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HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

Reference: Commercial regional aviation services in Australia and alternative transport links to major populated islands

MONDAY, 24 FEBRUARY 2003

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HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

Monday, 24 February 2003

Members: Mr Neville *(Chair)*, Mr Andren, Mr Gibbons, Mr Haase, Mrs Ley, Mr McArthur, Mr Mossfield, Ms O'Byrne, Mr Schultz and Mr Secker

Members in attendance: Mr Gibbons, Mr McArthur, Mr Neville, Ms O'Byrne and Mr Secker

Terms of reference for the inquiry:

To inquire into and report on:

Commercial regional aviation services in Australia and alternative transport links to major populated islands.

WITNESSES

ARCHER, Ms Josephine Mary, Executive Officer, Launceston Chamber of Commerce 28

BARRY, Mr Douglas Allan, Acting Manager, Transport Logistics Branch, Infrastructure Policy Division, Department of Infrastructure, Energy and Resources (Tasmania) 61

BREWSTER, Mr Geoffrey David, Member Council Representative, Local Government Association of Tasmania 49

JAENSCH, Mr Roger, Executive Chairman, Cradle Coast Authority 16

NAPIER, Mrs Suzanne Deirdre, Liberal member for Bass, past Shadow Minister for Transport, Parliament of Tasmania 1

REID, Mr Russell, Chief Executive Officer, Northern Tasmanian Regional Development Board (trading as Business North) 39

WING, The Hon. Mr Donald George (Private capacity) 57

Committee met at 10.03 a.m.

NAPIER, Mrs Suzanne Deirdre, Liberal member for Bass, past Shadow Minister for Transport, Parliament of Tasmania

CHAIR—I declare open this public hearing of 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. This hearing is part of the committee's program of visits to different parts of Australia, which will allow us to understand some of the issues raised in 164 written submissions to the inquiry. We have previously held informal discussions in Adelaide and Alice Springs and we have had briefings in Canberra.

Tomorrow, the committee will hold public hearings on Flinders Island and on Wednesday we will be in Melbourne. We are in Launceston to hear from state and local government representative groups. We will begin by taking evidence from a local parliamentary representative before going through a number of other submissions from the Launceston Chamber of Commerce, the Tourism Council of Tasmania, the Local Government Association of Tasmania and others. Before calling the first witness I would like to call on the federal member for Bass, Michelle O'Byrne, to welcome the committee to her electorate.

Ms O'BYRNE—I am delighted to see that the committee is attending Launceston and Flinders Island. As most people would be aware from reading the submissions, there has been a significant number of submissions from this area. That indicates the high importance that our community places on effective aviation and sea transport for freight and passengers and it effectively responds to those concerns. I am hoping to get a lot of information from our regional submissions and I welcome the committee here.

CHAIR—Thank you, Michelle. We all feel very welcome.

Resolved (on motion by **Mr Neville**, seconded by **Mr Gibbons**):

That this committee permits the media to film the evidence given before it at public hearing this day.

CHAIR—I welcome Mrs Napier, the Liberal member for Bass and, as such, a member of the House of Assembly. She is the shadow minister for transport in the Tasmanian parliament.

Mrs Napier—I am the member for Bass and have been since 1992. I have just given up the shadow transport portfolio; however, Mr Brett Whiteley, who is the current shadow minister for transport, asked that I present the submission. Given that, firstly, this was done when I was actually shadow minister for transport and given that, secondly, Flinders Island is within my electorate and I regularly travel to Flinders Island and sometimes to King Island, it was thought perhaps best if I continued with the submission.

CHAIR—Thank you. Although the committee does not require you to give evidence under oath, I should caution you that these are hearings and formal proceedings of the parliament and consequently they warrant the same respect as proceedings of the House itself. It is customary to remind you and all witnesses that the giving of false and misleading evidence is a serious matter and may be regarded as a contempt of the parliament. Would you like to make a brief opening statement, giving us a five-minute overview of your submission? Then we might move into questions and interaction.

Mrs Napier—Thank you very much, Mr Chairman and members, for ensuring that regional air and sea transport issues can be addressed by the national parliament. One would hope that good attention will be given to the report that you provide. Thank you for travelling to Tasmania and for visiting Flinders Island, because I know they eagerly await the opportunity to give you first-hand experience not only of the beauty of the island but also of some of the difficulties inherent in either living there or trying to visit there as a tourist. I thank you for the opportunity to present this case.

It is also particularly significant that it is the Year of the Outback. When we think of the outback and remoteness, there is a tendency to think of the inner parts of Australia. I know, having travelled to Gladstone and some of the other places, that one is certainly dealing with an issue of remoteness there in terms of being able to quickly get from the major cities. In terms of remoteness, I think there is some use in the Accessibility/Remoteness Index of Australia that might be applied particularly to the case of King Island and Flinders Island, which is what my submission has focused upon. I deliberately made it relatively short to ensure that members had time to read it and to rely on the greater detail that is provided in the Flinders Island and King Island submissions that have been put forward. For example, Flinders Island has a rating of 9.8 out of a maximum of 12 on the remoteness index of Australia and is in fact seen to be very remote.

The key issue that both islands suffer from, particularly Flinders, is air access. Whilst it is possible to travel as a passenger on the ships which are predominantly there for freight—I have done it once and I would prefer not to do it again—it is unusual. It usually occurs only when people have some concern abut flying in smaller planes. The fact is that there are many people who do not like flying on smaller planes, and Flinders Island has predominantly nine-seater Piper Chieftains. It also means that, if there is a high load factor at any one time, it becomes problematic to take some of the speciality freight, as well as passengers, to and from the island. That issue is very important not only for the export industries, which are essential to the economy of these islands, but also for visitors to the islands such as health officials, dental services or children pursuing an education—one would always hope they are—and for people doing business or visiting family and friends, as well as people who live there.

The populations are relatively small: King Island, about 1,800; Flinders Island, about 864—and we make sure that we count everyone. Since the heyday of the soldier settlement times following the war in the fifties and sixties—which is when there was probably the most activity on both islands—the numbers of people now living on the islands are certainly smaller. They are very independent people, and they work very hard to be self-sufficient. King Island still prides itself in being able to take out major horseraces, and it runs a horse breeding and racing industry on the island. It also enables us to enjoy beautiful King Island cheeses, in particular, and dairy products. Flinders Island tends to predominantly rely upon primary industry, such as wool, and it is experimenting with seed industries and so on. But it is finding some speciality products; for example, milk-fed lamb is in tremendous demand in Sydney. Of course, you cannot keep your market unless you can get your product there by air. If, per chance, the planes are full then that speciality product does not get on the plane. So there is a mixture of issues associated with air transport.

Air services are predominantly a federal government responsibility, although there is an irony to some extent in that, whilst the Bass Strait passenger rebate system compensates for the lack of a national highway between Tasmania and the mainland—it is very welcome, enabling

people to bring their car free whilst they pay their own passenger fare—Flinders and King islands are not connected by that highway so are totally reliant upon air services. Some would argue that it is a state government responsibility to provide the equivalent of a highway to Flinders and King islands; but one could equally argue that, whilst the rebate can be claimed if you are travelling from Tasmania right through to Melbourne and vice versa, you cannot claim half the rebate if you only go to King Island or Flinders Island and back to Moorabbin or Tasmania. Whether you are a traveller or a resident, there is a major traffic issue: you cannot access a national highway and you cannot access the passenger rebate scheme, so you are disadvantaged.

In the sixties and seventies subsidies were provided. I do not have to hand when those subsidies stopped; I would have had when I was minister. Certainly, there have been quite a number of private operators of air services but, despite best effort, they have not succeeded. That has resulted in significant losses incurred by both Flinders and King islands.

For example, in 1997 when Airlines of Tasmania ceased, Flinders Island lost $23,000 and King Island lost $16,000—these are rough figures. In 1999, when Aus-Air Pty Ltd ceased, Flinders Island council lost $16,800 and King Island lost $30,000. Whilst these might seem small figures to larger communities, to smaller communities who are struggling to run their own airports, in effect, it becomes extremely expensive and is quite a severe cost impost. That compounds the problem of their isolation when you consider the size of the population. More recently, when Kendall ceased in 2001, $24,000 was owed to King Island. In Flinders Island, when Island Airlines ceased, $61,398 was lost.

There is not only the issue of uncertainty associated with whether airlines are going to continue to succeed or otherwise. There is not only the issue of smaller planes, like Piper Chieftains. I must admit, I have experienced a few interesting trips: I have been squeezed between two people in the back, taking turns leaning forward so that we could make sure there was sufficient space. There is also the question of uncertainty about being able to get tourists and ordinary residents to and from the island. There is the issue of competition, with the price competitiveness of the airlines. Virgin Blue is very successfully operating in Tasmania, but of course that makes it harder for Flinders Island and King Island to be able to compete in attracting people, particularly in the tourism industry.

Quite rightly, I think both islands argue that, whilst significant state money has been put into buying two new *Spirits*—I welcome that; I think it has been a very good investment—that again is state government funding subsidising a national transport system. It is good investment, but it is in fact using public dollars—private enterprise did not do it. Flinders Island and King Island are sitting there trying to access privately run and privately owned services with no apparent subsidy. I think the islands feel forgotten. They certainly feel their remoteness. They see public dollars being invested in national highways—both sea and air—but they have access to very little of that.

We have raised some alternatives. We do not pretend to know exactly what they might be, but I think perhaps the remoteness index of Australia gives us a current policy format. We could use that to look at not just these islands, presumably, but also other islands around Australia who might have similar kinds of difficulties. There might be the equivalent of a Bass Strait freight equalisation scheme to deal with some of those freight issues.

It might be possible to provide, through the taxation system, some tax incentives or funding to enable RPT services that deal with remote and regional areas to upgrade aircraft. The smaller aircraft that are used at the moment are used because they are cost-effective. Commercial operators know they can run with a nine-seater, and sometimes a 19-seater, with a 65 per cent load factor. There is the question of whether they would be able to move to 30-seaters, which both of the islands would really like. Perhaps they would be able to do it in the summer; but in the winter the load factor would not necessarily be there, and a private operator would not be able to financially succeed. That is what the private operators tell me, and I would think it makes sense when you look at what their load factors are. They have peaks and troughs.

Air travel rebates could well be argued for passengers who connect to both mainland Tasmania and Australia, not only because of remoteness but also because they do not have access to the national highway. To get to Melbourne, many people from Flinders Island fly back to Tasmania and then fly from Tasmania to Melbourne. Travel is a very expensive part of living on an island. It is fairly expensive to live on islands full stop, even though they are beautiful within their own realm.

I have probably mentioned most of the issues that are important. Capital upgrade of airport runways would be needed if there were larger capacity planes capable of carrying 19 passengers or more. That always costs money and, in that sense, there is probably a realm for both the state and the federal government to assist. But the bottom line is that it is up to the private operators to upgrade their aircraft to deal with larger passenger numbers. If we are to move beyond the Piper Chieftains—which is not just an issue for operators on Flinders Island and King Island but for other smaller operators—these are some of the issues that would be worth looking at. There is probably a role for local, state and Commonwealth governments to work together to find the best solutions for providing access.

The last point that I would make is that the difficulty of reliable access to Tasmania is highlighted by the fact that, ironically, many of King Island's children go to Melbourne for private education. A lot of them used to go to Grammar here in Launceston. Every child that flies to Victoria is a loss to the private school system here. A reason for that is the lack of appropriate air connections. I know we want to make sure children get a good education but, if a small state has that kind of leakage, and you are trying to ensure that you are self-sufficient within your own realm, it is a problem. It is excellent that the committee has come down to see first-hand what some of those issues are.

CHAIR—What aircraft are the islands capable of taking? Up to what level?

Mrs Napier—Piper Chieftains are used on Flinders Island. It can take larger aircraft, but there is the problem of a mountain.

CHAIR—Can it take Dash-8s?

Mrs Napier—Dash-8s used to fly in during the soldier settlement period, but I am not sure that Civil Aviation would approve of them being used as RPT without an extension to the runway. On King Island, larger aircraft can come in.

CHAIR—What were Kendall's using? Were they using Saabs?

Mrs Napier—Saabs actually operated from King Island. I am told that, without extensions to the runway on Flinders Island, they would not be able to operate there.

Mr SECKER—Metros?

Mrs Napier—Metros can operate on King Island. Metros have come into Flinders Island but, as an RPT service, you would need an extension to the runway.

CHAIR—What has been taken away from Flinders Island? I am at a bit of a loss.

Mrs Napier—Flinders Island has Piper Chieftains only. They are nine-seaters. They have a service morning and night.

CHAIR—The submissions talk about four minor airlines and one major airline withdrawing. I am just trying to get the dynamic. What sort of aircraft was servicing Flinders Island prior to this downgrading?

Mrs Napier—It has gone under with the equivalent of Piper Chieftains, not necessarily the larger aircraft. Flinders Island's problem is essentially a load factor issue. The Piper Chieftains are being used because you can run nine-seaters without making a loss.

CHAIR—I am sorry; you are not answering my question.

Mr GIBBONS—Perhaps if you could tell us how long the runway is, that might start towards getting us an answer. How long are the runways on both King Island and Flinders Island?

Mrs Napier—I will just find those figures.

CHAIR—Have the SAABs been landing there recently?

Mrs Napier—SAABs do land on King Island, and King Island can handle them. Flinders Island cannot handle SAABs.

Mr GIBBONS—I would like to know how long the runways are on both islands.

Mrs Napier—On Flinders Island, the aerodrome currently has a two-runway configuration—a 1,070-metre sealed runway in the 0.523 direction and a 1,720-metre gravel runway in the 1432 direction. That gravel runway would need to be sealed and redeveloped to ensure that commercial aircraft could land.

Mr GIBBONS—Like Dash 8s.

Mrs Napier—They were having discussions with Southern Airlines to see whether they would be able to bring in some of their smaller aircraft. They were looking at having gravel catchment protectors on the wheels—I think there was something to do with that issue—and they were fairly positive about it. But, of course, with the changes that have occurred to the

national airline system, that has ceased. I am sure Flinders Island would be able to give you much more precise information on that.

Mr McARTHUR—How much would it cost to improve it?

Mrs Napier—My understanding is that they are talking in excess of $2 million.

Mr McARTHUR—Is that a reasonable figure? Is it a ballpark figure or have they done some calculations on it?

Mrs Napier—Flinders Island Council would be able to give you exact figures, but that was the figure that I have been provided with whenever I have had discussions with the design council.

Mr McARTHUR—And who should pay for it?

Mrs Napier—The shorter runway was predominantly upgraded by the federal government, with some state government assistance. It is just totally out of the bounds of Flinders Island Council. They would not be able to fund that kind of upgrade. You would be looking at federal government funding.

CHAIR—There would be only roughly 500 to 600 ratepayers out of that 800, wouldn't there?

Mr SECKER—There would not even be that many.

Mrs Napier—I would not think there would be that many.

Mr McARTHUR—Would the state government contribute? Is there plenty of money in Tasmania to contribute to that?

Mrs Napier—I have said that the answer to this has to be a combination of what local government, state government and federal government can do. If you can find a solution to assist the private operators to upgrade their planes and ensure that you have the appropriate runway then it seems to me that the state, together with the federal government, should be contributing. There have been some moves to try to get a bilateral approach to this between state and federal members, regardless of party lines in the state. We had some meetings on that, but unfortunately it just did not seem to go anywhere. I have my own views as to why that was so.

Mr GIBBONS—You said that there is no regular ferry service apart from the freight service, which passengers can utilise.

Mrs Napier—Yes.

Mr GIBBONS—How long does it take and which Tasmanian port does it leave from to go to Flinders Island?

Mrs Napier—Predominantly, the regular freight service is provided between Lady Baron, which is on the south of Flinders Island, and Bridport, which is a very small port just east of the Tamar River on the coastline. It takes nine hours.

Mr GIBBONS—What about to King Island?

Mrs Napier—I have not actually done the trip to King Island. It is not designed so much as a passenger service; it is predominantly a freight service. I would be guessing, but I think the distance between Tasmania and King Island is about 120 kilometres.

Mr GIBBONS—Has there ever been a passenger service, a ferry service?

Mrs Napier—No, there has not.

Mr GIBBONS—Why hasn't that ever been looked at? It seems to me that that would be a far better proposition than, say, spending money on developing a longer runway. I know how much it costs to develop them, because we desperately need one in Bendigo and we are looking at about $15 million. A ferry service that does a round trip might be more appropriate. Has the private sector ever looked at that; has anybody ever asked the private sector to look at that?

Mrs Napier—I do not know. All I would say is that, in my brief time as Minister for Transport and during the time that I was in cabinet, at least in other roles, the issue associated with Bass Strait, whether you are looking at the section closest to Victoria or at this side, is the size of the seas. They are nasty seas.

Mr SECKER—People get seasick.

Mrs Napier—Exactly. One of the reasons they have gone for the much larger ferries they have just brought in as replacements is the length of the ship; they deliberately went for longer ships. I think it was the right decision to go for the longer ships, especially when dealing with distances. We had an argument that you might use cats on the shorter run, and I still think that would be worth looking at, but the two current Spirits ride much better. I have tried them out myself. They are a good ride, regardless of the height of the seas.

Mr GIBBONS—Are they cats or monohulls?

Mrs Napier—There are two monohulls. Looking at the issue of ferries, I wonder whether people will use them—depending on the size and volume. The difficulty is that you do not have a lot of people on any one day travelling to and from the islands at this stage. Both islands have tourism industries. King Island is much more developed in its tourism industry than Flinders Island, but Flinders has a lot of potential. To be a viable tourism industry with numbers, they need infrastructure—resorts and so on need to be upgraded—but it is a chicken and egg situation. Before you know you can get the people in to use the resorts, no-one is going to invest in them, although there are people who are interested if the question of air access can be resolved.

Mr GIBBONS—Is there a Piper Chieftain service from the mainland—from Victoria to both islands?

Mrs Napier—Yes, there is. The King Island service operates more frequently. The more frequent service from Tasmania is to Flinders Island. Different companies provide it.

Mr GIBBONS—Are cats or monohulls used for the freight services by sea?

Mrs Napier—They are both monohulls.

Ms O'BYRNE—I know that Flinders Island is not the only transport issue within the Furneaux group. Can you give the committee some information about the impact on Cape Barren in particular, which also has a significant island population?

Mrs Napier—If Flinders Island is isolated, then Cape Barren is totally isolated. They are predominantly reliant upon private charter services flying to and from the island. The shipping service that operates from Bridport to Lady Barron—in other words, from Tasmania to Flinders Island—is also able to service Cape Barren. The design of the vessel is such that it can actually go up onto the beach, drop its tail, off-load or on-load and then move on. But air services are needed predominantly for access to health, education and basically getting on and off the island for living.

Ms O'BYRNE—My other question is about the current plane service on the island and the condition of the runway. Are you able to provide the committee with any information about the number of air services that have declined being involved in the Flinders Island arrangement because of the nature of the impact of the gravel surface?

Mrs Napier—This is probably associated with the question that Mr Neville asked when he mentioned that there were four services. Over time, there have been four services but each one of them has fallen over. At the moment, there is only one air service that is providing services. I think it bases itself in Moorabbin—I need to check that; I am not sure whether it is Moorabbin or Essendon. They certainly come into Essendon, and I think it is King Island that operates out of Moorabbin. There is King Island Airlines and there is Tasair. King Island Airlines operate from Moorabbin through to Tasmania, and Tasair services operate from Tasmania through to King Island. There have been efforts to get the new regional air service, Rex, which replaced Kendall Airlines, to operate through the island. I am not quite sure whether that has finally happened on a reliable basis.

Ms O'BYRNE—Can you explain part of the reasoning behind the particular decision to seal the shorter runway rather than the longer runway? While committee members will be visiting the airport tomorrow, there are issues impacting on the island that are a little difficult to understand for those who have not been there, particularly issues related to the wind.

Mrs Napier—If they could start all over again—and this is not the only community I have come across that has made this decision—I do not think the island authorities would build the airport where it is now, because, regardless of the direction you approach from, there is a hill in your path. Under the increased standards that now apply, you would not do it that way because it makes it harder for the larger planes to get in.

Mr SECKER—Has anybody run into those mountains?

Mrs Napier—No, but just the same—

Ms O'BYRNE—We are going there!

Mr McARTHUR—Would you seriously relocate it?

Mrs Napier—I could not guess at what the cost would be if you seriously had to relocate it, but they have identified a site. It is not a problem on King Island, because it is predominantly flat. Flinders Island is very mountainous, which is where its inherent beauty lies. There was a debate about how the moneys were to be used two or three years ago. It was thought to be more cost-effective to put a proper, wider seal on the shorter runway relative to the planes that were using it. The $2 million plus price tag to seal and develop the longer runway was considered to be beyond the bounds of what the local government could raise to complement the federal moneys that were provided for that task.

Mr SECKER—That was for King Island?

Mrs Napier—Sorry, I was talking about Flinders Island. Flinders Island has a short runway and a longer runway. King Island's problems are not so much associated with its runways—it is very flat, very open and the runways are very wide and acceptable to airlines.

Mr SECKER—So Flinders Island has the 1,070 metre sealed runway and the 1,700 unsealed one?

Mrs Napier—Yes.

Mr SECKER—Okay. I thought that was the case on King Island.

Mrs Napier—No. I do not know the precise length of the King Island runway, but it is Flinders that has the problem with the length of the runway.

Mr GIBBONS—How much would it need to be extended by before it could land a Dash 8 comfortably? Would it be, say, 1,100 metres?

Mrs Napier—As I understand it, you have to use a 1,700-metre runway.

Mr GIBBONS—So it would need to be another 500 or 600 metres?

Mrs Napier—Yes.

Mr GIBBONS—And you can do that for $2 million?

Mrs Napier—That is my recollection, but when you get there the Flinders Island Council will be able to give you the exact figures—they do regular costings on it.

Ms O'BYRNE—I have two more questions. Firstly, a significant problem for most regional airports is that they cannot refuse an aircraft permission to land even if it has failed to pay its landing fees for the past few years. That has been a problem that many regional airports have encountered, particularly on Flinders. Do you have a view on how we could manage those

airports while ensuring they do not lose significant amounts of money—thereby creating problems for their viability—and yet still fulfil our obligations to regional aircraft?

