



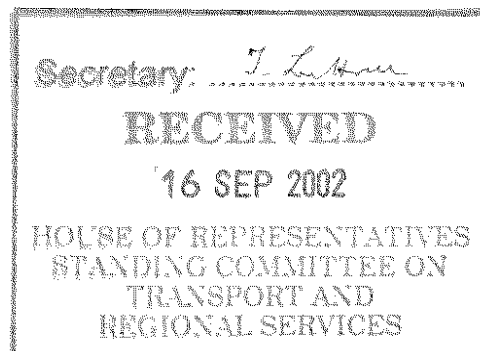
TOURISM COUNCIL TASMANIA

Submission to

STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

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

September 2002



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INTRODUCTION & EXECUTIVE SUMMARY

The Tourism Council Tasmania is pleased to respond to the Inquiry on behalf of the private sector of the tourism industry in Tasmania.

The broad subject of the inquiry is one which the TCT and the industry generally has dedicated significant effort over recent years to address the various issues.

Some progress has been made, but in other areas a lot has yet to be done.

It can be expected that requirements on “mainland” Tasmania will, over time, be addressed by market forces and the major private sector players as they move to establish networks in the hiatus following the Ansett collapse.

However this is not the case on the two Bass Strait islands of King and Flinders Islands.

A real need exists to examine all issues and consider initiatives to assist both locations. Adequate air services are essential for a population that depends upon them for day to day community and business activity quite apart from tourism activity.

It is most unlikely that “market forces” will meet these needs and it is in connection with King and Flinders islands that the Terms of Reference of the inquiry need to be closely examined.

TOURISM COUNCIL TASMANIA.

The Tourism Council Tasmania is the peak body for all private sector interests in the Tasmanian tourism industry. The TCT was formed in 1994 as the Tasmanian branch of the Tourism Council Australia, and following the TCA's demise in December 2000 incorporated in early 2001 as private, not for profit company.

The TCT in Tasmania is based around a system of representative colleges that ensures it speaks with the mandate of the whole of the industry. Rather than a group of individuals, the various sectors and interests of the whole industry are accommodated.

The bodies represented on the TCT within Tasmania include:

- The Australian Hotels Association – Tasmania Branch
- The Tasmanian Convention Bureau
- The Independent Tourism Operators of Tasmania
- The three Regional Tourism Associations that represent *every* tourism operation in the State
- The Drysdale TAFE, the major provider of tourism and hospitality training in Tasmania.
- The major carriers, both air and sea

In the seven years since the TCT was created, it has taken the lead role in initiating and implementing the many changes that have dramatically reshaped and improved the industry.

A key to the successful strategies and policies has been the ongoing cooperative working relationship with the government of the day and all political parties. For its part the TCT has been able to deliver certainty to the process by providing an industry viewpoint that has a very clear and completely unified focus.

The role of the TCT in representing the private sector is now recognised in the Tourism Tasmania Act 1996 and the Tourism Protocol agreement. Since its formation the TCT has either initiated or participated in a substantial body of work that now forms the basis of all government/industry tourism planning, including:

Icons 2000

“The Leading Edge” market research

The 1996 Tourism Protocol

Input into the Tourism Tasmania Act 1996

Tourism 21

1998 Brian Dermott Strategy Report

Tourism 21 Update

The 1999 Tourism Protocol

Tourism 21 – The conversion challenge

The Bass Strait Visitor Access Study

TCT has a shared vision with the Government of Tasmania to develop tourism to be a key strategic growth industry for Tasmania by generating \$1.3 billion in tourism revenue and 26,000 tourism and related jobs by the year 2007.

TCT's own vision is for a unified tourism industry working with Government and the community to develop:

- a world class tourism industry that delivers quality products, services and experiences for our customers;
- sustainable growth in profitability for the industry; and
- a buoyant economy for Tasmania.

BASS STRAIT VISITOR ACCESS STUDY

One of the most significant recent initiatives the TCT has undertaken on behalf of industry is to propose and commission a definitive study into issues relating to Bass Strait; to address the problem that transport across Bass Strait is constraining the development of tourism in Tasmania, and to propose solutions.

Air services naturally played a large part in the study.

Entitled the Bass Strait Visitor Access Study (BSVAS) and released in October 2001, it is the most comprehensive examination, leading to recommendations involving air services to and from Tasmania.

It was important the Study was an unbiased, strictly independent assessment. It was funded by the Commonwealth Department of Industry Science & Resources. There was active industry, State and Federal Government agency involvement.

