



11th August, 2003.

SUBMISSION NO. 188

Secretary: *I. Beckingham*
13 AUG 2003
HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON
TRANSPORT AND
REGIONAL SERVICES

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

Dear Ian,

Further to our recent telephone conversation, please find attached Kangaroo Island SeaLink's Submission to the House of Representatives Standing Committee on Transport and Regional Services.

You will note that the information considered confidential by our Company has been placed in Appendices "A" and "B" of the document, and should be read in conjunction with the main Submission to the Inquiry.

Please don't hesitate to contact me should you require any explanation on the content of the document or any further information.

With kind regards,

Jeff Ellison, FCA
Chief Executive





**Kangaroo Island SeaLink
Submission**

to

**The House of Representatives
Standing Committee on Transport
and Regional Services**

**Inquiry into Commercial Regional
Aviation Services in Australia**

and

Transport Links to Major Populated Islands.

July, 2003

1. Background.

- 1.1** Kangaroo Island is the third largest island off the coast of Australia and is situated approximately 16 kms. from the southern most part of South Australia's Fleurieu Peninsula. The island has an area of about 4,500 square kilometres and a population of approximately 4,300 people.
- 1.2** The economy of the island is primarily reliant on tourism, agriculture and fishing. The movement of heavy freight and vehicles is by sea transport. The island is also serviced by air transport, however the majority of visitors to the island travel by ferry.
- 1.3** Currently only one operator provides sea transportation services for the transport of passengers, cars and freight vehicles. That operator is Kangaroo Island SeaLink. It should be noted that this has not always been the case. Over the past two decades several attempts have been made by State Government and private enterprise to provide safe and regular ferry services to Kangaroo Island. During this period four different organisations, including a passenger ferry from Cape Jervis, have undertaken to service the seaway. All have failed.
- 1.4** During this same period Kangaroo Island SeaLink was established and, despite competition, continued to grow to what it is today – a safe, reliable, 'all weather' (with safety as the first priority) service to and from Kangaroo Island.
- 1.5** Kangaroo Island SeaLink had its origins in a local, privately owned company, which has changed hands only twice in its 19 years of existence. In 1989 a wholly owned subsidiary of public company MBFI Australia Limited purchased the business from the then local Kangaroo Island owners. At that time the business operated with one ferry.
- 1.6** In 1996 the Company, Kangaroo Island SeaLink Pty Ltd, was brought back to local South Australian ownership and is now owned 33% by residents and land owners on Kangaroo Island.
- 1.7** In 1990 a second vessel, the Island Navigator, was purchased. During 1998 a new Australian built 49m ferry, the Sealion 2000, replaced the original vessel at a cost of \$9.2 million. Kangaroo Island SeaLink has now contracted Austal Ships in Western Australia to build a third vessel to replace the Island Navigator at a cost of \$14 million. The new vessel will have freight and vehicle carrying capacity significantly greater than that of the Island Navigator.

- 1.8 Kangaroo Island SeaLink has often been accused of high ferry charges. We believe this is a result of high Government charges, low passenger volumes and the high cost of capital equipment. Adversaries often quote operations in Victoria and Queensland as comparatives without recognising that their potential markets are three to four times that which is available to Kangaroo Island.
- 1.9 Kangaroo Island SeaLink, through its extensive commitment to marketing (currently \$1m. p.a.) has increased the overall market to Kangaroo Island and has been able to hold its current passenger and freight fares for eight years.
- 1.10 Kangaroo Island SeaLink does not oppose competition but recognises that it will affect service levels, quality of ferries and schedules during off-peak seasons.
- 1.11 SeaLink's concerns regarding an additional operator is twofold; firstly, the long-term sustainability for two operators to a regional area and, secondly, the negative effect on tourism if one operation fails. We have seen four attempts at operating a ferry service to Kangaroo Island and the negative impact when the service has been withdrawn.

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

2.1 Air Services

Kangaroo Island is serviced by one airport 13kms south of the largest Kangaroo Island township, Kingscote. Approximately 20% of all passengers travelling to the island do so by air. Air transport is provided by two airlines, Emu Airways and Regional Express. Regional Express has recently announced a withdrawal of services to Kangaroo Island for four months during winter.

2.2 Air services are an essential component of the transportation matrix to the island. In terms of adequacy, restrictions currently experienced are related to:

- airfield length
- type of aircraft used
- interconnectivity with other mainland services
- airfield maintenance costs
- cost of travel

2.3 Kangaroo Island SeaLink recognises the need for air services to Kangaroo Island and through its SeaLink Holiday Program has purchased over \$750,000 p.a. in airfares to Kangaroo Island as part of its tourist holiday packages.

2.4 Sea Services

Two ferries currently service Kangaroo Island. These ferries, operated by Kangaroo Island SeaLink, transport the vast majority of freight and a very significant portion of the passengers to and from the island. The transportation of freight includes dangerous goods and livestock. The ferry service is the only mode of transporting motor vehicles.

2.5 A barge operated by AusBulk transports grain between Kingscote and Adelaide during the peak grain season, carrying approximately 80% of the island's grain crop.

2.6 The ferry service currently transports approximately 300,000 passengers to and from the Island each year. In terms of adequacy the following is pertinent:

- Kangaroo Island SeaLink has the capacity to operate up to 12 services a day, carrying up to 3,300 passengers and 960 vehicles per day.
- Kangaroo Island SeaLink has the capacity to meet four times the current market demand. This capacity will be further enhanced by the introduction of the new vessel in December, 2003.
- Kangaroo Island SeaLink operates a minimum of four services per day during off-peak periods and has significant capacity during these periods to respond to unforeseen demand.