Mrs Napier—The state government has just put through legislation which is trying to address that issue. It is yet to be tested to see whether that is going to provide all or part of the solution to that problem. Now owners and operators of aerodromes are empowered to recover fees payable for the use of aerodrome facilities and services. That provision has not been used yet, but the legislation has been brought forward as part of the panacea for dealing with that question. I do not have a particular view beyond that, but I know that it is certainly part of the problem. If there is a failure of any company, of course there are always losers—whether they be employees, people who are owed money or others. The difficulty posed by the regularity with which companies providing air services seem to be folding impacts on local government, which try to own and operate their airports. Both islands would say that they would prefer the federal government to still own and operate the airports, but I guess that is another debate. They are not owned by the federal government now; they are locally owned. I suppose we have to see what that actually means as far as remote areas are concerned.

Ms O'BYRNE—The Tasmanian Freight Equalisation Scheme as it applies to the whole of Tasmania—not the issues that you have raised in relation to the islands—currently operates on a five-year revolving process. A determination is made about the continuation for the next five years. Do you think there is a need for that to have a stronger legislative protection should the issues of constitutional queries be able to be addressed?

Mrs Napier—Sorry, I missed the first part of what you were saying.

Ms O'BYRNE—The Tasmanian Freight Equalisation Scheme runs every five years. It is currently still subject to budgetary analysis within those five years. It is not actually protected as an ongoing piece of legislation requiring the parliament to change it. It acts more in the sense of a regulation. If you could deal with the constitutional issues—I understand that there are some—do you feel that that level of protection would be required?

Mrs Napier—The Tasmanian Freight Equalisation Scheme has been a fantastic success, as has, of course, the passenger rebate scheme that the current federal government has introduced. They provide us with the national highway that we do not have. I take this opportunity to make sure you know—I am sure the committee would not believe this—that it is not a subsidy.

Mr McARTHUR—It is a great success because the federal government pay for it.

Mrs Napier—The federal government does pay for it, because they do not have to build a national highway and they do not have to pay maintenance on it or pay for the regular upgrades it would need if you were dealing with 200 kilometres of road. That was the point I was going to make: yes, it is important to ensure that Bass Strait continues to be recognised as the equivalent of a national highway, with the amortised costs associated with that.

Mr McARTHUR—That is an interesting argument.

Mrs Napier—As to whether we need to legislate for freight equalisation, certainty is always welcomed by Tasmania, but I think any federal government that decided to devalue or not pursue the Tasmanian Freight Equalisation Scheme or even the passenger rebate scheme would

certainly feel the wrath of the island. I think from that point of view one would hope that it would continue to be maintained in good faith—as much as there would be an uproar if someone suddenly ripped up the highway between Melbourne and Sydney.

Mr SECKER—Sue, I actually have a very similar set-up in that I represent Kangaroo Island, so I have a fair understanding of some of the problems you might have. The questions I am going to ask are to try to find out what differences there are between Kangaroo Island and your islands. You say that the locals governments now run the airports?

Mrs Napier—Yes.

Mr SECKER—Do you know how much they collect in taxes or levies or landing fees?

Mrs Napier—I do not pretend to be totally on top of exactly what the relative fees are.

Mr SECKER—I might find that out tomorrow.

Mrs Napier—I am sure you will. I notice that they are included in the King Island and Flinders Island submissions. They are different; they do it on a different basis. Certainly they are no lower than the average of the rest of the country in terms of remote and regional airports. I have got a briefing that I requested from the state government in relation to the airport landing fee per tonne and the passenger service charge for both of the airports. I would be happy to provide a copy of that to you if you feel that that would be useful.

Mr SECKER—Yes. You are saying that they actually get the rebate if they go from Tasmania to one of the islands and then to the mainland—or vice versa, I assume?

Mrs Napier—Yes. If you go from one of the islands to the mainland you can access the rebate; but if you go from the islands back to Tasmania you cannot access the rebate. We are talking about going by sea, of course.

Mr SECKER—So you can get it going to the islands?

Mrs Napier—The islands are Tasmanian. So if you are involved in sea freight—just assume we are talking about freight equalisation—you can get it from the islands to the port in Victoria and back to the islands.

CHAIR—That is interstate?

Mrs Napier—Interstate. But you cannot access it if you are travelling to and from Tasmania. That is why, quite rightly, there is a debate about whether it is a Tasmanian responsibility to provide the highway or whether it is reasonable that the federal government make some contribution as part of a recognition of the isolation of the islands, as part of the remoteness issue. This depends, of course, on whether we see ferry transport as being a reasonable alternative. If we do not, and we see air transport as being predominantly the way of servicing a remote area, then it would probably end up that there would be some contribution from the state as well as the federal government, because they have not had to provide the highway.

Mr SECKER—What is the rebate worth, say, on an average air ticket?

CHAIR—It does not apply to air.

Mrs Napier—No, it does not apply to air—just to sea. This is only if we are talking about ferries.

Mr SECKER—The freight equalisation?

Mrs Napier—Yes, freight equalisation and ferries—if I am a passenger with a berth on a ship. But, as I said, most people would not do the trip from the islands to the mainland of Australia by ship, because it is a longer trip and it is very rough. I would not want to volunteer, to be honest. But technically, I would.

Mr SECKER—Rough seas, I understand that. There is no air subsidy at all or air payment, even from mainland Tasmania?

Mrs Napier—Correct. Let me be totally correct, though: children travelling to school can get a certain number of concessions, and there are concessions available to get on and off the island for medical services and so on.

Mr SECKER—That is not for tourism or anything like that?

Mrs Napier—It is not for tourism and general traffic. But there are some concessions provided.

Mr SECKER—Have you got any idea of the number of annual tourism visits for both the islands?

Mrs Napier—The islands will know that really well, but I do not have it.

Mr SECKER—I will probably get it off them tomorrow.

Mrs Napier—You will get it from them, absolutely.

Mr SECKER—Have you got a rough idea of the areas of the islands?

Mrs Napier—Cape Barren Island, which we were talking about, is 403 square kilometres; Flinders Island is 1,600 square kilometres and is located 160 kilometres from Launceston; King Island is a larger island, I know that much.

Mr SECKER—I will find out from them. So, for instance, King Island Dairy can get a freight subsidy for their products going to the mainland but not to Tasmania?

Mrs Napier—That is correct. The sea shipping is not so much of a problem; it is the air freight for specialty products that can be a problem, and there is the uncertainty. I suppose everyone suffered when Kendall went down, but the islands more so, because you cannot run a quick overnight truck to freight into Melbourne, Sydney or wherever you need to get your

product into. Both of the islands have very strong fishing industries—crayfish, abalone, garfish and others. Both of the islands go for low-volume, high-return products. That is predominantly where their future lies.

Mr SECKER—Your local governments would get FAGS grants from the federal government, which would be organised by the state local government grants commission or its equivalent—I am not sure what it is called in Tasmania. Do the islands get some sort of weighting?

Mrs Napier—I am not an expert on that, but my understanding is that those issues would be taken into account in the allocations—so they would get a much higher allocation of funding than you would normally get on a per capita basis.

Mr SECKER—What are the roads like on both the islands? Are there problems? Is that one of your infrastructure problems?

Mrs Napier—No. I would say the roads are quite reasonable. I certainly know about Flinders Island. There is only one road that is the state government's responsibility. It is about 27 kilometres long. The rest of the roads are predominantly dirt or gravel, but they are good roads and they are very well maintained.

Ms O'BYRNE—There has been some damage during the fires, though.

Mrs Napier—There was some damage during the fires. They had a very serious fire over there that raged on for some time. I went over to see them fight that fire. It is a fantastic community. They did not even want extra food brought onto the island; they said, 'No, we're going to do it ourselves and look after ourselves.'

Mr SECKER—That is good.

Mrs Napier—I think the roads are quite good country roads. On King Island quite a deal of the roads are sealed. As long as you do not expect to get 7.5 metre roads and better, then it is quite reasonable.

Mr SECKER—Does the state government raise any taxes, levies or berthing charges on flying, berthing and that sort of thing? For instance, they might have built the port facilities and now charge a berthing facility for the boats.

Mrs Napier—Both King Island and Flinders Island have their own port companies that are run as companies within their own right. They basically raise whatever funds are needed through the levies charged, as might any other port authority. So they are commercial port authorities.

Mr SECKER—My last question is on the remote index, which I have never heard of. Who does this remote index?

Mrs Napier—The federal government. It was initially done in terms of access to health, and I think it is used for education. It seems to me—I know the islands would argue this too—that

there is a remote index formula already established for other servicing so, in addition to it applying to health, it could well be the policy framework within which we could look at the issues associated with remote areas.

CHAIR—We can chase that up at the secretariat level.

Ms O'BYRNE—Cape Barren are currently looking at a remote area subsidy for their travel assistance, though, aren't they?

Mrs Napier—Yes, and I am not as familiar with that.

Mr McARTHUR—In view of the activity out of Moorabbin, Essendon and Melbourne, do you think there is a case for Victoria annexing King Island and Flinders Island?

Ms O'BYRNE—I believe Jeff Kennett already tried that!

Mrs Napier—There are some on King Island who would agree with you, because they would end up doing more business in King Island than they do in Tasmania. Part of their problem is the regional hub idea—they cannot get good connections through to the next flight. It is often talked about, I know, and Victoria has a bit more cash than we do.

Mr McARTHUR—They take over car races, they take over islands—

Mrs Napier—Mind you, some people would see Victoria annexing Tasmania as well.

Mr McARTHUR—We would not go as far as that.

Mrs Napier—Proudly, we are Tasmanians, and we would fight for every bit of land we have.

Ms O'BYRNE—With those attitudes, you are not going to be invited down here again!

Mr McARTHUR—It is a half-serious question, though. Because of the commercial activity out of Melbourne and the difficulty that Tasmania has in providing a subsidy to look after the islands, has that been thought of or is the parochial argument too strong?

Mrs Napier—I think we need to recognise that these two islands highlight the difficulties associated with living in remote and rural areas, particularly those that are not serviced by road. You do not have the option of getting into the car or the truck and driving—admittedly, as many Australians do—very long distances. They are predominantly reliant upon air when it comes to people. I do not think we would suggest that we annex other parts of Australia to solve their problems. I think we need to have a realistic look at Flinders Island and King Island as much as at other island and remote communities around Australia and try to come up with a policy framework that recognises that people who live in cities have distinct advantages.

Mr McARTHUR—As a local member, what emphasis would you put on the weather conditions for access by a ferry type of sea transport? Is that the factor that has not allowed a ferry service to these two islands to develop and air to become the predominant transport?

Mrs Napier—Weather and high seas. Bass Strait is a really rough strait of water. I think that is acknowledged world wide. You also need to have a sufficient volume of people. As it is, the *Spirit of Tasmania* service succeeds because of freight; it does not succeed because of people.

Mr McARTHUR—It if were a calm waterway, do you think there would be a different attitude to a ferry service?

Mrs Napier—A lot of Queensland islands are serviced by ferries and people often travel by ferries. But, firstly, they are shorter distances, and, secondly, it is usually better water—but they still have the option of travelling by air.

Mr McARTHUR—Could you develop the argument that the unfair and difficult seasonal conditions have militated against the development of a commercial ferry service?

Mrs Napier—It think that is an argument—very much so.

CHAIR—I do not think it is analogous with the Queensland islands, because most of them are either in sheltered bays like Moreton Bay or within the Barrier Reef. They are semi-protected, whereas these are in an open waterway.

Mr McARTHUR—But what I am saying is that since you are pretty good at subsidies in Tasmania, there may be an argument for developing the subsidy idea a bit further.

Mrs Napier—I am not quite sure which subsidies we do get. We do get rebates; the alternative is too high. But it is the nature of the sea: if you miss Flinders Island, you end up in New Zealand—and usually at the bottom of the sea. Incredible rips go through those areas. The tidal draw between there and the north-east tip of Tasmania is significant. You cannot take any risks if you are dealing with people, and I would say that the reasons why ferries have not operated with a strong passenger component are the nature of the sea and the variability of the weather.

CHAIR—On that note, I would like to bring this particular section of the inquiry to an end. I would like to thank Sue Napier for not only representing her electorate and her own point of view but also speaking for the new shadow minister for transport. We trust we may contact you again if we require further information.

Mrs Napier—I am certainly happy to assist.

Proceedings suspended from 10.57 a.m. to 11.11 a.m.

JAENSCH, Mr Roger, Executive Chairman, Cradle Coast Authority

CHAIR—Welcome. Before commencing, it is our custom to remind you that, although you are not asked to give evidence on oath, these are formal hearings of the parliament and consequently warrant the same respect as proceedings of the House itself. I have to caution you that, in giving testimony, any false or misleading evidence is a serious matter and could be regarded as a contempt of the parliament. Would you like to give us a five-minute overview of your submission, or a little longer if you need it, after which we will move to questions and other interactions?

Mr Jaensch—The submission should speak for itself in general. What I would like to do is give you a little context to this and to highlight some particular themes we would like to progress. First up, we are conscious of the danger of overplaying our remoteness and the isolation aspects here. Around Australia, there are far more geographically remote locations than ours—and I was living in one of those before I came here—that have possibly suffered more than we have in terms of disruption to their air services over the last year or so, but we would like to raise your recognition of the critical issue of Tasmania and its islands being uniquely vulnerable to disruptions because they are islands. Air services are something that we hold very dear. They are essential to our economy. The Bass Strait Visitor Access Study, which the Tourism Council of Tasmania undertook a year or so ago, showed that there is limited transferability between air and other modes of crossing Bass Strait. So the critical aspect for us is that, whilst our current services to Burnie and Devonport—being the two main entry points for the region I represent—are adequate at the moment—

CHAIR—Let me interrupt for just one moment. I should have asked you to introduce yourself and to state the capacity in which you appear. Perhaps you might like to do that for our benefit. Also, you might describe for us, as you were just touching on it, the extent and authority of the Cradle Coast Authority.

Mr Jaensch—I am the Executive Chairman of the Cradle Coast Authority, which technically is under the Tasmanian Local Government Act. It is a joint authority, created and owned by nine local government councils. The Cradle Coast extends from Latrobe through to King Island in the far north-west down to the west coast and to Strahan and Macquarie Harbour in the south-west.

CHAIR—Virtually the north-west.

Mr Jaensch—The north-west and west coasts of Tassie—that third of Tasmania. The Cradle Coast Authority is owned by its nine councils but sits separately from them with an independent board. I am the CEO and the chairman of that board as well, and we work on behalf of our member councils and our region on issues of economic development. We are currently working with the federal government as part of the Sustainable Regions Program, delivering $12 million over three years under the Department of Transport and Regional Services. We are also engaged widely in regional tourism development, the natural resource management structure under the new NHT arrangements and various other partnership arrangements with the state government.

CHAIR—Are you an ACC as well?

Mr Jaensch—No, we are not.

CHAIR—But you are delivering Sustainable Regions and the new catchment management authority work—the NHT work?

Mr Jaensch—Yes, the new natural resource management. With our work for Sustainable Regions we have a member of the ACC who sits with us on the business of that program.

CHAIR—I just wanted to clarify that. You might go on with your original statement.

Mr Jaensch—The circumstance that I highlight is that, whilst our current services to Burnie and to Devonport in particular are adequate at the moment in terms of having two main airlines, a regular schedule and fairly busy flights, we are very vulnerable to changes. When Kendall dropped out, attached to Ansett, that caused immense disruption to our part of the world and limited ability to get in the car and drive. I lived for many years in Carnarvon in Western Australia. We had one airline and we were 10 hours from Perth, but you could drive it if you needed to. It is very limited for the traffic that we are most concerned about, including about 80 per cent of our tourism traffic as well as businesses and perishable freight, to be able to transfer across onto the new Bass Strait ferries and utilise the Bass Strait Passenger Vehicle Equalisation Scheme. So there is limited slippage there.

While we are saying that, I point out that King Island is one of our member councils and part of our region. We see King Island as a microcosm of our region's situation and Tasmania's, so it warrants special attention. At the moment, King Island is serviced by Rex airlines, together with two smaller airlines, King Island Airlines and Tasair. At this stage, it could not be seen to have a full competitive service arrangement in place, and it has suffered badly from the loss of Kendall. I do not think there have been two major airlines servicing King Island for a very long time. One of the aspects we have there is that, whilst King Island is joined to Victoria and Tullamarine by Rex in a 36-seater aircraft, it is not joined to Tasmania in the same way. There are a range of social and equity issues attached to that, which we explore in our submission.

To bring this to a point for discussion, the vulnerability we have causes great uncertainty for businesses investing longer term and making forward contracts and delivery arrangements for their products going out of Tasmania. We have floated in our submission the concept of now being a good time to consider at all levels of government what we do next time there is a pilot strike or a collapse of one of our major domestic carriers. Given the current situation of drought around Australia—and we have been fortunate in this part of Tasmania not to have suffered badly—some of the impacts on our tourism industry and other industries that rely on frequent, reliable air transport could in some ways be similar to the effects of drought on rural centres in the rest of Australia. So we ask that some attention be given to the idea of an exceptional circumstances type provision or at least the development of some package of assistance or support to ensure a minimum level of commercial air servicing, competition and reliability in our air services to this part of the world. So that is one point which is out there for discussion.

Ms O'BYRNE—One of the things I want to ask you is about the interconnectivity of services and flights in particular. One significant difficulty for King Island and a lot of the regional airlines is that they cannot access the customer booking service. You ring Qantas and say, 'I want to go to Hobart and then King Island; how do I do that?' They cannot generally answer that question. How important is that? What do you think about the code sharing? I am

afraid I have the lost the term that is used for when you fly internationally into Melbourne and you can then get a flight to Adelaide at no additional cost. Tasmania still has a significant costing based on that?

Mr Jaensch—It does. I am not across all of the terms and technicalities of these processes either. But, looking specifically at King Island as an example, with Rex as a new player, they are not part of a network that can transport people rapidly into other national and international networks as perhaps Qantas could—or formerly Ansett could. Again, with King Island as a microcosm of our circumstance, that is a major impost. We trust that Rex will go well. We understand that they are still pursuing some of these code-sharing arrangements or have said that they are. We would like that to accelerate so that we have the ability not only to move our own people and products smoothly out of Tassie onto connecting flights and systems to take them around Australia and the world but also to ensure that people can do so to get here.

There is an increased awareness of Tasmania as a tourism destination and, ironically, King Island—our smallest council—has possibly got an internationally stronger brand image through some of its speciality products than even Tasmania itself. So we need to be able to connect people back to the brand and for the brand to become a destination. We need people to be able to book through smoothly, particularly when the time of international travellers, let alone domestic travellers, is always at a premium. Having to transfer people between airports or from one end of an airport to another, pick up their bags and move them on is much more difficult—an impediment, perhaps, to them choosing this part of the world as a destination.

Ms O'BYRNE—The inquiry is quite obviously looking at major populated islands, which Tasmania is, and I am focusing pretty much on King Island at the moment. This morning we had quite a bit of information on Flinders Island, but I want to talk a little bit about King Island. The current tourism numbers are around the 12,000 mark?

Mr Jaensch—I think the statistics should be in our report.

Ms O'BYRNE—There is a suggestion that this is not meeting current demand. Do you have an idea where they see the current demand being and how that is being assessed?

Mr Jaensch—In our submission there is a suggestion, anecdotally, that there is a latent demand for King Island. The extent to which air services availability contributes to that is to be found—we do not have hard data on that—but it is certainly a perception amongst our tourism operators on King Island. There is evidence at the moment of an interesting trend. This summer was our first season with the twin ferries coming in between Devonport and Melbourne. That has lifted tourism by 30 per cent to 40 per cent into the state and into our region. Forward bookings and occupancy for accommodation is way up. Interestingly, there is evidence that tourism bookings on King Island are down compared to those for previous years. There is some association being drawn by King Island operators that increased accessibility and convenience of access to mainland Tasmania has influenced people's decisions about travelling to King Island as an option. People have been coming to mainland Tasmania for their holiday because it is that much easier now than it used to be when compared with travelling to King Island. That means the market that was there is no longer there or has been transferred to other destinations.

Ms O'BYRNE—You do not think that that coincides with the changes in the service providers? You do not think that there has been a significant reaction to the issue of the introduction of the ferries and not the air services?

Mr Jaensch—It is anecdotal.

Ms O'BYRNE—It is hard to tell.

Mr Jaensch—But Rex are there and they are flying a similar aeroplane to the one Kendall was flying into King Island from Melbourne. It could be coincidence, but it bears further investigation because it would show that there is a percentage of people who were coming to King Island last year that are not coming this year. If getting to King Island is perceived to be a difficult thing then that could well be a factor, particularly—we might point out—for people who are a little bit concerned about travelling in smaller aircraft.

Ms O'BYRNE—That was going to be my next question.

Mr Jaensch—Recently, a staff member of the council at King Island resigned. In the newspaper, he cited that his nervousness about travelling in small aircraft as being a factor in his decision. Also, we note in our submission that, particularly for less mobile people—such as older people, who are an important part of our tourism market—getting into and out of smaller aeroplanes and being tossed around, or the perceptions of the discomfort involved in travelling in smaller aircraft, can be factors for them.

Ms O'BYRNE—What size plane do you think you would need? Where do you see that great transition being made between comfort with smaller aircraft and comfort with larger aircraft? The question is whether or not that is going to be viable, given that you are saying that the numbers are now down anyway.

Mr Jaensch—Right along the coast, we are serviced by turboprops, 36- and 40-seater type of aircraft, and they are quite adequate. I understand there are certain economies for the short leap from our part of the world to Melbourne that make the difference between jets and turboprops. There are 36-seater aircraft operating between King Island and Melbourne at the moment but only six- and 10-seaters—I think those are the numbers—between King Island and mainland Tasmania. Here is the mayor; he will be able to fill you in on these details. Six six-seaters do not equal a 36-seater in terms of the comfort and attractiveness of air travel for a whole range of flyers. The fact that we do not have a larger aircraft between King Island and mainland Tasmania in our region is a real drawback at the moment, particularly for a number of residents of King Island who access medical services under the state's patient assistance programs and are forced to use the smaller planes linking the islands; sometimes that is less attractive to them. It may inhibit some of the older people, in particular, from taking up services that they need. It is cause for some angst amongst residents, who can get to Melbourne accessing a bigger range of services on a more comfortable aircraft but who are not eligible for the state subsidy when they go there.