BSVAS provided a comprehensive analysis of passenger access to Tasmania by air and sea. It examined trends in passenger movements across Bass Strait; assessed the strengths and weaknesses of the current situation; and examined links between access factors and the demand for travel. Based on this background analysis, the Study formulated and evaluated a range of access improvement options; and developed an access improvement strategy.

The following are excerpts from the Executive Summary as they relate to the general issue and, in turn, Air Transport.

Major Findings

- Travel to and from Tasmania is different to all other States and Territories as access is only available by air or sea and normal road or rail options are not available. Over 80% of travellers want to travel with their car when on holiday.
- Tasmania is very vulnerable to disruptions in access, as demonstrated by the 1989 airline pilot's dispute; cancelled catamaran sailings due to poor weather and mechanical failure over the past three summers; scheduled dry dock maintenance of the Spirit of Tasmania; and the suspension of Ansett air services in 2001.
- There is unsatisfied demand for visitor travel across Bass Strait.
- Access factors with the greatest potential to influence demand for travel to Tasmania are price and capacity.
- Other factors such as schedule, route, departure point, comfort and the need for transfers have an affect on the choice of carrier and particular service but in most cases are not decisive factors when it comes to the decision of whether to travel or not.
- Sea and air transport cater for different travel markets, and are not substitutes for each other. When air or sea demand increases, some of those passengers will have

transferred from the other mode but the effect is small. Mostly it is new travel generated by improvements in access arrangements.

- Air and sea port infrastructure supporting access to Tasmania is adequate for current needs and is not a major impediment to growth.

Air Travel Findings

- Holiday and visiting friends and relatives (VFR) travel dominates the airline market for travel to/from Tasmania (more than 70%). This market is very responsive to innovation in pricing.
- The range of discount airfares and the attached conditions have not catered for all market segments, and there has been a shortage of seats at discount fares.
- There is significant demand for short-stay discount leisure travel at short notice but this market is not being catered for.
- Periods when there has been little genuine competition in air travel across Bass Strait have been characterised by high prices and little innovation.
- Tasmania has insufficient demand to support direct international flights on a regular scheduled basis, and for the immediate future will be connected to international destinations through Melbourne or Sydney or direct charters.

Visitor Demand

The research analysis shows that access improvements could produce an increase in the size of the Tasmanian visitor market by between 10% and 20%. This would generate between

- 50,000 and 90,000 additional visitors per annum;
- \$55M and \$100M of additional visitor spending in Tasmania; and
- 1,400 to 3,000 additional jobs in Tasmania.

Access Improvement Options

A large number of suggested access improvement options were evaluated by the Study. These options fell into two categories

options that generate a significant increase in the number of travellers but generally involve revolutionary change in access arrangements; and evolutionary changes that have a smaller and incremental effect on demand.

Air Travel Options

The results of the options evaluation indicate that for air services, revolutionary change would flow from

- a reduction in airfares from increased competition; coupled with
- service innovation, such as better availability of discount fares at short notice, targeting VFR travellers and off-peak discounts

At the same time, evolutionary change would result from a wider variety of travel packages; reduced air services and airport charges; and improved international connections.

Foundations of a Multi-modal Strategy

The fundamental requirement of access is **that travellers must be able to reach their destination.**

The essential elements of the strategy are to

- reduce the level of reliance on air transport to produce a more balanced, robust and flexible transport system. This will require an increase in the sea transport mode share, which again will require increased capacity; and
- spread the transport task across several operators so that disruptions in the services of any single operator has a lesser effect on the overall system capacity and reliability.

These elements establish the basis of a multi-modal strategy aimed at reducing the overall level of vulnerability, while at the same time

- rectifying the deficiencies in current access arrangements;
- meeting or exceeding traveller expectations;
- ensuring that access is a catalyst to further growth of the Tasmanian tourism industry; and
- satisfying the demand for travel to Tasmania.

Air Transport Strategy

For air transport, lower airfares, coupled with service innovation, provides the most effective and practical response to current issues. The lessons of history with regard to the Bass Strait air transport market and airline markets throughout the world indicate that the most effective way of achieving these goals is airline competition.

For air transport, the over-riding priority is to

**develop and maintain genuine sustainable competition in Bass Strait
airline services**

This must be done in a way that produces a reliable and convenient supply of sufficient air transport capacity at competitive and sustainable prices. A genuinely competitive Bass Strait airline market has the potential to produce lower airfares and greater service innovation, while helping to reduce the market vulnerability.

