House of Representatives  
 Standing Committee on Transport and Regional Services  
 Parliament House  
 CANBERRA ACT 2600

Dear Mr Beckingham,



**INQUIRY INTO COMMERCIAL REGIONAL SERVICES IN AUSTRALIA  
 AND TRANSPORT LINKS TO MAJOR POPULATED ISLANDS**

Thank you for the opportunity to provide a submission to the Standing Committee.

I take pleasure in providing this written submission together with an electronic version in MSWord format as required. Our submission covers two select areas from the viewpoint of sea transport to Kangaroo Island viz:

- The adequacy of commercial air services to major populated islands and the adequacy of alternative sea services; and
- The role of all three levels of Government in supporting and assisting the development of regional air services and island transport systems.

Please feel free to contact me if you require further information or elaboration on any part of our submission.

From a continuous improvement perspective, I welcome the review and look forward to positive recommendations and improvements in policy at all three levels of Government.

Yours sincerely,

Prakash H Dhupelia  
 Managing Director  
**KANGAROO ISLAND FERRY SERVICES PTY LTD**

## Background

Over 220,000 people travel between the mainland and Kangaroo Island (KI) in South Australia each year. Kangaroo Island Ferry Services Pty Ltd (KIFS) is a new *passenger and vehicle* ferry service from the Mainland to KI. KIFS was established over 4 years ago to exploit an opportunity to introduce a low cost, high speed ferry service, to complement the current (virtual monopoly) operator's services in a strongly growing KI passenger market.

- Cape Jervis and Wirrina are the only viable ports for vehicle passenger and ferries to and from the Island. KIFS has an agreement for exclusive rights to the ferry jetty at Wirrina, and KI Sealink has exclusive rights to the Cape Jervis port (refer map below).
- KIFS received Government approval in September 2002 to operate a new ferry service. Targeted commencement of the KIFS ferry service was November 2003 using a purpose-built passenger and car ferry (Ropax ferry) carrying up to 300 passengers and 35 cars. Delays in securing appropriate licenses / leases have created uncertainty and require alternative strategies to be formulated and deployed.
- KIFS will operate up to 4 return trips per day on a year round service from Wirrina on the mainland, to the ports of Kingscote and American River on KI.
- In seeking approvals, KIFS had requested no Government subsidisation, despite which cheaper fares will be offered.



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

- KI is currently served by Regional Express and Emu Airlines. Regional Express has not as yet been able to achieve movements attained by Kendall. Prior to this, approximately 86,000 passenger trips (20% of market) made the trip by air. Full adult fares for travel on Regional Express by air to KI are \$276 return including taxes.
- Current two-hour return ferry journey for 4 adults and a standard car costs \$394 (\$64 per adult and \$138 per car at rack rates). A journey in similar waters from Queenscliff to Sorrento in Victoria costs \$112. This fare for a 16km (9 nautical mile) passage is one of the highest per sea mile in the world.
- A government contract to 2024 grants Sealink exclusive access to the Cape Jervis and Penneshaw ports for 1 hour before and 1 hour after its scheduled departures. Sealink's peak season schedule of up to 12 departures per day effectively blocks any competing operator from using the ports.
- Despite the protection offered by these restrictive arrangements, Sealink has repeatedly embarked on a series of requests for additional government support, eg an annual subsidy at State Level of \$3 million equating to a 50% subsidy for transport of cars to the Island, and assistance at Federal Level for construction of a new ferry under the Strategic Investment Coordination Scheme.
- Peak season passenger demand outstripping current capacity is a major issue for KI as it constrains economic and tourism growth.
- Current total value of transport to and from KI \$25m p.a., and growing.

### **Recommendations:**

- Recommendations under each of the three levels of Government following this section refer. In addition:
- KIFS will offer cheaper fares despite a journey of approximately 53km versus 16km on the Sealink route. By comparison, even if KIFS charged the same fare as Sealink, this equates to around ¼ of the Sealink fare per return km on the KIFS Wirrina to Kingscote route – this is achieved without any need for subsidies.

Hence, allow the effect of competition as a result of KIFS' operations to settle in before considering any proposals for subsidies, and then too, only if warranted, provide subsidies on an equitable basis on a route basis as opposed to serve individual operators' needs.

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

The following are KIFS recommendations / expectations at each level of Government:

### **Local Government**

- Management of key ports servicing Kangaroo Island including provision of local services and provision of utilities.
- On an equitable basis to all ferry operators, provision of and assistance in infrastructure development in servicing ferry operators' needs and to improve the "sense of arrival" at all ports served.
- Development and enforcement of traffic management plans in conjunction with ferry operators.
- Encourage community and local business development opportunities to support growing tourism popularity.
- Promotion of Kangaroo Island per se and special events / occasions.
- Apply for and gain access to adequate State and Federal Government funding for the above issues.

### **State Government**

- Granting and administration of licenses and leases – in this regard, expediency is critical given that KIFS do not as yet have formal leases / licenses in place ahead of the coming summer season, noting that KIFS' proposal was approved in September 2002. These delays continue to cause ongoing negotiations regarding the securing / building of suitable vessels, with the result that significant opportunities have been foregone, and time, money and effort needs to be reinvested to rectify and replace strategies.
- Investment in and maintenance of infrastructure to support ferry operations and to provide a "sense of arrival" at all ports served.
- Tourism development support locally and internationally on an equitable basis.
- Continue to develop and promote KI for regional and interstate visitations.
- Encourage and promote competition by focussing on all routes servicing the Island as opposed to focussing on individual operators' needs.
- Allow the effect of competition to settle in before considering any proposals for subsidies, and then too, only if warranted, provide subsidies on an equitable basis on a route basis as opposed to serve individual operators' needs.
- Seek appropriate funding from Federal Government for the above issues.

## **Federal Government**

- Continuously improve and develop policies in relation to transport issues, in particular, focussing in areas of increasing popularity and growth.
- Promote Australian tourist icons and natural attractions in conjunction with areas that are State-based priorities.
- Extend Government aid for inbound and domestic promotions beyond Austrade and EMDG.
- Provide and EFIC-type of funding to encourage local operators to build vessels locally, thereby also assisting an ailing Australian shipbuilding industry..
- Provide appropriate funding to State and Local Governments to support recommendations from the Inquiry.
- Provide exemption of taxes and import duties / other assistance on vessel/s purchased overseas as a result of having to resort to alternative measures as opposed to building a vessel in time for the forthcoming peak season – an alternative that is now unavoidable for KIFS.