Ms O'BYRNE—I have my own view, having sailed on the Bass Strait once before. Do you have a view that an improved sea passenger service would be a significant or appropriate mechanism to deal with some of the getting-there-by-plane options?

Mr Jaensch—Before we even raise the question of a sea passenger service via our isolated island of King Island, we need to look at the overall security of the basic freight service by sea that King Island does not have at the moment. I believe you will have the opportunity to put some questions to the mayor of King Island this afternoon, so I urge you to pick that one up with him. From what residents on the island have told me, basic freight, the ability to bring motor cars on and off the island and those types of things are major problems for residents. I do not know that a sea passenger service for tourism would add a major component to their industry.

However, when the state government was considering the purchase of the two Bass Strait ferries, we made a submission. We asked that future options for an island hop, as part of either the twin ferries service or a supplementary ferry service, perhaps using catamarans or whatever—I do not want to go into that argument again—be considered. In certain seasons in particular, a passenger hop through King Island might be something worth considering. I do not think the numbers have been done on it yet, but I am sure the residents of King Island would be looking at it for the certainty that their fuel supplies will arrive by sea, perhaps before getting too excited about the prospects of a sea passenger service for tourism.

CHAIR—In your capacity as a development type authority, what is the tourist capacity of King Island at any one given time? How many people can they accommodate?

Mr Jaensch—I do not have figures on that with me, but I can get them for you if you would be interested in a second submission.

CHAIR—Yes. To your knowledge, has there been any serious attempt made at looking at a Supercat operation? Tasmania is the home of Supercat, let's face it.

Mr Jaensch—Yes, we are. This all came to a head before the purchase of the two new monohulls, and there has been a uniquely quiet period without debate about Supercats and fast catamarans over the last year.

CHAIR—A bird in the hand is worth two in the bush?

Mr Jaensch—Yes. The two monohulls have been a wonderful success. What we do know is that, prior to the purchase of the two monohulls, the Devil Cat service to George Town often, in certain conditions, skirted along the north-west coast and then went up into the shadow of King Island before leaping across to Melbourne. It ran a route which came in close behind King Island. So it was obviously a sheltered route option for them compared to the direct open sea crossing. I am not a marine engineer; most other people in Tasmania are. It is a difficult one to comment on without getting tied up in old fights. We did also suggest—I mentioned it in response to one of Michelle's questions—when the option for the retention of the Devil Cat service was around that the authority support the purchase of the two monohull ferries for Melbourne-Devonport but also asked the state government to consider coastal and island links, possibly using a fast ferry service.

CHAIR—The reason I asked the question was that when I was on a delegation to the UK a few years ago I went from Weymouth to Guernsey Island, across the channel, in 35-knot to 40-knot winds. It was a very rough passage. They said that they would never have attempted those in monohulls—they just would have cancelled. They had quite a large Tasmanian cat. I think it

took 200 or 300 passengers and 120 cars—it was a very big cat. Even though the conditions were rough, it seemed to handle that admirably. Tasmania is the source of that technology, and I would have thought that that would have been the first thing that state and federal authorities would have considered.

Mr Jaensch—There are two factors to consider with that, and again I have to declare that I do not have a—

CHAIR—Do these monohulls do just Melbourne-Devonport?

Mr Jaensch—Yes, on a shuttle. They are very effective, too. They have had a remarkable impact on the state's tourism industry. Again, whilst declaring that I am not a technician in the shipbuilding and piloting world, I understand that there are some geographic factors concerning the nature of Bass Strait and the shape of the waves that come through and the direction of this route that might be different from the Channel route that you are talking about. The other thing we have to go on is the track record of cancelled sailings of the Devil Cat when it was operating between George Town and the mainland, which speaks for itself in terms of reliability. Critically, this brings us back to the same issue that we are talking about with our air services: reliability is fundamental to regular business and tourism use of transport services.

CHAIR—What is the wharfage like at King Island and Flinders Island?

Mr Jaensch—I think the mayor would be better able to comment on that.

CHAIR—Has it been considered that, on one or two days of the week, one of these monohulls could be diverted to the islands—perhaps on the quietest day of the shuttle?

Mr Jaensch—I do not know that that has been considered formally by TT Line. It is certainly one of the options that we floated when they were putting the idea together before the purchase. But, again, as I mentioned in response to a previous question, in terms of sea transport links, I believe the residents of King Island would be far more concerned at the moment about getting some long-term security in their regular freight service to the island before they would be concerned about a passenger service coming to King Island. As I understand it, the important tourism market for King Island to grasp is the short-break market, which is a two-, three- or four-day trip. That is best achieved through a fly-in, fly-out, hire car on the ground arrangement. I think the immediate and mid-term future for tourism is going to be via air transport. There is definitely a lot of work to be done to secure the sea freight link to King Island; the sea passenger link is possibly a little further off.

Mr SECKER—How many tourists would be coming to King Island in any given year?

Mr Jaensch—I believe the figure in our submission is more than 10,000. I think I have also heard 12,000 quoted.

Mr SECKER—I think about 500,000 come to Tasmania each year. If you are getting 10,000 to 12,000, you are getting only a very small percentage of the Tasmanian visitors.

Mr Jaensch—Something like that. Also, anecdotally—I responded to a question while you were out of the room—there is evidence that over the current season, when mainland Tasmania's accommodation and forward bookings have increased by 30 per cent to 40 per cent, King Island's have actually fallen. We had expected that the availability of more convenient access by the twin ferries to Tasmania would raise the profile of Tasmania as a destination across the board and that King Island would pick up on that. We are not seeing that happen. Previous research has shown limited transferability between air and sea passengers. We are now wondering about the transferability of people's choices of destinations for short breaks. Because King Island is more strongly linked by air services to Victoria than to Tasmania, it may not be picking up on the Tasmanian promotion and the tourism planners and those sorts of things. That is largely a factor of linkages by air. When Kendall was operating at its peak, there was a triangular service—Burnie, King Island, Melbourne—which seemed to work very well and make King Island very much part of Tasmania. We do not have that at the moment.

Mr SECKER—The fact that the subsidy has made it a bit cheaper to go to the Tasmanian mainland has probably made your fares, which have not come down, look even more expensive than before—by comparison.

Mr Jaensch—Again, I am not speaking solely on behalf of King Island. I am putting a regional perspective, and King Island is one of our members that we advocate strongly for. I do not think travel across Bass Strait on the new ferries is necessarily a lot cheaper; it is just that it runs every night now and you can get on quite easily and conveniently and it is quicker.

Mr SECKER—Kendall used to fly a route from Burnie, King Island and Melbourne, but when that fell through there was no replacement. Did your tourist numbers go down at the same time?

Mr Jaensch—In part, Rex has filled the breach by linking King Island and Melbourne but not with that triangular route. Certainly, visitor numbers to King Island were decimated after Kendall collapsed and I think they are still recovering. Again, we are not comparing apples to apples: a different type of service has replaced Kendall. The aeroplanes are similar but there are different schedules that certainly do not include the link with the larger planes to Tasmania.

Mr SECKER—Also, I believe it costs about $300 to fly from Melbourne to King Island.

Mr Jaensch—Yes.

Mr SECKER—How much does it cost to fly from Melbourne to Hobart?

Mr Jaensch—Everybody is playing with the cheap fares on the Internet, so it is pot luck at the moment. It easily costs $200 from Burnie.

Mr SECKER—So, because of the competition, it is actually going to cost less to go halfway—from Melbourne to King Island—than it does to go from Melbourne past King Island and on to Hobart?

Mr Jaensch—The other factor we have to take into account is that there is a hell of a lot of traffic across Bass Strait at the moment that is benefiting from the Bass Strait Passenger Vehicle Equalisation Scheme, which the Commonwealth has recently reconfirmed. That does not apply

to tourism to our Bass Strait islands, which are not part of the sea passenger arrangement and do not have that option at the moment.

Mr SECKER—But, if they went from Melbourne to King Island and then Devonport, they would actually get the subsidy?

Mr Jaensch—No, they would not. As I understand it, the Bass Strait Passenger Vehicle Equalisation Scheme applies to sea travel only.

Mr SECKER—Yes, that is what I am talking about. If the *Spirit of Tasmania* went via King Island, they would get the subsidy—but they do not.

Mr Jaensch—No, they do not. I think it would be worth pulling out the figures and working out where that subsidy would have a better impact and a more viable application.

Mr SECKER—You would prefer it on the air routes rather than the sea because it would be more sensible for both Flinders Island and King Island?

Mr Jaensch—Yes, I think that should definitely be considered.

Mr SECKER—It is a case of horses for courses.

Mr Jaensch—Indeed.

Ms O'BYRNE—Mr Jaensch, in your submission you talk about the implementation of a program for exceptional circumstances—for instance, after the collapse of Ansett or on the occasions that our regional air services no longer operate, which we have seen before. How do you see that sort of management plan working?

Mr Jaensch—Again, the analogy that I am familiar with is that of drought, where there is a formula or a set of critical threshold factors, agreed on beforehand, which are triggered when regions fall under a certain set of indices. I do not have a suggestion on what specific indices we should try to cover with this application, but the intention should be to protect some base level of availability, regularity and competition, wherever possible, in air services. Over the last couple of years that I have been in Tassie we have had the crises of Kendall and Ansett falling through, but there have also been a couple of nervous moments with cheaper carriers entering the market and threatening viability—at least according to other carriers, which claimed they would be forced to rationalise their services.

Everyone scrambles to find a political solution at such a time, and in that mix there is always some suspicion that there will be uncompetitive or unfair favouring of one provider over another and so on. At the moment with our main airports at Burnie and Devonport our servicing to the region is adequate. This is a good time to calmly look at what we may need to have in place to protect that certainty of service if it falls through—and not when it has happened.

Ms O'BYRNE—So you see a need for some level of re-regulation of the industry to allow that to take place?

Mr Jaensch—Yes.

Ms O'BYRNE—I am trying to understand whether you see an ongoing role of monitoring the industry or just something that only comes in at a crisis point.

Mr Jaensch—I see it as being a safety net.

Ms O'BYRNE—As you said before, there are many times when we teeter on the brink of it falling apart, and that uncertainty has a significant impact on people's ability to make freight or forward arrangements. I think the position of not knowing where the industry is going to be has probably been around since the seventies.

Mr Jaensch—Regulation brings with it a lot of baggage, as a term. We are great supporters of airlines that work in our region, because they are very critical parts of our economy and they have traditionally worked very well with us on tourism promotions and things like that. So, as I see it, any package or provision that was made to protect us from exceptional circumstances would have to be built as a support to existing carriers providing services rather than as a set of obligations that may compromise their commercial position longer term. We would not want to claim a minimum service standard if that meant that carriers might do their books and say, 'I'm sorry; we can't afford to operate under that arrangement.' We would like to have something that triggers support for our existing carriers if exceptional circumstances arise, be they pilot strikes, something to do with the costs of aviation fuel—which we might see shortly—or financial difficulty of one carrier or another, as we had when Ansett fell through. We would be happy to be part of the discussion of that if it were taken up, but we believe it needs to involve at least federal and state governments. We believe that local government also has a role, considering its increasing involvement with the operation of airports and access to airports through arterial roads and those sorts of things.

Ms O'BYRNE—Given the current discussions about CASA and the regulation of services, do you believe there is an acceptance in the community that a different regime can apply for regional areas in terms of the requirements of operators?

Mr Jaensch—In terms of aircraft types?

Ms O'BYRNE—Yes, aircraft types, safety levels and regulations.

Mr Jaensch—I think that in the general community there is an assumption that someone is ensuring that their air services are safe and adequate. Timetabling and scheduling is one thing; the age and configuration of aircraft and their particular instrumentational capabilities are beyond the technical grasp of most users, but there would be an assumption.

CHAIR—You did say that you wanted certainty as well, so Michelle's question is relevant. You just cannot obfuscate it by saying that these things are more important and then say in the same breath, 'We need certainty.' The two things are interlinked, surely.

Mr Jaensch—Sure. I am trying to account for us not commenting on some of these issues in our submission and to say that the community we represent does not spend a lot of time on some of the more specific areas that are regulated. They are more interested in the parts of this industry that they see. I think there would be an assumption that necessary steps would be taken

at whatever level to ensure the safety of the aircraft that are operating and ensure that the procedures of the carriers that service our region are up to scratch. It is the same with airport security.

Mr McARTHUR—There are two issues I want to raise. One is Patrick's withdrawing their services from King Island. What would your judgment be if that were in fact withdrawn? You talk about it in your submission. There would be no major sea transport.

Mr Jaensch—That would be disastrous for King Island. The loss of that service would pretty much close the place down. It is difficult enough at the moment when they miss a weekly sailing and run out of fuel. Everything gets to the island by ship and leaves it by ship, except for the high-value produce that goes out by aeroplane, so it is absolutely critical that a regular, reliable, suitable sea freight service is maintained. For the moment, it is quite a separate issue from air services, though, I believe.

CHAIR—That is part of our terms of reference, though—

Mr Jaensch—Yes.

CHAIR—so we need to know your opinion on that as well.

Mr Jaensch—My opinion—and I would again encourage you to raise this with the Mayor of King Island when you have him in front of you later today—is that for freight in particular the establishment of a secure, reliable, appropriate sea freight option is a major priority. It is absolutely essential. King Island does not exist without it.

Mr McARTHUR—If that failed, what impact would it have on the airline possibilities?

Mr Jaensch—They would not have any fuel, to start off with, and they would not have any industries to service over there. If you had no sea freight linked to King Island, you would lose.

Mr McARTHUR—Why is there an argument about it?

Mr Jaensch—I do not know. I do not know the detail of that argument. I know that there is an issue for King Island but we have been supporting King Island in its efforts rather than advocating on its behalf to the state government.

Mr McARTHUR—You put a bit of stronger view on it in your verbal presentation than you did in the submission. You are really saying that they would have no fuel for their aeroplanes, no fuel for domestic use.

Mr Jaensch—Yes—or industry or supplementary power generation. It is absolutely critical. We have focused in our submission on the air aspect and less on the sea. But for King Island that sea freight link is critical—possibly more important than air—for its foundation industries, the pillars of its community, its local economy. There is limited transferability between the two—you cannot fix one with the other, either way.

Mr McARTHUR—My other question is this: in other submissions, they talk about the age of the aircraft being more than 10 years and say that the federal government should be encouraged to change the tax regime to encourage the purchase of newer aircraft. Have you got a view on that matter?

Mr Jaensch—There is some reference to that in our submission. I am not technically across that to be able to give you anything in addition.

Mr McARTHUR—But you are supportive of that possibility?

Mr Jaensch—We are supportive of the maintenance of a safe fleet of aircraft in the skies servicing our part of Tasmania. Whatever it takes to get there, we do not really care.

Mr McARTHUR—It seemed quite significant that the aircraft were 10 years and older.

Mr Jaensch—But what is the significance of 10 years? There is a technical relevance to that in terms of their instrumentation or their safety.

Mr McARTHUR—Efficient aircraft, I mean.

Mr Jaensch—To me, 10 years does not mean a lot. I am assuming that 10 years is significant in terms of how those aircraft are set up to handle the conditions or that the age of the aircraft is relevant to their risk of failure.

CHAIR—I have just one final question: when Kendall were there, what aircraft were they using? Metros or Saabs?

Mr Jaensch—They were using combinations. There were some Metros on the run, but there were also similar types—Saabs, Fokkers, Dash 8s, Canadairs.

CHAIR—Do you mean 35-seaters?

Mr Jaensch—Yes, 35-seaters or 36-seaters.

CHAIR—And what are Rex flying?

Mr Jaensch—Rex are flying fairly much the Kendall fleet. They have not even painted a lot of them up just yet. A lot of the Kendall fleet is still in the air.

CHAIR—So it is a lot of the same aircraft?

Mr Jaensch—Yes.

CHAIR—Has your authority been in touch with Rex to talk about the re-establishment of the triangular route?

Mr Jaensch—Yes, we have spoken with Rex on a number of occasions about that.

CHAIR—What is their reluctance?

Mr Jaensch—What we said to Rex when they first came back in—and we had a lot of dealings with them—was that we wanted Rex to reinstate the full range of services and vehicles that Kendall was providing before Ansett collapsed. They came back and offered a range of flexibilities, including the ability to charter aircraft from the coast, but told us that they would reinstate the core services to Burnie and Devonport and a basic service to King Island. They said they would consider the triangular route and the possibility of a direct route to Strahan or a hop-through to Strahan for tourism as well. We have not seen any action on either of those as yet.

CHAIR—Mr Jaensch, thank you very much for coming and thank you to your authority for taking the trouble to put that submission together. We trust we may come back to you if we require some further information.

Mr Jaensch—Indeed.

[11.55 a.m.]

ARCHER, Ms Josephine Mary, Executive Officer, Launceston Chamber of Commerce

CHAIR—Welcome. Do you have any comments to make on the capacity in which you appear?

Ms Archer—I am the Executive Officer of the Launceston Chamber of Commerce, which is a regional chamber. Its constituents are in—and its focus is on—north-eastern Tasmania. We are truly parochial. Obviously, while we hold the greater interests of the state dear to our heart, we are very focused on this part of Tasmania. I think you will see from our submission that our concern is very regional.

CHAIR—Before we start with your evidence, I want to advise you that, although the committee does not require you to give evidence under oath, these proceedings are proceedings of the federal parliament and, consequently, warrant the same respect as proceedings of the House itself. The giving of any false or misleading evidence could be considered a contempt of the parliament. Having given you that caution, you are most welcome. Would you be kind enough to give us a five- to seven-minute overview of your submission?

Ms Archer—I certainly would. I am quite daunted after hearing Mr Jaensch giving technical details and his knowledge of aircraft.

CHAIR—We would like you to say it as you see it.

Ms Archer—Right. I read through our submission, which was prepared in August, and looked at it from the point of view of seeing whether anything had changed since that time, whether there had been a change in the access environment that would impact differently, and to my knowledge there has been no change. One point we made in our submission was—

CHAIR—If you have any worries in that field, you are quite at liberty to give us a supplementary submission. Say it as you see it now. If you feel there is something that you want to add later when you consider your evidence against your original submission, then send us a supplementary submission. Tell us as you see it now, with the certainties you see for your area. Do not feel intimidated by what other witnesses have said.

Ms Archer—As a chamber, the point we need to make is that access here has been a major concern. But at the time of writing this, and still, we are enjoying greater access, which is vital for this region, than we enjoyed prior to the demise of Ansett.

CHAIR—I am sorry to interrupt you again, but when you say that you are a regional chamber of commerce, are you speaking for the Greater Launceston area, or are you speaking for the north-east, including Flinders and King islands?

Ms Archer—Our constituency does not include membership from Flinders and King islands but, as we made very clear in our submission—

CHAIR—It impacts on you?

Ms Archer—It impacts on us. We would be naive to suggest that our reach is not of concern for them. In talking about the north-eastern region of mainland Tasmania, we consider we are travelling fairly well with access at the moment. The major concerns are from exporters of short-life freight, such as live seafood, that there is not a reliable enough service to make international links. As a chamber, that is the main concern that is brought to us; it is not a regular one. We have very few other complaints about existing services. The point that we make in our submission about the islands is that they are part of Tasmania, part of Australia, they contribute to our economy, and the services there are inadequate. Obviously, we do not have the in-depth experience of living there and of being affected on a daily basis, but we are aware that there is a significant impact on the lifestyle and economic viability of both islands.

In our submission we focused on a situation that was considered a potential problem at the time of APAC imposing a passenger landing fee on aircraft. They had moved away from a weight landing fee. Whilst we researched that quite closely with APAC and queried them, our research of other ports around the country indicated that that was common place. However, the major concern we had was that there was no process in place to stop a monopoly organisation from simply raising the fees as they wanted, and that that could have an impact on our tourism figures in the long run.

CHAIR—Whereas a weight formula is obviously transparent?

Ms Archer—Yes. Obviously, in light of all the security needs and the change in the access environment, we had to be realistic and take on board the fact that they are confronting far greater issues now. We focused on other aspects that I felt were a bit local for your inquiry but, again, of concern to the north east, such as the airline pricing policy and the open-door policy, the common rated fares. But there is no way that we can suggest that, as a state, we are any more disadvantaged than anywhere else. We really have to acknowledge that we are being looked after very well from an airline perspective and from a freight perspective. I do not have any great complaints to bring to this committee. Really, we have responded to the inquiry with what has come to us from anecdotal evidence.

CHAIR—I think the air fare matter is quite relevant, because it is intricately linked to access. What is the normal air fare from Melbourne to Launceston?

Ms Archer—I do not know that you could say there is a norm. I would imagine that most people are flying in and out for between $230 and $280.

CHAIR—If you rang up and said that you had to go to the Chamber of Commerce in Melbourne to put in a submission relating to the federal budget—and you had four or five days notice—what would you expect to pay?

Ms Archer—Probably in excess of $500 for a return fare, which is prohibitive.

CHAIR—What were you paying when you had both Ansett and Qantas servicing Launceston?

Ms Archer—Not a lot less on short-term fares, where you did not have access to the discount or frequent flyer program. Qantas addressed our members last week about access to discount fares.

CHAIR—And what did they say about that?

Ms Archer—Qantas assure us that we have equal access to other areas of the state and of the country. We left feeling that it was unusual that they could give us that assurance when experience did not bear that out, but we do not have access to their figures.

CHAIR—What types of aircraft service Launceston?

Ms Archer—That is too technical for me, I am afraid.

CHAIR—We came here yesterday on a 717.

Ms Archer—It is my understanding there are 717s and 737s, but I am not familiar with that. I do not know enough about the technical aspects of it, as I said.