Commonwealth and State Government working in conjunction with the tourism industry can play a powerful facilitation role by actively promoting the interests of Tasmania to airlines and in national forums through proactive representation and targeted assistance. Initiatives to progress the principle of genuine competition in the Bass Strait airline market include:

- ensuring Commonwealth and State Government provide an environment for sustainable competition and service reliability in addressing Bass Strait and national air transport issues;
- maintaining constant liaison with existing and potential airlines;
- developing business cases for new/expanded airline services;
- offering targeted support to airlines to improve air transport access to Tasmania;
and
- working with carriers, air navigation authorities and airports to incrementally reduce the cost base of airline services to Tasmania.

Expected Outcomes

Increased sea transport capacity coupled with genuine sustainable competition in Bass Strait airline services will

create an environment of pricing and service innovation that results in a substantial increase in demand for travel to Tasmania; and substantially reduce Tasmania's vulnerability to disruptions in access.

Implementation of the recommended strategies will see an increase in confidence about travelling to Tasmania and facilitate a growth in demand, job growth and increased economic activity. The key outcomes generated by the strategies include between:

- 50,000 and 90,000 additional visitors per annum;
- \$55M and \$100M of additional visitor spending in Tasmania; and
- 1,400 to 3,000 additional jobs in Tasmania.

Since the release of the BSVAS substantive action has been taken to implement its recommendations.

This particularly relates to Sea Transport, where the State Government has adopted the primary recommendation of introducing a dual ferry operation for passengers and vehicles between Melbourne and Devonport.

On Air Transport, various negotiations and initiatives with private sector operators are underway.

Many of the issues are being taken up in the close working relationship between the industry and the State Government, under the auspices of the Tourism Protocol which was established to provide such facilitation on tourism issues.

In this context, the TCT has been appraised of the formal Tasmanian Government Response to the Inquiry, and broadly supports the issues and recommendations made in that submission.

However the TCT wishes to place special emphasis on the needs of King and Flinders Islands.

KING AND FLINDERS ISLANDS.

The TCT represents membership on both islands and strongly supports the efforts of both communities to achieve adequate air services.

King Island

The TCT supports the following key arguments presented by the King Island Council to the Inquiry:

- King Island has suffered the collapse or withdrawal of four regional and one national air carrier
- Today is serviced by aircraft that are, in most cases, over 20 years old
- Council is of the view that the services being provided are inadequate to meet the current and future needs of this remote, populated Island
- It believes the uncertainty concerning air (and sea) services is a cause for grave concern.
- Council is concerned that it has not been invited to the negotiating table when issues concerning air and sea services, contracts and regional links are being discussed
- There is every justification for such involvement, given that the island's livelihood is entirely dependent on those services.
- The future of air and sea services to the Island are in doubt because of aging aircraft, competition from State operated and subsidized services , under-resourced operators and a general lack of Government assistance or cooperative effort.
- Commonwealth subsidies under the Bass Strait passenger transport equalization scheme fail to recognize the needs of Island residents who have no choice and are not offered any subsidy to fly.
- The local Council believes that the Bass Strait subsidy should be applied to air services to King Island because there is no alternative sea route.
- It argues the subsidy should apply to all Bass Strait Islands and include travel from Victoria as well as travel from mainland Tasmania.

- The Commonwealth should not differentiate between State borders but provide a subsidy for freight movement between Islands.

Flinders Island.

Flinders Island suffers from the same range of problems, as expressed in their submission to the Inquiry from the Flinders Island Council.

Again, the TCT supports the main arguments in their submission, namely:

- There has been progressive Federal Government withdrawal from the provision or support of Australian air services, except for its regulating functions.
- Regional aerservices provided by small scale owner operators using ageing and high maintenance cost piston engined aircraft need assistance to upgrade to more modern turbine powered aircraft.
- Remote and locationally disadvantaged communities reliant on aircraft for daily, scheduled transport needs will need support to upgrade infrastructure to cater for higher performance aircraft.
- The Federal Government needs to address the recommendation of the Australian Transport Council and the Standing Committee on Transport now if ongoing service delivery is to be assured for locationally disadvantaged communities.
- The Federal Government can use its fiscal capacity and taxation authorities to provide the financial support needed to upgrade the capacity and adequacy of air service to remote and isolated communities.
- The Access/Remoteness Index of Australia is an existing policy tool that can be used to extend Federal Government support to regional Australia in supporting the provision of safe and reliable air services.
- The Federal Government needs to reassess its support of air transport services to locationally disadvantaged communities, and help to generate appropriate support for the people of those communities to sustain the social capital required for a vibrant and growing regional Australia.
- If the Federal Government can assist in the funding of air services to regional Australia not reliant on air transport, it can similarly respond to the needs of

communities reliant on air services for the daily movement of people and time sensitive freight.