CHAIR—Are any members of your chamber from the tourism industry?

Ms Archer—Yes.

CHAIR—Do you speak primarily for them, or is there a tourist authority as well?

Ms Archer—There is a local regional tourism authority. I am not sure if they are giving evidence. We do have members, but we frequently have views that are not necessarily in line with the views aired by that group. Some of the issues we took to Qantas last week were taken on behalf of members who felt that they could not air their views for various reasons of upsetting state departments in marketing issues or in relationships with packaging. I gather that is where it is deemed easier to have someone else represent your views.

CHAIR—So when there are tough issues, you are sometimes asked to present them rather than have the tourist authority create some tension with the state tourism department and so on?

Ms Archer—Yes. Again, coming back to our very parochial perspective, right now there is a major concern that this area is missing out very badly. It is now 200,000 bed nights down on what it was four years ago, which obviously has a fairly enormous impact in the region.

CHAIR—What is your explanation for that? What is your feeling?

Ms Archer—Our view is that that is a result of a change in focus on the state marketing and that the region probably needs to work a lot harder at maintaining itself as a very attractive destination.

CHAIR—Are you saying that the state is not marketing the north—the Launceston area in particular—and just selling Tasmania generically, or that they have pulled back, or that what you are doing is not complementing what they are doing?

Ms Archer—I think the main reason the focus has moved away from this area is that other areas of the state have become more popular and have more of a novelty value than we do and that this region perhaps needs to make more of an effort for itself. We need greater—

CHAIR—So it is not so much the fault of the state government as the local area having a vision of itself?

Ms Archer—It is both. The state government and Tourism Tasmania do a wonderful job, but their performance is assessed on how many bodies come across Bass Strait. We are obviously very focused on maximising—

CHAIR—And this part of the north is missing out—is that your perception?

Ms Archer—There is a reduction in the bed nights, yes.

Ms O'BYRNE—There are a couple of things I would like to touch on, and one is the issue of the National Sea Highway status. In your submission you say:

> Federal funding equivalent to that required to provide and service a land based access should be redirected to providing subvention to air access in addition to sea access. This is not suggesting the need for a Federally funded subsidy ...

Where do you see the funds being redirected from? Where do you see the provision of this type of National Sea Highway status being formulated?

Ms Archer—The view that is brought to us is that there are far more isolated parts of Australia that are not affected because there is access by road and that road access is federally funded. The view is that we should have some system that subsidises or supports similar access here—we obviously have a cost barrier for access to services and for general movement—and that the support that provides a road to Broome should be applied to air services to Tasmania—or to any island.

Ms O'BYRNE—Where would you see the redirection of funding?

Ms Archer—To air access.

Ms O'BYRNE—Where would you see it coming from? Are you saying that you should assess the cost of the road, deduct from that the cost that is currently going to sea transport and divvy up the rest?

Ms Archer—Yes. If we cannot have road transport, I would see the funding as coming from the same area that is providing road transport funding. We should still have access to that funding to move people and things in and out of Tasmania.

Ms O'BYRNE—You touched on frequent flyer access, which is an issue that I was going to raise with you—but I think you have probably covered that. Within your comments you list three very important things that are needed: a reliable air service, an adequate capacity and competitive pricing. I think most people would agree that the capacity now is better than it has been. Competitive pricing is listed as the third most important thing. How do you see that being

implemented? Does the chamber have a view at this stage on how to ensure that competitive pricing takes place?

Ms Archer—Our view would be that, while we have aggressive competition, we have competitive pricing.

Ms O'BYRNE—Should one of the players come out of the market, as we saw when Ansett collapsed—we effectively had one player—what do you think should be implemented?

Ms Archer—As any chamber would be, we are very supportive of strong competition. The situation post Ansett demonstrated how much at mercy we were in a monopoly situation, as does the current situation with two very professional suppliers showing us the competitive benefits of that situation.

Ms O'BYRNE—One of today's earlier witnesses talked about the need to implement an exceptional circumstances program or some sort of safety net so that, should viability and competitiveness ever be threatened, there is a process available to be implemented. He used the analogy of the exceptional circumstance in times of drought.

Ms Archer—I cannot say that I have given it any thought, and I am not qualified to go into that area. From a business perspective, I would suggest that you cannot prepare for absolutely everything that may ever happen. There is no doubt that, when access is taken away, we are affected to a greater degree; but it is something we have not had feedback on or given any thought to.

Ms O'BYRNE—Has the chamber pursued the common rating issue directly with the airlines?

Ms Archer—We have. The argument they use with us is that, if we were a strong and sought after destination and if our profile were increased, the common rating issue would not be deemed negative for this region.

Ms O'BYRNE—Air services agreements are negotiated with international carriers and certain requirements can be placed upon those international carriers. Is that an appropriate mechanism for the chamber to pursue? For instance, if you land in Singapore, you must use Singapore baggage handlers; that is part of the air services agreement. Do you think there is a role for governments in requiring that regional areas have a greater representation in common rating as part of air services agreements?

Ms Archer—Again, I am not qualified to go there. Ultimately, we know that what is driving any airline is the bottom line and its responsibility to shareholders. We will only ever have common-rated international flights in here if it is profitable, and that comes back to a marketing issue. I am sorry; when you first asked the question, I thought you were talking about the domestic common rating. You were obviously talking about the international one.

Mr McARTHUR—You raise the matter of airport charges. Why is the chamber so concerned about the $4 and the change in methodology?

Ms Archer—When the passenger levy was introduced, it increased the income to the airport by about 150 per cent overnight, and it was deemed to be another cost imposition on the passenger landing in Launceston. Already, we have a situation at the Launceston airport where it is about $70 or $80 dearer to hire a car for a fortnight than it is at other ports in the state. It was deemed that that cost would creep up a bit more. Eventually, when people, especially the price-sensitive market, are starting to look at where they are going to land—

Mr McARTHUR—But the airports are doing that in other locations. What is so different about Launceston?

Ms Archer—When this was introduced, it was not the case between the southern port and the northern port. They were operating on a different process.

Mr McARTHUR—Why are you different, though? If the norm is to charge it per passenger, why should Launceston not adopt the same process?

Ms Archer—Ultimately, our research of other ports around Australia and the world showed us that this was the case, that the passenger levy is the most common charge. But, we are a region competing for, if you like, custom coming through the Launceston port, and that system did not apply in Hobart. It was deemed that it would make us less competitive, on a price basis, with Hobart.

Mr McARTHUR—How do Hobart charge the airport fees?

Ms Archer—At the stage this was introduced, they were charging on landed tonnage. I think they too are looking at moving to a passenger levy. There was a major concern brought about by tourism operators in particular. We followed that up with APAC; we met with their senior people. Launceston council is a major shareholder in the airport corporation.

Mr McARTHUR—Except that the shortfall would be made up by the taxpayer. Is that what you are suggesting?

Ms Archer—It was indicated to us by the airlines that they would load about two-thirds of that cost to tickets and the rest would be picked up by the taxpayer. Ultimately, we are relaxed with the $4 charge, but it was revealed in our research that the passenger tax is $30 in some airports around Australia and that there does not seem to be any process in place to protect us against that charge being increased at will.

Mr McARTHUR—Is the $30 charge at international airports or at major airports?

Ms Archer—It is mainly at regional airports and at difficult airports in difficult areas.

Mr McARTHUR—Is the $30 charge to maintain the airport?

Ms Archer—Yes, and the Airports Corporation is a corporation which must make a profit.

Mr McARTHUR—And what about the local council?

Ms Archer—Our council did not seem to be concerned about the charge at all. Ultimately, while I think this community felt there was some protection for it by the council taking an ownership in APAC, as a director of APAC the representative of the council is obligated to the corporation, not to the region. So it may have backfired a little there.

CHAIR—So who owns the airport?

Ms Archer—The Australian Pacific Airports Corporation. When the ownership issue came up—and this is history; I was not here—I am led to believe there was quite a lot of concern in this community that, because the airport is a lifeline for this region, it should have been locally purchased.

CHAIR—Has it ever been offered to the Launceston City Council in the past?

Ms Archer—I think it was.

CHAIR—And they rejected it?

Ms Archer—Yes.

Mr McARTHUR—Did you say that they have a shareholding in the corporation?

Ms Archer—Yes, they have a 10 per cent shareholding, which gives them one seat on the board.

CHAIR—Of the whole corporation or just of the—

Ms Archer—No, just the Launceston operation.

Mr McARTHUR—Does that company have other airports?

Ms Archer—Yes.

Mr McARTHUR—Which ones?

Ms Archer—Tullamarine. It has many airports here and around the world. It is an international group and it owns many of the airports around Australia.

Mr SECKER—Your concern is about the airport charges being too high, but I am still not clear about why this $4 per person levy—basically, that is how it is worked out now instead of on a tonnage basis—is more expensive here in Launceston than, say, in Hobart? I am also interested to know why it costs $80 more to hire a car here than, say, in Hobart.

Ms Archer—When there was the change from the landed tonnage to a passenger levy, there was a lot of concern. When we did the comparison of what the norm was, we found that the $4 charge appeared very reasonable and everybody became relaxed about that. But it was deemed that the economic benefit to APAC of the $4 levy was $1.7 million per year, so the return to them was significantly more than the return they were receiving on the landed tonnage. Again,

looking at their financial performance, it was deemed that they probably had every right to revisit the way they were doing business here. To attempt to make this operation more profitable, they were looking at an upgrade of the airport and obviously an upgrade of security services. So, after an initial concern, there was an acceptance of what they were doing. The major concern we were left with after that was brought to us by one of our members, who had gone to the ACCC to see if we had any protection over that levy just being increased at will to where we could end up paying the $38 that some airports are charging.

Mr SECKER—$38?

Ms Archer—I think it is Karratha. As I say, it was a very difficult airport; it would be one that is probably very expensive to run. But some of them were very high. We obviously would be more comfortable if there were some protection here to ensure that that was not allowed to happen.

Mr SECKER—I am just trying to work out the maths. If it is a $4 per person levy, and even if you are saying that it is an extra $1.7 million, on top of everything else, and it was zero beforehand—and it obviously was not because you had a tonnage freight—then you are talking about over 400,000 passengers coming to Launceston. I would not have thought Launceston had 400,000 annually.

Ms Archer—I think it does have 400,000 annually; I think it has about 430,000.

Mr SECKER—That would almost be $1.7 million, so I cannot see how it is $1.7 million extra. I do not know what they were paying for the freight, but surely it would have been more than zero.

Ms Archer—Yes, it would have been. I do not have the figures with me. This is a concern raised by members. It was taken to APAC, and they answered the queries and left the region feeling relaxed, apart from the fact that we are at the mercy of a monopoly operator to increase that fee at will.

Mr SECKER—Why does it cost $80 more to hire a car from Launceston?

Ms Archer—Again, it is a process of that organisation: the fees that they charge the car rental operators are based on a percentage of the total hire.

Mr SECKER—Chair, I would have thought that the Australian Competition and Consumer Commission could look at something like that.

CHAIR—Yes.

Ms Archer—We actually had the ACCC look into the issue of fees for car rental companies. We met with the APAC board and the ACCC five or six years ago, and the ACCC did not feel that it was a place for them.

Mr SECKER—It is probably worth a revisit.

CHAIR—I can understand your concern. I go through Brisbane Airport a lot, and the charge for taxis using Brisbane Airport the other day suddenly went from a nominal $1 to $2. So I can understand that you would like to feel that there is some certainty in how fees are levied on taxis, limos, hire car companies and the like. To what extent does the shuttle freight service from Melbourne to Tasmania now impact on Launceston?

Ms Archer—It is our lifeline.

CHAIR—Do they both terminate at Devonport?

Ms Archer—Yes, as far as I know.

CHAIR—Do they come on to Launceston or do they just shuttle across?

Ms Archer—Are you talking about the sea?

CHAIR—Sea travel, yes.

Ms Archer—We have Bell Bay here and the Tamar River, but as far as I understand—

CHAIR—There are no passenger services or freight services to Launceston?

Ms Archer—No.

CHAIR—None?

Ms Archer—No.

CHAIR—Then how do you get heavy freight out from Launceston?

Ms Archer—Rail or road.

CHAIR—And where does that go to?

Ms Archer—To Bell Bay or to Devonport, which are the two main ports that service this region.

Mr GIBBONS—Bell Bay is your closest port, is it?

Ms Archer—It is our closest port, but it seems to be more an industrial port.

CHAIR—Do freighters come there as well?

Ms Archer—Yes, but not as many. I do not know the market shares of those ports. It is my understanding that Bell Bay is the biggest port as far as movements and freight into and out of the state goes. But they have the woodchips, TEMCO and Comalco, so there is a high level of industrial freight. I do not have a breakdown of what other freight is moving where.

CHAIR—Then how do you say there are freight difficulties?

Ms Archer—The concerns that have come to us have been with the time sensitive freight, so mainly through spring to March with the fruit, vegetables and flowers but more particularly with live seafood.

CHAIR—Do any of the airlines run freighter services to Tasmania?

Ms Archer—Yes.

CHAIR—Which ones?

Ms Archer—Air Express.

CHAIR—Every night, every day or what?

Ms Archer—They were running every night. Again, I am not up to scratch on where they are.

CHAIR—Is the service into Launceston, Hobart or both?

Ms Archer—Both.

CHAIR—Does it turn round and go back the same night?

Ms Archer—My understanding is that it does. Again, I am going back to post-Ansett, so I do not have proper information here.

CHAIR—Is the freighter service insufficient to handle all the time sensitive stuff?

Ms O'BYRNE—Chair, I could probably assist. When Ansett collapsed, we went through a process of identifying those people who needed to get their products out in order to meet the early morning markets, particularly in the seafood and berry industries. Can you explain the difficulties that were encountered by the loss of planes that could have taken full crates?

Ms Archer—I will explain it as much as I can. Obviously, with the change in the aircraft, some of the aircraft could not take the container sizes, so freight was having to be unpacked, which was creating a lot more handling problems.

CHAIR—I am talking about airline containers.

Ms Archer—Yes. Also, the freight was insufficient at the time. I believe that it is now back to fulfilling the requirement, but there are still time sensitive issues. I do know that the change from the Ansett aircraft to what was offered by Qantas—I think it was a 767—

CHAIR—Was it a BA146 or something?

Ms O'BYRNE—No, this is the dedicated freight flight.

Ms Archer—It is too technical for me, but I do know that it was presenting a problem.

Ms O'BYRNE—It was what used to be a 737.

Ms Archer—They could not get the freight as it was arriving into the aircraft, so there were major problems there. Also, live exporters had crayfish and abalone rotting on the tarmac, so that became a major consideration. My understanding is that now most exporters have made their own private arrangements for freight so that they can be sure about pricing and ensure their freight will be moved.

Ms O'BYRNE—A lot of Tasmanian quality foods, the perishables, are for niche markets, so they are not necessarily large enough to warrant making alternative arrangements. For the committee's information, how big are our perishable, live, met-on-demand industries?

Ms Archer—I cannot quantify that for you because I do not know.

Ms O'BYRNE—But most of our growth industries do tend to be in those sorts of areas?

Ms Archer—It is obviously a very high yield area for this region; it is a growing industry. As you are aware, we tried to get far more information on this situation from the export council without a lot of success. But that is where accurate information could be gained from.

CHAIR—Ms Archer, we thank you personally, and to your executive please convey our thanks for putting in the submission. We trust we can come back to you personally or to the chamber if we need additional information.

Proceedings suspended from 12.28 p.m. to 1.34 p.m.

REID, Mr Russell, Chief Executive Officer, Northern Tasmanian Regional Development Board (trading as Business North)

CHAIR—This public hearing of 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 is now resumed. I welcome to the hearing Mr Russell Reid, the Chief Executive Officer of the Northern Tasmanian Regional Development Board Ltd. Although the committee does not require witnesses to give evidence under oath, I advise that these hearings are formal proceedings of the parliament and consequently they warrant the same respect as proceedings of the House itself. Witnesses are also asked to remember that the giving of false or misleading evidence is a serious matter and could be considered a contempt of the parliament. Mr Reid, would you like to provide a five-minute overview of your submission before we move to questions?

Mr Reid—Certainly. I believe the committee has a copy of my written submission. Although things all change as time moves on, the submission fundamentally covers the key points. The major airport within the region of northern Tasmania is Launceston airport. Because of its central location, Launceston airport has in the past been the major airport in Tasmania. In the last four or five years there has been a tendency for more passenger services into Hobart airport. To some extent, that has been promoted by the fact that Qantas flies into Hobart with a capital city service. With the collapse of Ansett a lot of airfreight was directed towards Hobart through the AAE linkage—Ansett freight service flew into Launceston.

The other key airport in the region is Whitemark airport on Flinders Island, which I believe the committee will be visiting tomorrow. That airport provides the fundamental transport infrastructure for Flinders Island because there is effectively no other form of transport to the island. There is a freight service by sea that some passengers avail themselves of, but it is not a regular daily service, it is expensive, and it takes a limited number of passengers. We see the Whitemark airport as being extremely important to the people who live on Flinders Island. It is fair to say that the Launceston airport is a high-quality facility, given the population it serves; however, the Whitemark airport is not of such high quality and requires the sealing of one of its airstrips to enable turboprop flights to service the people.

Flinders Island is largely a rural community and tourism provides a potential opportunity to further develop industry. Of course, the airport is key to that tourism development and we see that industry as being substantially deprived because of the quality of the airport and of the air services. As I said in my submission, similar sized islands that are a similar distance from Sydney attract many thousands of tourists; whereas Flinders Island, in spite of its tourist potential, does not attract that many people. Flinders Island, being only half an hour flying time away from the large population centre of Melbourne, should be a key tourist area. Again, it is disadvantaged because of a lack of suitable services.

Airfreight is another issue that needs to be addressed. As I intimated earlier, because of its central location, Launceston airport was previously the centre of airfreight into Tasmania. When the Ansett airfreight services were operating, the majority of airfreight in and out of Tasmania came through the Launceston airport. The whole of Tasmania can be serviced quite easily by road from Launceston airport. It is far cheaper, in empirical terms, to transport product from

south of Hobart via road to Launceston and freight it out by airfreight if it requires overnight freight—particularly in the case of salmon and other perishable products—than to fly it the extra distance. Our information is that, per tonne of freight, it will cost in the order of $50 to freight it by road from south of Hobart to Launceston airport. It will cost probably three to four times that amount in airfreight, in fundamental costs. Because of distortions in the way the services are provided, those differentials are not there within the freight prices that we have.

Policies of the major airlines have an effect on those differentials. With the same airline, passenger costs out of Hobart airport to Melbourne would appear, in general, to be the same as they are out of Launceston, in spite of the longer distance. So we have a concern that there are distortions in the market which probably should be addressed in terms of competition policy. We would see it as being beneficial to people and industry throughout Tasmania if those savings could be handed on to consumers.

With regard to smaller airports, the other key airport is the St Helens airport, which is used for direct flights of marine products—particularly live fish, live crabs, live lobsters and, to a lesser extent, oysters—from the east coast. They can be flown from there directly to Sydney but, again, the fact that that airport is unsealed reduces the capabilities of larger planes flying that route, and therefore we have a higher cost structure for those products.

Mr GIBBONS—Is the major inhibiting factor the fact that the runways are not sealed or not long enough?

Mr Reid—My understanding is that it is largely the sealing factor. In particular, propjet planes will not fly onto an unsealed surface.

CHAIR—The VIPs will not, either.

Mr Reid—It could also be the length, but my understanding is that being unsealed is the main issue.

CHAIR—There is the risk of scraping up the gravel.

Mr Reid—That is right.

CHAIR—Are there any other points you would like to make?

Mr Reid—I think they are the key points, but I am more than happy to answer questions.

CHAIR—I will start the questioning. How is the Northern Tasmanian Regional Development Board funded?

Mr Reid—It is funded by local government. The eight councils of the region are shareholders. It is also funded from members who are business and community organisations.

CHAIR—Do you get a state government subsidy as well?

Mr Reid—We do not have any state government funding. We do, however, obtain funds for project management on a project by project basis.

CHAIR—You have given a very good description of what is here, but you have not articulated what your vision is. Are you suggesting that St Helens airport should be sealed?

Mr Reid—The first priority would have to be the sealing of the Flinders Island airport.

CHAIR—The cross-strip?

Mr Reid—Yes. That would be the critical infrastructure.

CHAIR—What is your take on the cost of that? What have you heard?

Mr Reid—I understand it is in the order of $2 million. That is the figure I have been given; it is not an estimate I can substantiate.

Ms O'BYRNE—You estimate that sealing the long runway at Whitemark would increase tourism potential on Flinders Island to about $1.5 million. Can you explain to the committee how that is sourced or identified?

Mr Reid—Are you referring to the $1.5 million per annum?

Ms O'BYRNE—Yes.

Mr Reid—We base that on a regular air service, I think of 25 people—something like a Saab flying a regular service.

Ms O'BYRNE—How regular?

Mr Reid—Two services a day—a morning and afternoon flight per day.

Ms O'BYRNE—So just the increase from the Chieftain to the Saab?

Mr Reid—That is right. That is just based on the normal spend, which I think is $130 a day per tourist.

Mr GIBBONS—Flinders Island and King Island are both serviced by a maritime freight service. I understand that the Flinders Island trip takes about nine hours. What sort of speed would that vessel do? Would it be the same as a normal freighter vessel, doing about nine or 10 knots an hour?

Mr Reid—I guess that sounds reasonable. I cannot comment on that.

Mr GIBBONS—Do you know the average speed of the monohull ferry between Melbourne and Devonport?

Mr Reid—Twenty-seven knots.

Mr GIBBONS—So if that were doing the Flinders Island route, it would do it in three hours rather than nine hours, just roughly?

Mr Reid—Yes, I guess. Bridport, however, would not be suitable for taking a ship like that.

Mr GIBBONS—No, but if it were suitable and there were a ferry that could do the trip in three hours, do you think that would increase the volume?

Mr Reid—We had discussions with the Flinders council when we were talking about other services—particularly the Devil Cat service, which was closer to Flinders Island. They were very keen to have that service. The difficulty with that is that it could probably only be justified on a weekly basis, and the air services would be a much better solution.

Mr GIBBONS—How could you justify a maritime service once a week but air services every day? Has anybody done the sums to find out what the demand is for the air services? Is that based on what used to happen under Ansett and Kendall?

Mr Reid—No, that is just the opportunity that there would be if there were a regular morning and afternoon service.

Mr GIBBONS—But nobody knows precisely what the demand would be?

Mr Reid—The demand has not been estimated, as far as I know.

Ms O'BYRNE—But there is a freight demand, obviously, for a daily air service from Flinders to the mainland, to meet the Sydney market for milk fed lambs, et cetera?

Mr Reid—That is right; there is a freight service. At the moment, the freight really carries the air service to a large extent. With larger planes, both passengers and freight could benefit. There is reasonable evidence that there is pent-up demand for people going to Flinders Island. At the moment, it is not possible for a group, for example, of six people to go to Flinders Island unless they book very much in advance. To have more than six people in a group is almost impossible unless they charter a plane. I know from my own experience that, with the services there at moment, it is very difficult to get more than two seats together on a flight.

Ms O'BYRNE—Often, when travelling to Flinders Island, issues have been identified about the amount of luggage you can take. Have you had much feedback about that?

Mr Reid—I have not had any specific feedback about luggage. Certainly the amount of luggage you can take on small eight-seat planes is very limited.

CHAIR—I just ask the question: what comes first, the chicken or the egg? Is it that the air services will stimulate tourism and other commercial growth, or should governments be responding to an enthusiastic community that is making tourism and commercial activities happen but that needs some assistance?

Mr Reid—If we take the example of the Bass Strait passenger equalisation subsidy, which has been a very good initiative of the Commonwealth government, it has made it possible for

the two *Spirit of Tasmania* ships to run that route. On initial indications, there have been anything up to 80 per cent more bookings this year than in previous years with the availability of that regular service. So I think there is a pent-up demand; more and more people want to stay within Australia for their holidays, and it cannot be met if there are no services.

CHAIR—What do you think of the argument that the two major island groups have been deprived because they have not been part of the freight equalisation system? Is there for a case for it to be extended to them in some limited way?

Mr Reid—I think that would be a very positive step but, initially, I am not sure that the size of the market there is sufficient to run a regular shipping service for passengers.

CHAIR—I did not necessarily mean a shipping service. Whatever the mode of transport, should there be some recognition of the fact that the islands have no road links to either the Tasmanian or Australian mainlands, and that freight services to the islands are not so much a problem as the passenger and short time-sensitive freight services are?

Mr Reid—That is right. If there were an extension to those islands of the freight equalisation and the passenger subsidy, that would be a great advantage to both of them. I am sure there is potential for those islands to develop and become self-sustainable, and at the moment they probably are not. They need that transport link to become self-sustainable. I think they have become less sustainable with the change to the way we transport at the moment. There used to be regular shipping services when most of the freight was transported by small coastal shipping. That small coastal shipping has disappeared in the last 50 years. As a result, those islands have become less competitive and less able to be sustainable.

Mr SECKER—We have heard that King Island gets 10,000 to 12,000 tourists annually. What would Flinders Island get?

Mr Reid—My recollection is three and a half thousand, but I would have to check that.

Mr SECKER—You are talking about a potential increase in tourism of $1½ million—I am only painting a rough figure—for which you would need at least 5,000 extra tourists. Do you have the facilities there? This is the chicken and egg story again. Even if we did make the runway longer and allow bigger planes to come in there, could the island cope? Would the investment come in there? If the island runway were sealed, do you think you would get larger planes coming in? Has there been some sort of indication from Rex or Qantas, anyone like that, that they would bring larger planes and more people over?

Mr Reid—That is a good question. Again, if you take the example of what has happened this year as a result of the better sea passenger service, there has been quoted to have been $300 million worth of capital expenditure in Tasmania on tourist infrastructure.

Mr SECKER—How much was that?

Mr Reid—The figure that has been quoted by the Department of State Development is $300 million. That is an indication of the fact that having the opportunity drives the investment. I cannot imagine that that same sort of investment would not occur on those islands. If you were to take a radius of an hour's travel around Melbourne to beach resorts, you would find that land

prices are very high compared with what they are on Flinders Island and King Island. You would find the investment is very great. It is the ease of access that makes those things happen. As far away as Gippsland Lakes, which is probably four hours from Melbourne, there is a lot of investment and property prices are much higher than they are on Flinders Island. It is hard to imagine that there would not be a tendency for that to develop onto Flinders Island.

Mr SECKER—Getting away from the islands and onto Launceston being a regional freight hub, what is stopping that from happening on a commercial basis? Is there anyone out there pushing it and moving it? Are you involved in that? What is holding it back?

Mr Reid—We have endeavoured to raise that issue at a state government level and with the airlines. It really goes back to the Ansett collapse. Previously, the majority—I think in the order of 60 to 70 per cent—of freight out of Tasmania went from Launceston. That included salmon exports from southern Tasmania—because it is actually cheaper to do it that way, as I indicated. With the collapse of Ansett, there was no-one with 767 aircraft available to fly freight out overnight. That was all done with 767s that were based in Melbourne, but they are no longer there. I think Qantas bases its 767s in Sydney. At any rate, Qantas has a contract with AaE between each of the capital cities around Australia.

Mr SECKER—Who is AaE?

Mr Reid—Australian air Express. And Australia Post is the other partner. Because of that, they are locked in to providing a freight service overnight to Hobart. As a result of that, there has been a tendency to build that market rather than—

Mr SECKER—So exports from Hobart have gone up, and exports from Launceston have gone down?

Mr Reid—That is right. You can say that we are just arguing regionally and ask what the difference is. When we are talking about transport, we should always look at the most efficient and cost-effective form of transport for the state as a whole. It is counterproductive to support some sort of commercial reason for an inefficient transport system when you can do it more efficiently another way.

Mr SECKER—The lag period obviously happened when Ansett collapsed and Qantas did not have enough planes to fill the void and probably did not have the space available, but you would think that now—over a year since that happened—if it were commercially viable, Qantas would take over what Ansett was doing.

Mr Reid—I would have to say that Qantas reacted very well to the Ansett situation by providing services to regional areas like ours; nonetheless, once practices are changed, people tend to—

Mr SECKER—Stick with what they know.

Mr Reid—They stick with what they are doing rather than necessarily look at the fundamentals. Maybe that is why Ansett collapsed.

Mr SECKER—I am wondering whether your group has gone to the extent of preparing a submission to Qantas to say, 'Here we are. This is what used to happen. We have the figures to show that it might be a viable thing for you to look at. Please come and have a look.'

Mr Reid—We have done that and, as I say, their response has been that they do not have suitable aircraft, particularly 767s, which can be modified to take a full freight load overnight. They do not have them available in Melbourne to provide that service; that is the reason they have given.

Mr GIBBONS—I have just a couple of questions. Turning back to tourism on the islands, do you know how many accommodation beds are available on both King Island and Flinders Island, and what has been the percentage of decline since Ansett and Kendall ceased?

Mr Reid—I am afraid I cannot give you those bed numbers. Tomorrow you are going to be at Flinders, and they should be able to give you those numbers, but I can certainly find them if you cannot get them. There are certainly enough beds on Flinders Island, which I know better than King Island, to support—

Mr GIBBONS—To support $1.5 million worth of extra trade?

Mr Reid—That is right—to support those regular flights in and out.

CHAIR—Do AaE have a wet lease arrangement on those 767s or do they just have a contractual arrangement? If it was purely a Qantas based arrangement, why would they not do a triangular service, from Melbourne to Launceston to Hobart and back to Melbourne, or vice versa?

Mr Reid—I believe some of the freighters do come into Launceston as well as Hobart. But you are still flying a long leg. AaE, being driven by Australia Post, have an agreement with Qantas to fly into capital cities—that is my understanding. I guess in the other states there is distribution from the capital cities and so that is fine, but here the flight to Launceston is 30 per cent shorter than the flight to Hobart.

CHAIR—Where is the major mail exchange—at Launceston or at Hobart?

Mr Reid—Presumably, since Australia Post fly everything into Hobart, it is down there.

Ms O'BYRNE—How much of that would be influenced by the cost of landing and taking off again? In the past there used to be a flight that did Hobart, Launceston and Melbourne, for passenger transport and minor freight. From memory—and you might know—that was cut out because of the additional cost of landing and taking off again on the way, because that is where the bulk of the cost of fuel is borne.

Mr Reid—That is right. Also the time productivity of the aircraft is reduced by having that stoppage. I think our figures indicated that the additional cost for a 767 to fly the return route to Hobart, as opposed to the route to Launceston, was going to be between $10,000 and $15,000—and that is for approximately 20 tonne of freight. So it is pretty easy to work out how much more it costs in real terms—and I guess that includes fuel costs.

CHAIR—If you could get those figures for us, it would be helpful to the committee. We would appreciate that.

Mr Reid—I might even have them here.

Ms O'BYRNE—While you are looking for those, would you also have any estimates on the increased costs of freights since the loss of the 767s into the north?

Mr Reid—No. That is complicated, because people have specific contracts. People quote the price, which has not changed much, but the discounts are not available, and it is the discounts that make things really change.

Ms O'BYRNE—I have one last question which goes on to another issue that you touch on in your submissions—and there are a number of submissions that refer to it. It is to do with airline reward flights or frequent flyer flights. Certainly all the suggestions are that because of the size of our market we receive a lesser share of those. Do you have any further information on what sort of market share we get of those cheaper flights and how that impacts on the region's tourism industry?

Mr Reid—It is very difficult to get airlines to tell you how their frequent flyer and reward points work in any detail but it would appear that there are no more than four reward seats into Launceston on any specific flight, and that makes a fairly low number. I guess Virgin do not have the same sort of thing. Qantas are loath to divulge that information. Anecdotally, we have much greater difficulty using frequent flyer points into and out of Tasmania.

Ms O'BYRNE—In your submission you refer to it as a major disadvantage in terms of the capacity for package rates, but there is no analysis of how much impact that has?

Mr Reid—Again, you cannot test it without having the other results. With package tours, it is very much more difficult to get lower cost air transport into Tasmania than, for example, into Cairns. In fact there are cases where you can fly from Melbourne to Cairns for the same price as you can fly from Melbourne to Launceston, which seems strange. You might say that there is a market distortion.

CHAIR—I would like to hear your opinion on one question that came up in other evidence. What is your view of the administration and costs of running Launceston airport in respect of the community? Are they seen as a positive or as a negative to the development of the Launceston area?

Mr Reid—I am not quite sure about the meaning of that question.

CHAIR—Apparently the airport was privatised and changed its charging arrangements for a range of matters, including taking the landing charge by weight to a landing charge by passenger and by imposing certain cost-sharing arrangements with hire cars and the like. Some witnesses have inferred that that is a negative. I would be interested to hear your view. Are you familiar with the circumstance I am talking about?

Mr Reid—Yes. I have looked at the passenger landing charges they now have, as opposed to those they had previously. It appears that their charges are now more in line with charges in other regional areas than they were before. My understanding is that they do not raise additional revenue—it is just a simpler charging strategy. I understand it is also better from the airlines' perspective, because they have a passenger rate rather than a fixed rate for tonnage. Previously, if the load factor on the plane was down, it used to make the plane almost uneconomic to fly, whereas now it is more evenly spread. I do not have a problem with that. I am not aware that there is a real problem with that. There is certainly a perceived problem with the hire company charge rates. They have increased substantially and made the Launceston airport much less competitive in terms of the hire car charges.

CHAIR—You are in charge of the regional development board for the area. Having regard for the freight difficulties and the fact that Launceston has, to some extent, lost its hub status through the demise of Ansett, how do you promote the area? When you are selling Launceston, when you are trying to attract an industry here, what do you say is its competitive advantage?

Mr Reid—It is certainly more centrally located. Are we talking about the airport or about Launceston as a whole?

CHAIR—The region in general.

Mr Reid—We used to be able to say that it had an extremely good air freight service. That has diminished since the demise of Ansett. There are particular industries—for example, the poppy industry, TasAlkaloids—that did locate to Westbury, which is not far from the Launceston airport, specifically because of the access to air freight services. That is an example of a significant business that has added to the region because of that access. Our concern is that that advantage is being undermined by the current situation. We have talked to Qantas and to the state government and we are now talking to you about that concern. We are seeking support through whatever mechanism to ensure that the actual costs are reflected in the charge freight cost.

Mr McARTHUR—If that freight business was so good with Ansett, why hasn't another private operator moved in to take up the opportunity?

Mr Reid—It is the plane availability. The service is very efficient with 767s that can carry up to 22 tonnes of freight at a time and provide an overnight service. When you are using smaller aircraft, obviously the cost of freight goes up as the size of the plane comes down. We have 717s now. Qantas flies 717s in here as a passenger service. Their freight capacity is very limited. I think they have a maximum freight capacity of 3½ tonnes, and very often the majority of that is used by passenger freight. There is usually in the order of only one to 1½ tonnes of freight availability on those flights.

Mr McARTHUR—What has happened to that freight task? What happens now if you are shifting 22 tonnes? Is it just not moving?

Mr Reid—Some exporters have gone to overnight shipping in containers, and for some people that is a suitable alternative. But many people, particularly live fish exporters, do not have that opportunity. They cannot get road freight out of the state by a container—and then on

to Sydney, in particular—to meet the requirements of their exports. It is the same with people exporting live crabs and live crayfish to Hong Kong and other Asian destinations.

Ms O'BYRNE—At what time do things have to be at the airport in Melbourne in order to make international markets? Melbourne is the hub we use, because Sydney is not really a freight hub for us.

Mr Reid—I believe they have to be there by 6.30 in the morning, but again this probably changes as time changes. That was the information we were given when we were discussing this 12 months ago.

Ms O'BYRNE—If everyone has made individual arrangements as a result of no longer having the 767s, there must be a fair bit of double handling in order to ensure that everything is making the same sort of overseas market obligations, whereas before you could unload a can from a 767 at one or two in the morning.

Mr Reid—The Ansett service was ideal. They flew in here at two o'clock in the morning and flew out at four o'clock, and they had freight ready to go on international morning services out of Melbourne. That schedule cannot be met now with overnight freight, even with new ferry services.

Ms O'BYRNE—Have we lost much of the market?

Mr Reid—Anecdotally, we are being told that we are losing out on those markets. I do not have a detailed list of what those losses are.

CHAIR—Mr Reid, I thank you and your development board very much for your evidence here today.

Proceedings suspended from 2.14 p.m. to 2.40 p.m.

BREWSTER, Mr Geoffrey David, Member Council Representative, Local Government Association of Tasmania

CHAIR—Welcome.

Mr Brewster—Thank you, Mr Chairman, and thanks to the committee for extending the invitation to the Local Government Association of Tasmania. I am the Mayor of King Island, and I have been asked to represent the Local Government Association of Tasmania in the absence of the Chair, Lynn Mason. She was otherwise engaged. I would have to pre-empt the questions by saying that I do not have a total understanding of the whole of the association's interests in relation to this inquiry, but I will do what I can.

CHAIR—We presume, then, that today you will talk more generally on the issues of the association and that we will speak to you on Wednesday about King Island.

Mr Brewster—That is my understanding.

CHAIR—Mr Brewster, I have to point out to you that, while we are not requiring you to give evidence under oath, these are important proceedings. They reflect the power of the parliament and what we are doing and demand the same respect as proceedings in the House. I remind you and other witnesses that any testimony given that is of a false or misleading nature may be regarded as a contempt of the parliament. That having been said, you are most welcome here. Would you like to give me a five-minute overview of your association's response to the inquiry's terms of reference?

Mr Brewster—The Local Government Association of Tasmania has at interest all of the communities of Tasmania in relation to transport and, in particular, air services and links to those communities. Obviously, the linkages between mainland Australia and King and Flinders islands are of paramount importance to the association. Also, the association considers itself representative of other communities, and I guess mainland Tasmania is another one of those island communities. The significant issue for the association in relation to King and Flinders islands would be that they are isolated communities and have limited services available. Those limited services are the result of limited demand and the scale of services that are on offer by commercial operators.

King Island is fortunate, in that it does have direct services to mainland Australia—to Melbourne. It has two services to Melbourne. They do not really compete, because they are originating from different departure points, one from Moorabbin and one from Tullamarine. Unfortunately, I understand that Flinders Island only has charter operations to mainland Australia. They do have operators providing a service to Launceston but, again, I understand that they are only operating as a charter operator and they do not have the same regular public transport that King Island does. King Island is provided with a service to mainland Tasmania by Tasair, and they have origins in Tasmania from Devonport and from Wynyard—or Burnie. There is a concern on the part of the local government association that the services that are being provided are not adequate for current needs, that they do not meet current demands and that they certainly are inadequate for the future expansion of industry and the future of the

islands generally. That probably sums up the association's real concerns. The submission does cover most of the issues, but I am happy to elaborate on any of them.

Mr GIBBONS—How many councils make up your association?

Mr Brewster—There are 23 councils within Tasmania.

Mr GIBBONS—Are there the same number of councillors in each council?

Mr Brewster—No, it varies across the state. The Flinders Island municipality has the fewest councillors representing it.

Mr GIBBONS—How many councillors are on that council?

Mr Brewster—I believe there are seven.

Mr GIBBONS—What about King Island?

Mr Brewster—King Island has nine. I cannot tell you which council has the largest number, but I believe the figure is in the order of 14.

Mr GIBBONS—That would be for a metropolitan council in Hobart or Launceston?

Mr Brewster—Yes.

Ms O'BYRNE—In your submission you say that the implementation of the passenger vehicle scheme is already seriously disadvantaging King and Flinders islands. What sort of analysis can you provide on that?

Mr Brewster—The Bass Strait Passenger Equalisation Scheme operates as an interstate subsidy scheme and does not benefit either Flinders Island or King Island in relation to travel between mainland Tasmania and the islands.

Ms O'BYRNE—But how is that acting as a disadvantage? What you are saying is that it only operates from the mainland to Tasmania, which we understand. Are you noticing a decrease in the number of people coming to King Island since the introduction of the scheme?

Mr Brewster—No, not since the introduction of the scheme. I do not believe the scheme has had a major impact on King Island. I cannot speak for Flinders Island.

Ms O'BYRNE—So your assessment is more that people deciding to come to Tasmania will not include King Island in their planning?

Mr Brewster—No. I understand that the equalisation scheme has been very beneficial to mainland Tasmania, but the impact on the two islands that we have spoken of has been negligible.

Ms O'BYRNE—So you have not seen a correlating increase?

Mr Brewster—No.

Ms O'BYRNE—We heard previously about the introduction of some state government legislation to deal with the issue of landing fees and the number of airline companies that have gone bust without paying large amounts of those fees—I think King Island has written off about $70,000 in that regard. Do you think that piece of legislation is going to deal with your problems or do you think there are other things that we should be looking at?

Mr Brewster—Any legislation that enables a greater level of debt recovery is obviously beneficial, but it is questionable whether it is going to achieve that. Certainly what would be in the interests of the island communities would be more guarantees, if you like, that commercial operators were not going to go broke—and it is not just the money that the airport owners miss out on as a result of bad debts or expired companies.

Ms O'BYRNE—It is more the security of the ongoing industry?

Mr Brewster—Absolutely. The air and shipping services to King Island and Flinders Island are what I—and, I am sure, the association—would have to call essential services. They are not something those communities take lightly; they are essential services. We are disadvantaged, in that the services being provided, with the subsidies that have been provided federally, are a disincentive to doing business within the state to which we belong.

Ms O'BYRNE—You are saying that these are essential services, and the most important thing seems to be that these services have some level of security—you need to know that they are going to be viable. What do you see as a solution to that problem? How do you see the issue of knowing that you are going to have regular passenger transport or regular freight transport to the islands being resolved? Do you see us going back to the regulation of the early seventies or do you feel there is some other approach we could take? Where do you actually see the solution to that?

Mr Brewster—I guess if I had the solutions I would be out there talking about them very broadly.

Ms O'BYRNE—But do you have thoughts about the sorts of pathways we should be looking at?

Mr Brewster—I could talk fairly generally and say that the local government authorities on both the islands have taken some initiative in relation to the provision of services, in that they have taken on local ownership of the airport infrastructures. It would be nice to think that there might be an equivalent recognition of the importance of air services and shipping services—that some responsibility for those services might be taken by the state and federal governments. At this point, there would appear to be little direct—or even indirect—support for air and shipping services to those islands. There has been a lot of input into services to mainland Tasmania, and that has been fantastic for the Tasmanian mainland but, if anything, it has been to the disadvantage of the Bass Strait islands: the pie is a certain size and access to the mainland Tasmanian part of that pie has been made much easier or much more achievable cost wise and access to the Bass Strait islands part of the pie has remained the same.

Mr McARTHUR—Why don't you get on to the state government? Why are you suggesting the federal government cover all the subsidy arrangements?

Mr Brewster—I did not suggest that. I was suggesting that it would be nice to think that both state and federal governments might take some responsibility for the provision of those services, as local government has in many instances. Certainly on King Island and Flinders Island the local authorities—albeit a little reluctantly— have taken ownership of the airports.

Ms O'BYRNE—What is the local government view of ownership of regional airports now, some years down the track? I notice in your submission that you say there is a $49,000 shortfall between operating costs and income in the calendar year.

Mr Brewster—I could give you some updated figures in relation to that. It would probably be more appropriate to provide that information on Wednesday. Clearly, a lot of our shortfall is going to be related to depreciation. As a local government representative, the question of how that depreciation is going to be funded down the track concerns me greatly.

Mr McARTHUR—What proposition would you put to the government on the ownership of these airstrips? Do you think they ought to be transferred back to the Commonwealth, or are you happy to continue to own them?

Mr Brewster—I cannot speak for Flinders Island on this issue, but from a King Island perspective as long as there is certainty in relation to the airport the local community does not have a problem with it. What it does have a problem with is the certainty of things such as the shipping service and the air services. Through the collapse of Ansett, we have seen the Kendall Airlines service to the island fail. Not only did it leave a substantial debt when it failed—and that would have gone some way towards covering the shortfall on aerodrome operations—but it left the island without adequate transport, and there is a need for that type and level of transport. Nothing is set in concrete. There are no guarantees as far as that part of the provision of air services goes. I do not think that re-regulation is an alternative. That produced subsidised services that I think most people would recognise were not sustainable. But clearly there is a need for some method which would provide certainty in the provision of the air services themselves.

CHAIR—I do not want to particularise this too much to King Island, because we will speak to you on Wednesday, but do you know, in general terms, why Regional Express have not recommenced the triangular service from Melbourne to the island and then to the mainland and back to Melbourne—or vice versa?

Mr Brewster—The short answer is no. I have had some discussions with Regional Express in relation to their providing that service. My understanding is that they probably have a lot on their plate and that triangular service for King Island specifically is nowhere near the top of their list of priorities. But speaking more generally on it, I was involved in communications with Kendall Airlines prior to their introducing that triangular service—and before their collapse. My understanding is that the opportunity to provide that service was not generated specifically by the demand on King Island but more by an opportunity to consolidate an operation into Burnie. In other words, their Burnie operation was enhanced financially by their being able to top up the plane on King Island.

CHAIR—So some people would get off at King Island, and then you would take King Island people to the Tasmanian mainland as well?

Mr Brewster—Correct.

CHAIR—If it was valid then, you would think it would still work, wouldn't you?

Mr Brewster—The last conversations I had with Regional Express indicated that they certainly were considering it. But, as I said, I think they have other priorities.

Mr McARTHUR—Do you think it will come to pass that they will take up that commercial opportunity?

Mr Brewster—Obviously I am not qualified to speak on behalf of Regional Express, but I would be surprised if they were not looking at all commercial opportunities. I do not know that providing that service specifically for King Island would be considered a commercial opportunity. It is more likely to be viewed as a commercial opportunity for a mainland Tasmanian flight.

CHAIR—What aircraft are they using at present?

Mr Brewster—They are using both SAAB 340s and Metro 3s, I think.

CHAIR—They terminus at King Island and go back to Melbourne?

Mr Brewster—That is correct.

CHAIR—If the committee were to recommend some subsidy for an airstrip on Flinders Island—bearing in mind that Flinders Island has a smaller population—do you think that would stimulate a similar sort of tourist traffic to Flinders Island?

Mr Brewster—I would have to say that the more accessible any destination is, especially a destination as attractive as Flinders Island, the more likely people are to go there. At the moment, the opportunity to get to Flinders Island is very much curtailed by the services that are provided.

One of the things that the statistics I have been able to find have not been able to show is the number of itinerant or non-RPT flights into King Island and Flinders Island—and the Tasmanian mainland. My understanding, from data produced on King Island, is that with the decline in RPT seats or service there has been an increase in the number of charter or non-RPT flights. As the number of RPT seats diminishes, there is certainly going to be a widening shortfall in landing charges and revenue received by King Island,. That has not been replaced by the same income from charter operators. In fact, with a lot of the itinerants that do a once only visit, there is an increasing amount of bad debt associated with those types of activities. Those single debts are harder to recover.

CHAIR—Do you know what the tourism capacity is in terms of accommodation on King Island and Flinders Island? If not, can you find out for us by Wednesday?

Mr Brewster—Yes, I can. I certainly have the King Island figures.

CHAIR—What is your gross number of tourists per year?

Mr Brewster—We have approximately 280 tourist beds on King Island. I would have to find out the figure for Flinders Island. The gross number of tourists was around 13,000.

CHAIR—What is your average length of stay?

Mr Brewster—I cannot answer that one. I will take that question on notice for Wednesday.

CHAIR—That would be great.

Ms O'BYRNE—At the same time that you are identifying the bed numbers, is there any way of providing an analysis of the ratings of those bed numbers? They are obviously appealing to different parts of the market: how many would be essentially backpacker accommodation? That would also impact on how you would target your marketing.

Mr Brewster—Again, I am certainly happy to take that on notice.

CHAIR—You probably got the drift of this before, but I think we are a bit bemused at the amount of debt that was run up by failed airlines—not just here; we have seen this in other parts of Australia. Why is it that councils have not been more assiduous in their collection of amounts owing? Has it been because there has been some blackmail imposed on the council—the operators saying, 'If you come down on us with an iron fist, we'll pull out of this port?' Is there a bit of that in it? The debt problem seems to be universal—I know it happened in my own electorate with one of these airlines. Do the airlines think, 'The councils haven't got much authority, and we can get away with it'? What is your association's take on it, and what is your take on it, as the mayor of an area with one of these airports?

Mr Brewster—The view I would express would be my personal view, because I do not know what the association overall would say in relation to that. From my own experience of involvement with the King Island Council and with the operations there and the losses that they have experienced over time, it would appear to me that there are a number of different categories of operator. For every possibility, there is probably an operator out there that would fall into that category. There are those that have used the tactic of, 'Look, we're doing it pretty tough. If you want to take us to court, we'll obviously pull out. We can't sustain the operation.' In other words, they were leaving council carrying three months debt or whatever. That was not uncommon.

CHAIR—What do you think of the suggestion that we should give local authorities the right to deny temporary or permanent access to an airport in those circumstances?

Mr Brewster—I think it would be another tool for a local authority or an airport owner to use in collecting landing charges or making airline operators more accountable. For an airline operating in an appropriate manner, that would not be an issue—and we have had those airlines too. Kendall was a good example of an airline that paid its accounts religiously and always on time. That airline was a fantastic example of a great corporate citizen, and we would have liked

to have seen it stay there. The debt Kendall left behind was unfortunate, and we certainly felt it, but it cannot be laid at the feet of an inappropriate payment method.

CHAIR—It was not an established pattern of conduct.

Mr Brewster—No, it was as a result of their parent company going under and a receivership being put in place.

CHAIR—Finally, we have heard about the maritime subsidy. What do you think the vision of your association might be regarding the most suitable way the Commonwealth might assist island communities in particular and smaller airports in general?

Mr Brewster—There have been guarantee funds established for travel agencies. Maybe something similar to that might be appropriate for airline operators, and those might ensure that payments are made.

CHAIR—I am thinking more in terms of encouraging airlines to come to these places? Is it a subsidy that is needed?

Mr Brewster—I think that different parts of the country have different access issues. Clearly, the Bass Strait islands have access issues which are unique. Both King Island and Flinders Island are very close to large population centres and yet they are very difficult to get to. That difficulty, in the case of King Island, relates to cost. In relation to Flinders Island, it is also a problem of service. You can get to Flinders Island but, if you want to go there, it is probably easier to go through Launceston from mainland Australia, which is not the right way to have things running.

If there were an opportunity to provide a subsidy or something that enabled the operators to make every port as accessible as every other port, that would be good. For instance, it should not cost more to travel from Melbourne to King Island than to travel from Melbourne to Hobart. In terms of cost, we should be comparable over distance. We are not—far from it. That does not just apply to air services; it applies to shipping services too.

Mr SECKER—On page 11 of your submission, you talk about the future of air and sea services to the island being in doubt because of competition from state operated and subsidised services. What state operated and subsidised services would put those air and sea services in doubt?

Mr Brewster—I do not seem to have a page 11 here before me. Are you talking about the King Island submission?

Mr SECKER—No. My apologies, I was looking at someone else's submission—that is from the Tourism Council of Tasmania's submission.

Mr Brewster—I would comment on it, but I am not familiar with it. I am sorry.

Mr SECKER—No, I am sorry. It is not your submission. On page 11 of the Tourism Council of Tasmania's submission it says that there are state operated and subsidised services that put the King Island air and sea services in doubt.

Mr Brewster—Certainly the demand for services to King Island and Flinders Island is what dictates whether they fly and how often they do so. While they are purely commercially driven, it is purely demand that dictates whether they operate or not. Anything that influences that demand can have a positive or negative effect on them. There have been systems put in place—an example would be the TT Line fast ferries—that do have a negative impact on services to the islands.

Ms O'BYRNE—My question has been picked up but, just as an aside, what quarantine conditions are in place on King Island—at the airport and at the ports?

Mr Brewster—What facilities exist?

Ms O'BYRNE—Obviously, quarantine is a big issue for Tasmania now. What happens on King Island?

Mr Brewster—King Island does have quarantine systems in place between mainland Australia and the islands. At King Island airport there is a receptacle for prohibited items that are brought onto the island. I do not believe there is such a facility at the port.

Ms O'BYRNE—Are there quarantine staff?

Mr Brewster—We have one part-time parks officer who has quarantine services as a hat that he wears—I think it is his third hat.

CHAIR—Are there any AQIS officers there?

Mr Brewster—No.

Ms O'BYRNE—Is your port going to be incurring additional expenses with the changes to security measures that ports are now being signed up to?

Mr Brewster—I am not across those issues, I am afraid. I know that the security systems at King Island airport are nonexistent. Each of the airlines has their own security checks, which are dictated by other authorities, but certainly the council and the community do not have any facilities there.

CHAIR—Thank you very much for coming in today, Mr Brewster, and thank you to the association for its submission. You will receive a copy of the *Hansard* draft, to which you can make any editorial corrections. We trust that we can come back to the association if we require any additional material.

Mr Brewster—Absolutely.

[3.13 p.m.]

WING, The Hon. Mr Donald George (Private capacity)

CHAIR—Welcome, Mr Wing. We recognise that yours is a verbal submission but that you have a report you believe may be helpful to the committee in its work. Even though you are not attending on behalf of the Legislative Council, we do recognise your position as president of the council. Thank you for volunteering your time.

Mr Wing—Thank you very much.

CHAIR—As president of the council, I am sure you recognise that these are proceedings of the federal parliament and as such warrant the same respect as proceedings of the House itself. The giving of false or misleading evidence is a serious matter. Please describe your report for us. We will then seek to take it into our proceedings as an exhibit.

Mr Wing—I am the member for Paterson in the Legislative Council in the Tasmanian parliament and, as you have indicated, I am President of the Legislative Council. I appreciate the opportunity to appear at such short notice and provide members of the committee with a copy of a report of a select committee of the Legislative Council that I chaired. The committee was inquiring into Bass Strait air transport. We presented an interim report just before the last federal election and hoped that the parties and candidates at that election would have regard to its contents. It dealt with our first term of reference: whether it was appropriate for there to be federal funding to reduce the cost impact to make it easier and cheaper to fly across Bass Strait. First of all, I submit the interim report into evidence for the committee. I wish to table both documents before dealing specifically with them. We presented our final report, which dealt with the remaining terms of reference, late last year on 27 November 2002.

CHAIR—As these are published reports from parliamentary proceedings, there is no necessity to take them as exhibits, but we would like to attach some special importance to them in our deliberations. There being no objections, it is so ordered. Please proceed.

Mr Wing—I understand that there are 10 or 15 minutes in this timeslot, so I will be very brief. The interim report presented on 18 October 2001 makes a point that I would also like to make in giving my evidence here—that is, Tasmania has a transport disadvantage. Many other parts of Australia also have transport disadvantages. Being an island state, ours is rather unique. Our transport disadvantage is one of isolation—not remoteness, not distance but isolation. That puts us in a different category to other parts of Australia that suffer from remoteness, such as Northern Queensland and north-west Australia, where people generally have a greater choice of modes of transport because they usually have roads—they often also have rail—provided mainly from federal funds. As Ms Jo Archer said this morning, when giving her evidence on behalf of the Chamber of Commerce, we do not have those funds or that choice, which puts us into a separate category and quite a serious one. The thrust of the interim report is that because we do not receive funds for road and rail transport to help us travel to other states, we feel that it would be appropriate for us to receive federal funding, in a form to be determined, to compensate for that—not to receive extra funding, but just to put us in an equitable position with other parts of our country.

The main report tendered late last year deals with a number of matters. I will not take up your time now to deal specifically with them, but I would welcome the opportunity to deal with one aspect of the report, that of frequent flyer points—the system of allocating and redeeming them. I have a copy for each member of the committee and for one or two officers.

CHAIR—Are they parts of that report?

Mr Wing—They are part of the report. There is nothing additional there.

CHAIR—We will deal with them in the same way as the previous resolution.

Mr Wing—Thank you. I have copies for each member of the committee. I will refer to certain parts in the report to demonstrate the main point that I wish to make. First, it is very difficult to redeem frequent flyer points and to get seats to cross Bass Strait. Qantas will deny this, but experience has shown—a number of people have given evidence and their evidence has been quoted in the body of the report—that it is very difficult to redeem frequent flyer points and to get seats to cross Bass Strait. But once people from Tasmania get to the mainland, it is quite easy to redeem them for the rest of the flight irrespective of where they are going, except Broome. Last year, when I was trying to get frequent flyer seats, I was told by a person in the Qantas call centre that Launceston and Broome were the two most difficult places in Australia to redeem frequent flyer points.

Prior to Qantas changing their frequent flyer points system on 15 September 2001, you needed only 9,000 points to cross Bass Strait and back. It took 11 return journeys to qualify for one free trip. Since 15 September 2001, you need 20,000 points—more than double the number of points—to cross Bass Strait. You need only 10 return trips instead of 11 to qualify for one free trip. Let us compare those basic statistics with some of the other routes. On page 67 of our report, the first route shown on the chart is Adelaide-Mount Gambier-Adelaide. In the old column, you needed 9,000 points; you now need 20,000 points. It is the same for Bass Strait. Previously passengers needed 18 trips to qualify for a free trip; they now need 10. For Adelaide-Melbourne-Adelaide, previously 17,000 points were required; now you need 20,000, which is the same needed to cross Bass Strait. Previously, 19 return trips were required to qualify for one free trip; now only 10 are required.

In the next section, Brisbane-Bundaberg-Brisbane, previously 9,000 points were required; 20,000 are now required—the same as Bass Strait. Previously 19 trips were required; it is now 10. I refer again to the fact that to cross Bass Strait you needed 11 return trips to qualify for a free trip; it is now 10. Looking at Brisbane-Rockhampton-Brisbane, 9,000 points were required; it is now 20,000—the same as ours. Previously 13 return trips were required; it is now 10. For Brisbane-Melbourne-Brisbane, 25,000 points were required before September 2001; it is now only 20,000. Before, 13 return trips were necessary to get a free return trip; it is now 10. Notwithstanding the great variation in the distance between, say, Launceston and Melbourne, compared with Melbourne to Brisbane, the same number of frequent flyer points are needed for both journeys. We find that to be a disadvantage. It is an inequitable situation. On page 58, for Melbourne-Hobart-Melbourne—and the same applies to Launceston—you needed 9,000 points before; it is 20,000 now. Before, 11 return trips were required; it is now 10. For Melbourne-Sydney-Melbourne, 17,000 points were required before; it is now 20,000. Previously you needed 18 return trips to qualify for a free one; it is now 10. Here it is 11 and 10. For Melbourne-Brisbane-Melbourne—I have said this before in the other section—25,000

points were required previously; it is now down to 20,000, and previously 13 trips now down to 10.

For Melbourne-Los Angeles-Melbourne, it was 100,000 points; it is now down to 80,000 points. Comparing the distance travelled between Melbourne-Los Angeles-Melbourne and Launceston-Melbourne or Hobart-Melbourne, only four times the number of frequent flyer points are needed. For Melbourne-London-Melbourne, 110,000 points are needed. There is a great disparity. Apart from anything else, that must serve to encourage people not to fly within Australia if they have frequent flyer points but to go overseas and spend their money there rather than in our local economy.

CHAIR—Notwithstanding that, you might say that it has been made easier to get to some of those intermediate destinations but it has also been made easier to get to some of the smaller ports. You are coming down from 11 to 10. I note in my own case, in Bundaberg, that we have come down from 19 flights to 10. Notwithstanding how you rate the points, surely the bottom line is how many trips it takes for you to get a free one.

Mr Wing—That is certainly a factor. We fare badly on both counts in Tasmania: we are disadvantaged on both the number of trips and the number of points. We are not the only part of Australia that is disadvantaged; there are a number of others—and I have referred to Tamworth. We are not claiming that we are the only ones disadvantaged. The number of points needed for the Sydney-Newcastle-Sydney section has gone from 9,000 up to 20,000—that section has gone up just the same, and people flying between Sydney and Newcastle are disadvantaged in a similar way to the way we are, because you can fly Melbourne-Brisbane-Melbourne for 20,000 points, and you need as many to fly Sydney-Newcastle-Sydney. That figure has come down from 46,000 to 10,000. So there are a lot of disparities and inconsistencies there. They are the only points that I wanted to take your time to talk about.

CHAIR—Could I ask you just a couple of questions about your inquiry. As I understand it, the inquiry argued that, because King Island and Flinders Island in particular do not enjoy the Bass Strait maritime subsidy, there should be some equivalence there. Do you support that view?

Mr Wing—Yes, and we made a recommendation that the state government underwrite services, especially to Flinders Island.

CHAIR—There are two components to that. The states are responsible for intrastate air services; the Commonwealth is responsible for interstate services. So, if you have a flight from Hobart, Launceston, Burnie, Devonport or wherever to one of the two islands, that is intrastate; if you come from Melbourne to one of the islands, you have an interstate arrangement. Is the subsidy really the equivalent of the national highway or something a bit less?

Mr Wing—To summarise our committee's view on that, we felt that the way that that should be coped with was for the state government to underwrite air services to Flinders Island so that there was a greater capacity for freight to be taken from Flinders Island to the mainland of Tasmania. Then the Flinders Island people would be on the same basis as people in other parts of mainland Tasmania, as far as the point you are raising is concerned. It would be very difficult to put them in a separate category because, as you say, they are in an intrastate situation, rather than an interstate one.

CHAIR—Have the reports been debated in the parliament?

Mr Wing—No, not yet.

CHAIR—Has the minister responded yet?

Mr Wing—I beg your pardon: I think the first one probably was. The interim report was debated in the parliament. I have certainly not received any response from the minister to the main report. I am just trying to think whether there was a press statement issued by the government—I cannot recall. There was nothing of significance that I can recall by way of government response to either of our two reports so far.

CHAIR—We just wanted to get a general feel for it. Thank you for that analysis of the frequent flyer points system—we appreciate that. We trust we can come back to you if we need some clarification on those reports.

Mr Wing—Certainly.

CHAIR—Thank you for your willingness to attend at such short notice.

Mr Wing—I am very grateful for the opportunity. Thank you very much.

Proceedings suspended from 3.30 p.m. to 4.02 p.m.

BARRY, Mr Douglas Allan, Acting Manager, Transport Logistics Branch, Infrastructure Policy Division, Department of Infrastructure, Energy and Resources (Tasmania)

CHAIR—We do not require you to give evidence on oath, but I need to point out to you that these are formal hearings of the federal parliament and consequently they warrant the same respect as the proceedings in the House itself. It is customary to remind witnesses when they are providing their testimony that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. That having been said, you are most welcome. Could we have a five- to seven-minute overview of your submission, and then I would like to break into questions and interaction with the committee.

Mr Barry—I apologise for having a slightly longer introduction than five to seven minutes. I will make this as brief as I can, if you wish.

CHAIR—Okay. We want to talk to you, because it is a very good submission in itself, and we can get to the guts of the issues then.

Mr Barry—Very good. I was anticipating the use of an overhead projector, which we do not have, but I will very quickly work through the key points I wanted to make. If you have any questions on the way through I welcome them, but otherwise I can take them afterwards. There are a number of general issues we need to make about access to Tasmania. The provision or availability of sustainable and timely access is a critical issue for all the islands of Tasmania, including mainland Tasmania. We have a right to equality of access to a range of health, social, education and commercial services and to fast access to national and international markets for fresh products; we need access to Tasmania for leisure visitors at a reasonable cost and at a time that they wish to travel; and we need access arrangements that competitively meet the demands of business and consumers in today's world.

We have a highly seasonal market for both passengers and freight. Our air travel market is dominated by the leisure travel segment, which means that it is quite low yield—that is, it has low fares, which produce a low yield. Therefore, there is low profitability, if you like, in providing those services. That produces some particular issues. Freight space on scheduled daytime passenger flights out of Tasmania is limited. Having said all that, we have more capacity for both passengers and freight out of Tasmania than we did before the collapse of Ansett. Our work indicates that Commonwealth levies and other imposts on the aviation sector are significant.

Currently, as far as the state is concerned, there is no regulation of the aviation industry in place. However, we have in place or are about to put in place some partnership agreements with local government that refer to both aviation and sea transport issues, particularly those relating to the islands of the Furneaux Group in the Bass Strait—including Flinders Island, where I understand you are hearing evidence tomorrow—and to King Island in western Bass Strait. Our role has been one of facilitating services rather than regulating them. The impact of the two new vessels—the *Spirit of Tasmania 1* and the *Spirit of Tasmania 2*—has been very significant in providing access to Tasmania in a very positive sense. They have also had a very positive influence on the carriage of time sensitive freight.

Transport security is a bit of an issue for us as well, given that we carry a large number of passengers by sea. We also have two jet airports here—at Hobart and Launceston—where we have quite extensive security measures in place for passengers. That is not to say that the two other smaller airports on the north-west coast do not have some concerns.

There are also obviously some pretty important quarantine considerations for Tasmania. You would be aware that we enjoy disease-free status on a number of fronts, and it is important that we maintain that—in particular, we need to maintain the rabbit-free status of the Bass Strait islands. That becomes an issue. There is also an issue of livestock disease, and managing that becomes a difficulty for us at times. A lot of livestock is shipped across Bass Strait, and control of that is very important to us.

Turning to the Bass Strait islands, a number of issues exist there. The islands are completely reliant on air and sea services. Their tyranny is one of water rather than distance. I note that some of the members of the committee are from large electorates on mainland Australia. Water presents us with a number of problems here. Ensuring the ongoing viability of air services and, to some extent, sea services to the Bass Strait islands is the key issue. The markets tend to be small, and in some cases the routes are suitable for a single operator only, particularly on the air services side. Again, those air services are low yield and low profit. The opportunities for competition are limited, and there are further impacts on the provision of services through charter flights. There are also some significant pressures on airport viability, about which I will make some further comments later. There is a need for high seat utilisation on the aircraft used to service the two islands, and there is also a directional flow issue to consider: that is, at particular times of the year the flows are either heavily to or heavily from the islands, and that places particular stresses on the provision of services.

The seasonality of the markets is a major factor, and there have been a couple of reports prepared which look at that particular issue in some detail. The two reports are the AOS report and the Flinders Island VMS study. I am sure if the committee is interested we can provide copies of both those—or indeed the Flinders Island Council might be able to.

There is a lot of comment at times about the provision of larger aircraft for services to the Bass Strait islands. The aircraft used to service the Bass Strait islands, from the Tasmanian side, are typically six- or nine-seaters and are the twin engined, piston driven type. Those aircraft are the benchmark aircraft for providing services on small, thin regional routes—the Piper Chieftain, which I am sure you have heard about elsewhere, and its derivatives, and similar types. It is very difficult for any operator to justify the use of larger aircraft unless there is significantly increased demand or they schedule a significantly reduced number of services. There is also a need, with expensive aircraft, to have work for them in other markets if you cannot gather enough work from the particular market you are basing your operations in.

Mr SECKER—Should I take it from your submission and what you are saying that you do not think the market can increase enough to make it viable to have larger aeroplanes and longer airstrips—for greater tourism possibilities for the Bass Strait islands?

Mr Barry—The two islands are quite different in nature. Flinders has a fairly small tourism sector and has none of the manufacturing industry that is present on King Island. There is a further consideration, in that the Flinders community has very strong links to mainland Tasmania and most of the travel that occurs by air is to and from Launceston. There is a small

market for services to Melbourne, into Moorabbin or Essendon or whatever. King Island is a little different: it is a much larger community, almost twice the size; it has significant manufacturing capacity on the island in a number of industries; it also has a small tourism industry. The number of passengers travelling between King Island and Victoria is more than double, by our estimates, the number travelling between King Island and Tasmania. It would be very easy to heavily invest in airport infrastructure, for example, which would not receive any usage for some time.

CHAIR—Which island are we talking about now?

Mr Barry—Both islands currently have, in my view, adequate airport infrastructure.

CHAIR—While you are doing this part of the presentation, you might comment on the upgrading of the cross-strip on Flinders.

Mr SECKER—They are saying they cannot get the bigger planes in there because they have only got 1,070 metres, which will take the smaller planes. The 1,700 one is unsealed, and you would never get the bigger planes there unless that was sealed.

Mr Barry—That is quite correct. The issue of larger aircraft on Flinders—and perhaps it is useful to look just at Flinders for a start—is quite problematic. There are segments of the community who want to see larger aircraft fly to Flinders Island, but the operators of the most suitable type to service Flinders have made it very clear in the past that it is not viable for them to do so, for two reasons. One is the small number of people travelling on that route. The other is the operational constraints that are imposed by the surrounding terrain. Even sealing and strengthening the long runway is not necessarily going to solve all Flinders's perceived problems with access to larger aircraft.

Mr SECKER—Is that because of the mountains?

Mr Barry—Yes. There are hills all over the place and, so that the aircraft's safety is not compromised operationally—on take-off in particular—the aircraft operator needs to make a number of concessions in terms of the payload that can be carried,. There are very steep hills to the south of the long strip, and there is other terrain to the north of the long strip which means curved departures are necessary. All that sort of stuff places significant constraints on aircraft payload.

Mr SECKER—Would it be fair to say that the state government has doubts about the viability of longer airstrips and bigger planes on Flinders Island?

Mr Barry—Currently, we have considerable reservations about heavier investment in the airport's infrastructure and the viability of larger aircraft coming in. As far as airport infrastructure goes, the Flinders Island council recently had a consultancy report prepared, which I think sets out the issues pretty tidily. I do not know whether you have had a chance to look at that report. It looks at the airport and its operations in a fair bit of detail from a financial perspective. It also looks at the impact of the airport's operations on the council's long-term financial position. In a nutshell, the sealing of the long runway would come at a fairly heavy cost.

Mr GIBBONS—Do you have an estimate of the cost?

Mr Barry—From my recollection, I think it would cost more than $2 million to strengthen and seal the long runway and do some associated drainage works and so forth. The projections used by the consultant indicate that it would take 20 years for the airport to break even—and, in my view, they have used some fairly generous assumptions of passenger numbers.

CHAIR—That is assuming neither the state nor federal government subsidised it?

Mr Barry—More or less, but I think that there is some anticipation that one or both governments would be involved in providing some finance.

CHAIR—Is that a realistic assessment, from the Tasmanian government's point of view? I am not asking that you talk policy here but, speaking in the broad, what is your view?

Mr Barry—I think it would be unwise to invest in that infrastructure at the moment.

Mr SECKER—But King Island is a bit of a different story?

Mr Barry—King Island is a bit of a different story. It already has a three-runway airport. It has sealed the main runway using its own resources over a period of years. I think that the airport is definitely adequate for aircraft operations well into the future, unless the operator of the largest aircraft going in there—Regional Express, which uses 34-seat SAABs for some of the year—changed aircraft types: that would require changes to the airport's infrastructure. King Island has much heavier traffic. Our estimates would indicate that there is more than double the volume of traffic between King Island and Tullamarine or Moorabbin airports as there is between King Island and Tasmania. King Island has a significantly different market. It includes a lot of business travel, as well as a demand for transport for purposes such as visiting friends, relatives or leisure.

Ms O'BYRNE—In an earlier submission today, it was suggested that there would be an annual $1.5 million boost to Flinders Island's tourist revenue, but is that borne out by any of the research you have looked at? I will ask the Flinders Island council tomorrow about their report.

Mr Barry—The report that Flinders Island's council has just had prepared talks about some fairly significant potential benefits. It looks at the benefits and the costs in a number of different scenarios. It indicates that, if you assume some things, there could be a significant benefit to Flinders Island. It assumes a very large amount of investment in on-island infrastructure to support some of those benefits.

Ms O'BYRNE—Where did the report suggest the infrastructure investment should come from—the island itself or from some other level of government support?

Mr Barry—As I recall it, the report was silent on where that might come from. I think it was implied that it would come from the operators of the tourist ventures on the island. There is a limited amount of tourism infrastructure on Flinders Island, and at times that has been a factor in catering for the number of people they have had on the island. Issues such as the number of

hire cars, the number of beds of a given quality and the availability of restaurant services, fuel, food and other services out of hours have all been touched on by previous consultants.

Ms O'BYRNE—It comes back to the point the chair was making before about the chicken and egg story: do we develop the infrastructure to encourage the airline investment or do we invest in getting people there and then work it out?

Mr Barry—There are a couple of points I would like to make. I am yet to see a documented example of infrastructure led recovery; they just do not seem to occur. There is a temporary effect at the time the investment occurs—and that was referred to in the report that Flinders council has just had done—and that may almost be it. There is a great deal of risk in going down that path. I have just forgotten what the second point I wanted to make was.

CHAIR—We all do that.

Ms O'BYRNE—Investing in the airline maybe?

Mr Barry—Yes. Airlines have highly portable assets. It would be very easy for Flinders council, and perhaps others, to invest heavily in its airport infrastructure, which is a long-term investment. The life of that asset would be in the order of 30 to 50 years. For that time Flinders council, as the owner of the airport, would be responsible for its maintenance and upkeep. There would be a very heavy cost to council attached to that. It might well be that, with a suitable range of incentives, an airline operator might choose to use that airport for a period but, if those services did not make money, the airline operator would simply take his assets and go elsewhere. That would not be very helpful to somebody who had just invested several million dollars in infrastructure. So it is a highly risky venture.

Ms O'BYRNE—What do you think, then, of the argument for underwriting services to go there? One of the other views that has been put forward is that it is an obligation of governments to do that, although no one seems to be really sure which level of government should do that.

Mr Barry—I have looked fairly closely at the arrangements put in place in every other Australian state. In a very general sense, my view would be that there are lots of places in regional Australia where there are very small numbers of people with very poor access arrangements. Those people, quite rightly, need regular adequate access to things like health, education and legal and other services—let alone mail, fresh food and so forth. Some governments do provide some support for those very long, very thin airline routes. In other cases, particularly in Queensland and Western Australia, some routes are supported by mining companies. So jet services or turbo hop services, for example, are provided to a particular centre, and they are subsidised by the mining company to ensure that it can move its employees and contractors in and out as required. Beyond that, it gets very murky. There is not a lot of evidence to suggest that payment of subsidies necessarily influences either fare structures or the profitability of the operators that fly those particular routes.

New South Wales, I think, is a fairly good example of a large state with a regulation regime in place. A large number of routes are regulated, to the extent that exclusive licences are available, and a very small number of routes have a subsidy attached to them. Over the last few years, a lot of the routes in New South Wales that have exclusive licences attached to them have ceased

to be serviced by an airline. On the information I have to hand, my view would be that, if New South Wales were to go down the path of subsidising those routes to keep services in place, it would cost many millions of dollars a year and might not result in any real benefit to the communities. Using that analysis in the Tasmanian situation, we might see a similar situation occurring; we could spend a lot of money subsidising air services without achieving any real benefit for the people of either island.

There is also another issue with regulation in Tasmania—that is, both Flinders Island and King Island are currently serviced by commercial operators. My view would be that the Tasmanian government would need to tread very carefully in considering the option of regulating when we have incumbent commercial operations to consider. In the process of regulating, we could easily badly disrupt a couple of successful commercial operations. I would need to think very carefully about the advice I provided to the minister about going down that path.

Ms O'BYRNE—If larger aircraft were to come in, bringing increased seat capacity, would you see a reduction in the number of air arrivals via other airstrips on Flinders Island? That is something we have heard about. According to information given to the committee, a lot of people are arriving at other airstrips, such as the Lady Barron strip, when they fly into Flinders Island. There are a lot of strips around Flinders Island, as you know. If there was a more regular service, with a larger capacity, would you see some of that traffic seeping back, or do you think that they would still operate in that way?

Mr Barry—That is the $64 million question, in a sense.

Ms O'BYRNE—If you can answer it.

Mr Barry—We have one licensed airfield on Flinders Island, so there is only one airport that can handle RPT operations. That is Whitemark.

Mr SECKER—Does RPT stand for registered public transport?

Mr Barry—RPT flights are regular public transport flights. So RPT standard flights are licensed by CASA as such. Charter flights have a lower level of regulation attached to them. They are safe, but they are not as safe as RPT flights, because the bar is a bit higher for those. Flinders suffers rather badly from a dilution of its RPT market through the impact of charter operators. You can see why people organise some of those charter operations that way. There is one operator who organises charters to and from Flinders for a particular purpose. That operator flies groups to Flinders for a particular recreational pursuit. He organises people to come out of Melbourne in groups; he flies them to the island and flies them back. There is some evidence to suggest that, where his aircraft are standing idle for a period, he offers charter services at marginal rates, on and off the island. That certainly has an impact on the RPT operator, who just cannot match that rate.

Mr GIBBONS—Does he use the same landing facilities? Is that the only airstrip on the island?

Mr Barry—Whitemark is the only licensed airport, but there are literally dozens of little strips on Flinders.

Ms O'BYRNE—Every farm has a strip.

Mr Barry—There are dozens. There is another substantial airport, which is unlicensed, at Lady Barron; there is another operator using his own facility at Lady Barron; and there are a number of grass strips elsewhere on the island that are used by private operations. I could not condone the use of some of those runways for passenger operations.

Mr McARTHUR—Is there any evidence that charter flights are less safe than the RPT flights?

Mr Barry—There are a couple of considerations. The material produced by the Civil Aviation Safety Authority would say that private operations are safe but charter operations are safer, because the aircraft are maintained to a higher standard and the crew are of a higher standard—they have got more experience and better qualifications. CASA would say that RPT low capacity operations are safer still—because again there is a tougher maintenance regime in place and pilot qualifications and experience are again higher—and that large capacity RPT flights are the safest level of operation, because you have the highest possible standard of maintenance, the highest possible standard of experience and qualification required and, therefore, that leads to better safety outcomes. No-one is saying that these operations are unsafe. I am certainly not going to say that, because they comply—

CHAIR—The safety exists more in the positive, rather than in the failure of the others.

Mr Barry—It does not matter how safe a system is, aircraft will still crash. That is the long and the short of it.

Mr SECKER—You have got one very interesting paragraph here on page 3 of the briefing notes. This first paragraph says:

Deployment of suitable aircraft types

Turbine aircraft cost four to ten times more than piston-engined aircraft. Taxation arrangements discourage the replacement of ageing piston-engined aircraft.

I would be interested in your viewpoint on that. Could you show us how the taxation arrangements discourage it. The paragraph continues:

The fuel used by piston-engined aircraft is likely to be phased out and diesel piston-engined aircraft are expensive.

To me that shows an emerging problem not just for Flinders Island and King Island but for all the smaller regional airlines around Australia. I am asking you to comment on that, because I think you would have some expertise. Where is that going to leave us in five or 10 years time?

Mr Barry—That is a very good question. In a nutshell, ageing aircraft are an issue for the aviation industry in this country at that charter and low capacity RPT level. The benchmark aircraft, if you like, is the Piper Chieftain. Those aircraft have not been manufactured in over 20 years now. That is the newest one.

Ms O'BYRNE—What is their lifespan at the moment?

Mr Barry—It is about 25,000 hours.

Ms O'BYRNE—There is some question about the ones currently servicing Flinders Island, as I understand it.

Mr Barry—There is no question about the aircraft currently servicing—

Ms O'BYRNE—In terms of not knowing how long they will be around.

Mr Barry—They will be around for quite some time, whether they are owned and operated by that operator or another operator, I would suggest. Both those aircraft have moderate hours, as far as I am aware; they are nowhere near the end of their economic life. The Piper Chieftain is the aircraft of choice for a number of reasons: its cost, the maintenance regime the manufacturer requires in RPT operations and its efficiency as an aircraft. It is about the right size, in terms of getting good utilisation from the aircraft on small routes—you can fly a number of small routes or repeat the same sector a number of times in a day.

A good aircraft is worth around $350,000 to $400,000, sometimes more. Good examples are worth more than that and not so good examples are worth less. Each aircraft has a lifespan in RPT operations of 25,000 hours, and they have to be maintained to the manufacturer's requirements for that time. At the end of that, they are retired and put into charter service. Given the economy and efficiency of their operation, there has been some work done which looks at the desirability of extending their lifespan by means of an enhanced maintenance program. Another aircraft, the Cessna 402, which is also a very good aircraft for this type of activity, has had an enhanced maintenance program for some years now and that works quite successfully. Essentially, when a Chieftain gets to, say, 25,000 hours, the aircraft can be taken away and refurbished according to a procedure which has been set down. Essentially, that means that when it rolls back out of the hanger it is a new aircraft. It is fairly economic to do that because, as I said, these aircraft cost about $350,000. If you want to buy a twin-engine turbine—

Mr SECKER—Are you talking about diesel?

Mr Barry—No. The Chieftain is a piston driven, Avgas fuelled aircraft. The supply of low lead Avgas 100 is likely to become an issue in the future, because the lead compound used in that fuel is now produced by only two manufacturers worldwide, I think—there used to be a much larger number than that. However, the aviation industry is quite large in this country. It is very large in North America and very large in Europe, in terms of these types of aircraft. A couple of options are likely to appear. One possibility is that Avgas will be manufactured in fewer locations, and it will be shipped around the world, and therefore its cost will go up. The other option, which is becoming available now, is that of re-engining these aircraft with diesel engines. Diesel engines are now fitted as standard equipment to some small aircraft by European manufacturers, and I would expect that process would become much more prevalent as we go on.

Mr GIBBONS—Do they run on ordinary standard diesel fuel?

Mr Barry—They run on Jet A1 which is the same fuel used by turbine aircraft, whether they are jets or turboprops. It is widely available. Some diesel engines can run on other fuels, including automotive diesel fuel. You have a lot more flexibility in terms of fuel supply.

Mr GIBBONS—Has anybody given any consideration to amphibious aircraft—or even seaplanes? Are the harbours on the islands sheltered enough to be able to use them? It seems to me that that might be an option which would not need anywhere near the infrastructure.

Mr Barry—I would suggest that King Island would have some problems—and so would Flinders, I think. There are some seaplane options available. They are relatively small aircraft. The only small aircraft I am aware of that is available in seaplane configuration is the Pilatus PC12. That is a single engine, turbine powered aircraft. It is pressurised, and it is worth about $5 million to $6 million to buy new—or $US2½ to $US3 million, depending on the exchange rate. They are very expensive to buy on the second-hand market as well.

Mr GIBBONS—The Cessna Caravan, for example, is an eight seater isn't it, and it can land on floats?

Mr Barry—It could be configured to do so. I know there is a PC12 operating with floats in Western Australia. I do not know of any Caravan operations on floats in this country. There are in North America. The history of seaplane operations in this country is littered with problems and the availability of safe accessible areas for these aircraft to operate on is not without its shortcomings. You still need some land based infrastructure to service them.

CHAIR—Do you attend the ministerial transport council with the minister?

Mr Barry—No, I do not.

CHAIR—I wonder whether this matter of the ageing of smaller passenger aircraft has become an issue at all. Relatively speaking, Australia is a small market, I suppose. What you have just said alarms me a bit. Do you know if it has been raised at the ministerial council meeting?

Mr Barry—I understand that it has been raised. I sit on a group called the aviation working group which is a subgroup of the standing committee on transport. That group has looked at that issue in the past, and I think it will continue to look at that issue in the future.

CHAIR—Are there any papers available on that?

Mr Barry—On ageing aircraft? Yes, there are.

CHAIR—Are they confidential to the state government?

Mr Barry—No, they are not.

CHAIR—Could the committee have copies? That would be very helpful. If we say there is no future for upgrading the airport on Flinders Island—if that is one of our recommendations—we are still left with the question of how it is going to be serviced if it is not upgraded.

Mr McARTHUR—Regarding the taxation regime that Mr Secker raised, can we be more precise about what you are recommending? Whilst we are sympathetic to the replacement of the piston driven aircraft, quite large sums are involved. Generally when these kinds of propositions

are put forward, the federal Treasury have a lot of objections. Do you think the reasoning behind your proposition for a changed regime will withstand their rigour?

Mr Barry—I will answer that in the context of an earlier point. There are a range of options available for replacing the aircraft currently being used—a Piper Chieftain and its piston driven, twin engined companions. They include: turbine powered aircraft that are just as old as or even older than the Chieftain and start at about $1 million each—you are looking at things like second-hand 19-seat Metroliners; much more modern, single engined, turbine aircraft worth a lot more than that; and aircraft in the 34- to 36-seat size range, which is the option that has been discussed in a lot of detail on Flinders Island and the one some members of the community would prefer to see. Aircraft of 36 seats for RPT use, are likely to cost in the region of $10 million—

CHAIR—And require the longer runway.

Mr Barry—They would definitely require a stronger runway on Flinders—and a sealed runway. The runway length is fine, but it would need to be strengthened and sealed, for those aircraft to be able to use it.

Smaller turboprop aircraft—certainly the single engined turboprop aircraft, both the Cessna Caravan and the PC12 and some others that are either in production or mooted—could operate using the existing runway infrastructure, with or without sealing on the long runway. Those aircraft have seating capacities of up to 14, although currently once you go above nine seats you must have a two-pilot operation. There is a whole smorgasbord of options here.

The taxation regime, as it stood, allowed operators to buy a Chieftain for, say, $400,000, use it for, say, five years, depreciate it over that time to $200,000, sell it for $300,000 and roll forward the capital gain evident into the new aircraft, without payment of the capital gain itself. They could do that either for a number of aircraft or for a number of iterations of that process. So, over time, they could invest in more expensive aircraft without having to cop a heavy capital gain penalty during the process. The capital gain does become payable eventually, but you can roll it forward.

As I understand the taxation system, that particular option is no longer available—or the conditions that have been placed upon it are such that it is not a realistic option. So, without some of the cost imposts being taken out, there is some difficulty for operators in going from a $400,000 investment to a $2 million investment to service the same route with the same revenue,. And there are a whole range of other cost imposts as well. It is not just a capital gains issue; there are others that need to be taken into account.

Therein lies the nub of the problem. How do we get people to invest very substantial amounts of money in more modern, more efficient—and, I should say, safer—aircraft, without any form of commercial incentive, other than what the market itself provides?

CHAIR—In your logistics group, have you ever looked at things like the Brasilia or the Bandeirante as possibilities, or even the Shorts 360?

Mr Barry—Yes, we have.

CHAIR—Do they match up?

Mr Barry—Not on routes as thin as the Flinders route or the King Island route, unless you do one of two things. Either you need to use the aircraft extensively elsewhere or you need to impose a very substantial price rise for the tickets. A Brasilia is a reasonably expensive aircraft. Bandeirantes are old aircraft. They are not pressurised. They are used by one of the airlines to service King Island: King Island Airlines has a Bandeirante which it services. Bandeirantes are also horrendously expensive to operate and, unless they are operated at capacity—that is, full of passengers and freight or whatever—operators have been known to go broke very quickly. The Brasilia is a more modern pressurised version which has a much higher capital cost, of course. It is probably not suited to either route, unless there is significant growth in those routes.

Mr SECKER—Is there another one called Gulfstream or Jetstream?

Mr Barry—Yes. There are a whole lot of planes in that 19-seat category. There are Jetstream 31s and 32s.

Mr SECKER—Like the ones O'Connor uses?

Mr Barry—Yes, they are Jetstreams. There is a smorgasbord of types. In this country, examples in that 19-seat size range include Jetstreams, Metros, Brasilias and Bandeirantes. Operators base their choices about which type to use on a whole range of factors, including sector length. Turbine engines do not like short flights, by and large. They like nice long flights where they get hot, stay hot and then cool down before they are into the next cycle—although some turbine aircraft are suited to that. Operators would look at route length, at the type and mix of passengers, at the available freight traffic and revenue and at what other work might be available for that aircraft out of hours. They have to consider their maintenance regime—who, where, when and the cost attached to deadlegging aircraft around the place for maintenance. It is a very complex equation. In the end, it is down to the operator, who has to weigh up very carefully which of those aircraft options best suits their needs.

CHAIR—What is your gut feeling about the next five to 10 years?

Mr Barry—For Flinders?

CHAIR—Yes.

Mr Barry—There have been a number of reports in the last 10 years looking at Flinders's passenger volumes, and they all say broadly the same thing: there needs to be growth in passenger traffic, which is likely to occur incrementally and will allow operators to improve their services incrementally to the point where larger aircraft types become viable. So the bottom line is demand. If you can increase demand then you can improve your services. If you can improve your services over a long enough period, it becomes much more viable for operators to consider the investment required, and for the council to consider the heavy investment in its infrastructure as well. I do not want to appear harsh here, but the cargo cull never works.

CHAIR—We are asking you to be realistic. We have had some wish listing today. Now we want to have a look at the other side of the ledger.

Mr Barry—Exactly. Realistically, I think the Flinders Island community has had enough information—through various reports, workshops and activities over the last 10 years—to know what it has to do to help itself address this problem. The issue we keep coming back to is providing larger aircraft, which is supposed to solve the problem. In my view, providing larger aircraft will not solve the problem, and I can give you a few examples. If, for example, QantasLink were to fly a 36-seat Dash 8 into Flinders Island with 30 passengers—which is probably more than it could actually carry safely—they would all need somewhere to stay, somewhere to eat, a car to drive et cetera. There have been a number of occasions when hire car availability has been very limited, as has the availability of accommodation of the type required by individual passengers. I know there are about 250 beds on Flinders, but the quality of those beds and the style of the accommodation is not necessarily what the customer is demanding. There is the issue of the availability of out of hours services such as food, fuel and all the rest of it. All those issues need to be dealt with in some way or another.

My view would be that, if tourism is to be the thing that leads Flinders towards higher demand for air services, there is a need for the Flinders community to deal with the issues that have been raised in all these reports—and the themes are common to them all—in order to see the thing moved forward. The community has to be prepared to help itself.

I know the council have been very good; they have done an outstanding job in providing some leadership, in my view, and there are individuals on Flinders who are doing an excellent job in developing their businesses. There is a need for that to become a much broader push within the community and for people to be prepared to support a given strategy for a period of time. It is a medium- to long-term strategy that we are looking for here. There is no quick fix.

CHAIR—If I could sum up, what you have said is that there is a case for incremental increase and the harder it is driven by the locals, the more likely it is to occur.

Mr Barry—Yes, and the more likely it is to be sustained, because they will be doing it, not having someone else doing it to them.

CHAIR—The aircraft in the short term will not evolve beyond the service there at present, roughly?

Mr Barry—That is correct. In the short term, the aircraft type servicing the island is the most viable aircraft type.

CHAIR—What do you think of the leap of faith scenario, which has the state and local governments frontloading the agenda by upgrading a runway or something of that nature? Does it still get back to this problem of the terrain?

Mr Barry—My view would be that sealing the runway would not result in an operator flying larger aircraft in.

Mr SECKER—Not in the short term?

Mr Barry—No.

CHAIR—To change the subject slightly, if you can speak for the government from a logistic point of view, what is your take on the argument that, in the maritime field, in lieu of the national highway linking Melbourne to the island we have a special subsidy to the maritime services—to the *Spirit of Tasmania 1* and the *Spirit of Tasmania 2*? Is there an argument for that subsidy to be extended to the two islands, to give some form of equivalence in air services? If there is, to what extent do you think the Tasmanian government might participate?

Mr Barry—The Bass Strait Passenger Vehicle Equalisation Scheme and the Tasmanian Freight Equalisation Scheme are both available for residents of the two Bass Strait islands travelling to or from Victoria, and both islands use both schemes.

CHAIR—Do those provide subsidies on air fares or on ferry services?

Mr Barry—King Islanders are currently able to ship their vehicle off the island on the shipping service and get the subsidy provided by the passenger vehicle scheme for that vehicle, provided they are accompanying the vehicle, notionally by having a flight coinciding at the time. Flinders residents are able to access the Bass Strait passenger vehicle scheme through the shipping service that services Flinders, but that is a less than regular service to Victoria. The Flinders shipping service has capacity to carry passengers, but it is a long trip and not particularly comfortable. It is in fact a trading vehicle and not a passenger vehicle, so it is not as comfortable as it might otherwise be.

Ms O'BYRNE—Is that the one that goes to mainland Tasmania or the one to Victoria? Which service are you talking about?

Mr Barry—From Flinders, the same ship that provides a service between Tasmania and Flinders provides a service to Victoria on a needs basis.

Ms O'BYRNE—Yes, it is the needs basis, I think, that becomes the issue. As I understand it, it is certainly not always in the interests of the company to pick up cars when they could be taking freight that gives them a bigger return. That is the information from the island. Obviously, we can canvass this tomorrow.

Mr Barry—I would be interested in hearing the shipping company's comments, because my understanding from my discussions with them is that they are quite happy to carry vehicles and people.

Ms O'BYRNE—They certainly do between the mainland and Tasmania. I have never heard a question about that.

Mr Barry—They do to Victoria as well from time to time. The difficulty is that it is an irregular service. You have to be prepared to wait, and that becomes a real issue. Obviously, it is not practical for tourists.

Ms O'BYRNE—Effectively, it is impossible.

Mr Barry—Even for residents, it is not practical, unless they are able to be very flexible about their arrangements. The other thing that constrains the carriage of vehicles on that ship

between Victoria and Flinders Island is the carriage of livestock. The ship is frequently loaded with livestock and, if it is full, it does not have the capacity to carry vehicles. But I think the nub of your question was: why don't we do something with an equalisation scheme for the islands? There are two sides to that point. Are you asking about an equalisation scheme that would apply to air travel between the islands and mainland Australia and/or mainland Tasmania?

CHAIR—Yes.

Mr Barry—I cannot speak for the Tasmanian government on that particular issue. What problem are we trying to address by looking at this option? On the one hand, it is possible to fly from Flinders to Launceston or from Flinders to Victoria on a commercial service—and also from King Island; on the other hand our analysis would indicate that the fare is equivalent to fares being charged on routes of a similar length on mainland Australia, so there is no cost disadvantage. While we all might complain about the cost of air fares, people vote with their feet. In Tasmania this year, despite the availability of two excellent ferries, around 1.8 million people—more than that now—have flown to and from Tasmania, versus probably around 450,000 to 500,000 who have gone by sea. Travelling to the islands becomes a little more problematic in that the movement of vehicles is low in volume and the movement of people is also low in volume. In the overall context of things, it is a low volume exercise. The thing I am trying to find out is what the payment of a subsidy is going to achieve?

CHAIR—I understand.

Mr SECKER—There might be a 10 per cent reduction in the air fares, but are you saying that that will probably not result in a much increased rate of usage?

Mr Barry—It may not encourage one more person to fly.

Mr McARTHUR—I commend you on your excellent submission. It has covered a lot of the issues, and it has helped us. I have two issues to raise that are a little bit to the side. The first issue is the problem of the inequality of those two things you mentioned in your report: inbound freight and inbound-outbound passengers. The second issue is the curfew status of Tullamarine and how that affects the whole Tasmanian operation. Have you lobbied the Tullamarine airport to maintain that curfew status?

CHAIR—I think that is in the submission.

Mr SECKER—I saw it in one submission; I am not sure whether it is in this one.

Mr Barry—I will deal with the second point first: as far as I am aware, Tullamarine does not have a curfew.

Mr SECKER—It is curfew-free.

Mr Barry—Currently, it is curfew-free. Our submission points to the importance of Melbourne as a hub for south-eastern Australia. I think we addressed the point that we would like to see Melbourne's status as a hub recognised and supported, rather than going down the path of developing secondary hubs in Darwin, Cairns or other places.

CHAIR—You are being very sanguine; you would not get away with that in Queensland!

Mr Barry—I know.

CHAIR—We appreciate your commendable frankness on the matter.

Mr Barry—I am speaking from the Tasmanian perspective, rather than the Queensland perspective, I am afraid! I also note that Cairns is already Australia's sixth largest airport in passenger movement terms. It is a very significant port in its own right, and it is likely to remain so, given the Australian Airlines activities through that port. Darwin is in a very different situation. It is a comparatively small airport in terms of passengers—

CHAIR—But they have got the RAAF picking up a lot of their expenses, haven't they?

Mr Barry—Yes. The Air Force shares facilities there. The problem we have with airports is that people do not focus on which airport they want to go to; they focus on which destination they want to go to and they fly to the airport nearest that destination. In the Queensland context, I have looked at the efforts by Townsville to increase its passenger traffic by all sorts of means. It has not mattered—people still wanted to go to Cairns.

CHAIR—Correct: to the tableland and all that stuff.

Mr Barry—So I rest my case on that particular point. Melbourne is a very important hub for us, and we would like to see that maintained. We would certainly like to see its curfew-free status maintained: without that curfew-free status, airfreight operations from this state will be compromised.

Mr McARTHUR—Have you made any formal submissions along those lines?

Mr Barry—None that I am aware of.

Mr McARTHUR—Some of us are very aware of the Sydney arguments. We had some inquiries that looked into that. It is rather presumed that Melbourne is okay and will remain that way; I just make the observation that that might not always be the case—which would have a big impact, you are saying, on your—

Mr Barry—It certainly would. I would make two points on that issue. My recollection of my discussions with my Victorian colleagues is that they are looking at the planning schemes and so forth for development around Melbourne airport, in a bid to protect it. It already has a comparatively high degree of protection from the encroachment of suburbia and so forth. That is the key issue: it is a land use planning issue as much as anything else. If there are weaknesses in the protection that it already has, I think our Victorian colleagues would be extremely concerned, because they likewise regard Melbourne's curfew-free status as being very important.

From the point of view of airfreight, we have three airfreight services a night out of Tasmania, using Boeing 727-200 freighters. One is direct out of Hobart and two are from Launceston. Those aircraft carry substantial amounts of perishables.

CHAIR—Three freighters a night?

Mr Barry—Yes.

CHAIR—Is that why we have got the *Australian* newspaper here so early in the morning?

Mr Barry—That is quite correct.

CHAIR—You have given us more information in this last half hour than we have had all day.

Mr Barry—The airfreight market, as it was—

CHAIR—We have gone over our time. Would you be happy to stay for another 10 minutes, and we will wind it up then?

Mr Barry—Certainly. I am at your disposal.

CHAIR—We have got a few more questions we want to bounce off you.

Mr Barry—Certainly.

Mr McARTHUR—You had not quite finished. I just want you to comment on the inbound-outbound inequality.

Mr Barry—This is particularly an issue for the two Bass Strait islands, in that the passenger flows by air coincide with holiday periods. At the end of school holidays, for example, lots of children leave the islands, and likewise at the beginning of the holiday period they fly back. That means that there is a very high demand for seats in one direction but there is low demand for seats in the other direction. Different operators have taken different approaches to that. Each has got their own view of how successful those approaches are. For example, operator A might offer discount travel in the alternate direction to try and encourage travel off the island when the flow is onto the island, and vice versa—just a back load arrangement.

CHAIR—Are the school holidays simultaneous in Victoria and Tasmania?

Mr Barry—They are out of sequence a little.

CHAIR—That must be a help rather than a hindrance.

Mr Barry—The linkages to Victoria are not quite such a concern for the two islands. King Island has got a daily service by Regional Express and two daily services by King Island Airlines, Monday to Friday. That is Moorabbin-King Island in the case of King Island Airlines and Tullamarine-King Island in the case of Rex. My view would be that they have adequate capacity on that leg. There might be issues about the time at which the aircraft fly—for example, Rex's flight is a middle of the day flight, which might not suit everybody.

CHAIR—While you are on that point, you might tell the committee why Rex have not re-established the triangular route that Kendell used to have.

Mr Barry—You would need to ask Rex that question, if you want the details.

CHAIR—There is no obvious reason?

Mr Barry—I think there is. My assessment of that particular route pattern indicates two things. Firstly, passengers hate flying triangulated routes. There is evidence on that from all over the place.

CHAIR—They do not like landing?

Mr Barry—When you turn a 55-minute flight from Tullamarine to Wynyard into an hour and a half, or an hour and 45 minutes, by stopping at King Island, I do not know about you, but I would prefer to be there rather than getting there. That is one issue. The other is that the evidence that I have seen indicates the number of passengers that Kendall were carrying on the King Island-Wynyard leg was, in fact, very small. I doubt very much whether they broke even on that particular service. Having said that, I think Kendall may have gone down that path for a number of other reasons, in that it may have allowed them to defray certain of their operating costs in a slightly better fashion. My recollection is that, at the time they introduced that triangulated route, they reduced their Tullamarine-Wynyard services from four to three, and one of those three services became the service via King Island. That is three services in each direction. That was an issue that arose at the time for Wynyard too, of course—that services were reduced.

CHAIR—While we are in this mode: we have received two things today. One was the concept that Launceston should be the hub for northern Tasmania. The word 'hub' was not so clearly defined; it may have been that they had a Tullamarine version of it, or it might have been somewhat less. The second thing is that we have heard a fair amount of criticism of the running of Launceston airport, in terms of cost. Would you like to comment on either of those two?

Mr Barry—Could I ask a question of clarification. What was meant by 'hub', and for what purpose?

CHAIR—That is why I am asking you, because it was not made clear.

Mr SECKER—I think they were saying that at one stage 70 per cent of the freight came from Launceston airport but, since Kendall and Ansett fell through the hoop, Qantas have got an arrangement down in Hobart and they have not taken up as much of the old Launceston stuff as there was.

Ms O'BYRNE—It leads into the existing argument of the Technopark development.

Mr Barry—Okay. In the pre Ansett collapse scenario, a large amount of the freight carried by Ansett out of Launceston was freight from southern Tasmania that was road freighted north. There was another issue. The freight services that were run before Ansett's collapse were essentially a nightly freight service by AaE originating in Hobart, stopping in Launceston and continuing on into Melbourne and other ports and back again, and Ansett ran two 767-200 services a night from Melbourne. Ansett chose to run those two 767-200s for a number of reasons. One was that the aircraft were available, and the second was that they were available for a time which allowed them to fly in that particular window. The last flight left around 4

o'clock or 4.30 in the morning, from memory—it might have been just before 5 o'clock. The second of those flights then continued on as a passenger flight only to Sydney. That arrangement suited some shippers because they could load freight with Ansett out of Launceston and have it in Sydney later that morning, either for the domestic market or for on-shipment by air internationally. With Ansett's collapse, the two 767 freighter services ceased, obviously. I should point out that those aircraft were passenger aircraft. Freight was carried only in the bellies, in the holds. They would uplift at capacity, typically, around 14 or 15 tonnes of freight. They had a cubic volume available of about 80 cubic metres.

Following that rather difficult transition period for AaE, when they needed to ramp up their operations substantially, the service evolved to one where two services out of Launceston were put in place. AaE's service originates in Hobart, stops in Launceston and continues on to Melbourne and then to other ports. There is a second Melbourne-Launceston-Melbourne service in the middle of the night, prior to the freighter that left Hobart coming back to Hobart at 6.30 in the morning. The 727 aircraft being used by AaE have about double the volume available and can typically uplift more weight. They are 20-tonne aircraft, as opposed to 14 or 15 tonnes, and can cater for 150 cubic metres of uplift per flight rather than 80.

Most of the fresh produce that is generated in Tasmania that is flown by airfreight is generated in the south of Tasmania—and we are talking typically seafood. Fresh salmon is the single biggest chunk of freight being flown. So that was obviously an air freight target. The other high-value commodities flown are live seafood—abalone and lobsters—some other fresh seafood products and some other live seafood, such as scale fish in tanks and so forth. The next most significant freight uplift was a fraction of that uplift—a very small amount.

What we have seen as a result of Ansett's collapse is a change in the way that shippers move their freight. Air freight is no longer used for a large part of the salmon uplift; that is being sent by road and ferry or trading ship to Melbourne for on-shipment—both to domestic and international destinations. So we have seen a substantial shift in the way that airfreight is used interstate. There are some concerns about—and I have to be careful what I say here—the volume of air freight available for uplift out of Tasmania, again because of the change brought on the shipping methods by the Ansett collapse. People found other ways of doing it, either in a way which keeps the quality control better—

CHAIR—When you say that there are concerns, are the concerns about keeping the volume of airfreight up or that what is existing there will not cater?

Mr Barry—Concerns about the viability of the airfreight service because the volumes are no longer there or may no longer be there.

Mr SECKER—Because they are using road and ships?

Mr Barry—A big chunk has gone to road and sea and is not being flown.

CHAIR—So that might damage some other users, potentially?

Mr Barry—That might mean that services available could be reduced in the future, and I think that is an issue for us. The argument for an air freight hub out of Launceston, in my view, is not sustained by the evidence. The evidence is clearly that most of the produce does not

originate in the north of the state but elsewhere; likewise, the inbound freight is destined for a range of destinations other than Launceston. There are no advantages for the airline or the shippers in having that freight directed, by whatever means, to a port in Launceston when they would prefer to use another port. Their needs for Launceston's uplift in both directions are serviced by the two flights that currently service Launceston by airfreight, and there is some other freight uplifted by passenger aircraft during the day.

CHAIR—Has there ever been a serious look at a freight and passenger Supercat service to Melbourne—a la the Channel Islands in the UK, who also use Incats—or is the type of weather in Bass Strait still too severe for that sort of operation?

Mr Barry—There are two considerations. One is the nature of Bass Strait, which is very rough. The other is the volume of passengers and freight to be carried. In terms of carrying freight, Bass Strait is currently serviced by four domestic shipping operations, as well as a number of international direct calls into Tasmania. ANL provides a three times a week shipping service out of Bell Bay; Patrick Shipping provides a six days a week service out of Devonport; Brambles, or Toll Shipping as it is now, provides a seven day a week service out of Burnie and TT Line provides a seven day service from Devonport. There is an excess of sea freight capacity available in Bass Strait.

CHAIR—So it would be superfluous at this stage.

Mr Barry—The second point is that these things are very expensive to operate. Catamarans are very expensive to operate, in terms of the amount they can lift. They are very deadweight sensitive. The work we did, at the time this issue was being examined from a number of perspectives, indicated that the catamaran type was not suited to Bass Strait. In fact, the type of ship that was best suited to Bass Strait for fast ferry services or fast freight services is the type being operated now by TT Line. TT Line has a type of vessel called 'elongated ship', which is long, narrow and powerful. Their sea keeping qualities are far better. They are able to maintain high speeds much more safely in building seas. There are lots of advantages with these vessels, and they are much more economical to operate in terms of the amount that can be uplifted versus the fuel burnt and other operating costs. The catamaran appears to be very well suited to short, high density routes in relatively calm waters.

CHAIR—Does your department have any discipline over what is charged, in terms of landing fees, be they by weight or by passenger, and the various associated costs of hire cars, taxis, limos and the like out of airports and, in particular, Launceston?

Mr Barry—Yes. Launceston appears to have been singled out for a bit of attention here; I do not quite know why. Firstly, we have no regulatory control over the charges imposed by any of Tasmania's airports except for one, Smithton, which we currently own.

CHAIR—Which one is that?

Mr Barry—Smithton. It is a very small airport in the far north-west of Tasmania. It does not receive any regular services. The four major airports here, and the two Bass Strait Islands airports, are free to set their fees at whatever level they deem appropriate. Our analysis, and we have done this regularly, would indicate that the charges being levied by both Hobart and

Launceston airport, and also Devonport and Burnie, are not unreasonable, viewed in comparison with the charges at similar sized airports elsewhere.

It is important that we do not start comparing apples with oranges. People will sometimes compare Launceston airport's charges with, say, Tullamarine's charges. While Tullamarine's costs are extremely high, there are orders of magnitude greater than Launceston's in aggregate. They have many more passenger movements and many more aircraft movements to defray those costs across and, therefore, you will see charges per tonne or charges per passenger at very large airports at a much lower level than charges per passenger or tonne at smaller airports. It is a volume based business. In a nutshell, my view would be that the charges at Launceston airport are not unreasonable for either landing charges, passenger charges or parking fees.

CHAIR—And hire cars?

Mr Barry—I am not aware that hire car fees have been an issue.

CHAIR—A couple have made it an issue today.

Mr Barry—Okay. What has been the context?

Ms O'BYRNE—The increased cost being a disincentive. If you are looking at flying into Tasmania, the argument was, and it has been put substantially in the media here, that it is cheaper to fly to Devonport or cheaper to fly to Hobart by the time you pick up your hire car at Launceston airport.

Mr Barry—I must confess that is a new angle that I have not come across yet. My assessment, again, would be that people will choose their destination for a range of reasons unrelated to the cost of a hire car.

Ms O'BYRNE—It is to do with the overall cost of a ticket.

Mr Barry—I believe that, from Qantas's point of view, the air fares into the four Tasmanian airports, particularly the three northern ones, are flat rated. It costs the same whether you fly into Wynyard or Launceston.

CHAIR—Mr Barry, your evidence has probably been the most outstanding—formal or informal—that we have received since this inquiry started. I thank you for the frankness and the clarity of your answers. We trust we can come back to you if we need some supporting evidence, including those few items we mentioned in the course of the evidence. As you are probably aware, you will receive a *Hansard* draft of your evidence for you to make any corrections you might deem necessary. Thank you very much again. We appreciate your attendance today immensely.

Mr Barry—Thank you very much, Mr Neville. I appreciate your comments. Could I just verify that the thing you were really after was the report on ageing aircraft and recent aircraft.

CHAIR—Yes.

Mr McARTHUR—And the tax regime.

Mr Barry—We do not have a paper on that, but I think a comment on it will be in there.

Mr McARTHUR—We would just like some recommendation. You explained it reasonably well; it is a matter of getting it clearer.

CHAIR—Before closing these public hearings in Launceston, I would like to thank the management of this very fine hotel for their cooperation, the secretariat for their arrangements, the community of Launceston for their warmth and hospitality, the media for their ready accessibility and the local member for welcoming us and directing us for our post-curricular activities.

Resolved (on motion by **Ms O'Byrne**):

That this committee authorises publication of the transcript of the evidence given before it at public hearing this day.

Committee adjourned at 5.23 p.m.