2.7 Kangaroo Island SeaLink operates under a Licence Agreement with the South Australian Department of Transport. Under this Licence Agreement, Kangaroo Island SeaLink has the legal obligation to carry freight within 36 hours of desired time for freight operators, operate all year round, not increase freight fares by an amount greater than CPI, and maintain the ferries to a high standard, to name just a few of the obligations. Additional obligations are set out in Appendix "A" due to their confidentiality.

2.8 Kangaroo Island SeaLink is committed to providing a safe, reliable and world class ferry service. The cost of travel is seen by some as expensive and in this regard the company has taken, and continues to take, measures to avoid fare increases and in some instances reduce travel costs. This is particularly the case for Kangaroo Island residents. Residents are only required to pay \$18 for a one-way ferry passenger fare and as low as \$49 for a one-way vehicle and driver fare.

As can be seen below from SeaLink's published fares, we have a three tiered pricing system. Kangaroo Island residents, land owners that live on the mainland (regular travellers) and visitors.

In addition to these fares we operate a number of specials, including our Winter Escape packages, which involve buying one ferry fare and receiving a second one for free if you stay on Kangaroo Island for two nights, take your caravan or boat free when you book a motor vehicle and long week-end specials for Kangaroo Island residents when up to four people travel free when they book a motor vehicle.

Current SeaLink Ferry Fares:

Ferry – Passenger (Internet Fares.)

K.I. resident	\$16 one way
Land owner	\$22 " "
Visitor	\$30 " "

Motor Vehicles.

K.I. resident (incl. driver)	\$49
Visitors – Off peak	\$49
Visitors – Peak	\$65

Freight per linear metre \$25

- Passenger and freight fares have not increased for more than 8 years (1995) other than for GST.

This has been made possible by our long-term objective of increasing visitors to Kangaroo Island thereby apportioning our capital cost of ferries and equipment over a larger passenger base

2.9 Kangaroo Island SeaLink also recognises the position of pensioners and other disadvantaged persons and has introduced a \$59 fare for Kangaroo Island residents for return travel between Kingscote and Adelaide. The one way fare of \$29.50, comprising travel on an Island shuttle bus, ferry trip and coach connection to Adelaide, compares extremely favourably with coach travel to other regional destinations within South Australia, as can be seen from the following:

One-Way Fares

From	To	Transport	Adult	Pensioner
Adelaide	Kingscote	coach/ferry/coach	\$47.00	\$41.00

Residents' fares

Adelaide	Kingscote	coach/ferry/coach	\$29.50	\$29.50
Booked on a return basis				
Adelaide	Port Lincoln	coach	\$74.40	\$37.20
Adelaide	Mount Gambier	coach	\$50.20	\$25.10
Adelaide	Ceduna	coach	\$87.00	\$43.50
Adelaide	Wilpena Pound	coach	\$67.00	\$33.50

- 2.10** The company is keen to further reduce fares, however the impact of carrying dangerous cargo, the need to maintain a fleet of modern, high capability ferries and the current requirement to pay high wharfage fees to State Government are factors which restrict the Company's ability to meet this goal. Since 1990 the company has paid over \$6m. to the State Government for the use of Cape Jervis and Penneshaw ports. Kangaroo Island SeaLink presently pays \$523,000 p.a. to Transport SA and is eager to have those charges dropped. If successful, the company would provide a commensurate reduction to ferry fares. It is noted that a competing ferry service from Wirrina would be exempt from this charge.
- 2.11** Kangaroo Island SeaLink is also charged a passenger tax by the Kangaroo Island Council of 50 cents per passenger, currently \$150,000 p.a.
- 2.12** Appendix "A" outlines Kangaroo Island SeaLink's expenditure and dollar commitment in maintaining close ties with Kangaroo Island residents and businesses. It has shown a responsive and responsible approach to the needs of the island community.
- 2.13 Subsidies:**
Kangaroo Island SeaLink, as a matter of principle, does not agree with the provision of Government subsidies to private operators. We are aware of subsidies paid by both State and Federal Governments to what we recognise as competing tourist destinations (River Murray ferries and Tasmanian ferry service) and support the argument that Kangaroo Island's essential services should also be subsidised.

2.14 Subsidies (for the benefit of island residents and mainland visitors) have been sought from the State Government and the Federal Government. This has been pursued on the basis of equality with other regions. For example:

- The State currently funds ferries across the Murray River equivalent to \$750,000 p.a.
- State Government also funds the cost of construction and maintenance of bridges and roads.
- The Federal Government provide a subsidy to the Tasmanian ferry service through the Bass Strait Income Equalisation Scheme. This provides a subsidy of \$150 per vehicle each way thereby halving, and in some cases removing, the cost of transporting a vehicle to Tasmania.

It is recognised that transport to Kangaroo Island is within State boundaries, but we still contend that the Federal Government has a responsibility to all Australian islands where it can be shown that this is of net economic benefit to Australia in providing support.

2.15 Kangaroo Island SeaLink's case is outlined in Appendix "A".

2.16 There are no alternatives to transporting freight and vehicles to and from the island. In this regard, and based on social equity, a Government subsidy would be of direct and indirect benefit to the economy of Kangaroo Island and South Australia.

2.17 Another issue is the lack of concessional travel (eg. pensioner fares) opportunities on the ferry service. Island residents are provided with concessional travel on island bus services connecting with the ferry service, however this is not extended to the sea journey. Kangaroo Island SeaLink has made representation to State Government to approve concessional travel on the ferries for the island-based pensioners in particular. To date this has not occurred. This may be viewed as rather inequitable particularly noting that road and rail transport concessions are provided for mainland pensioners and extend to urban and rural areas, yet island residents have little choice but to use the ferry services which are not included in the concessional travel system.

2.18 Wharf Infrastructure:

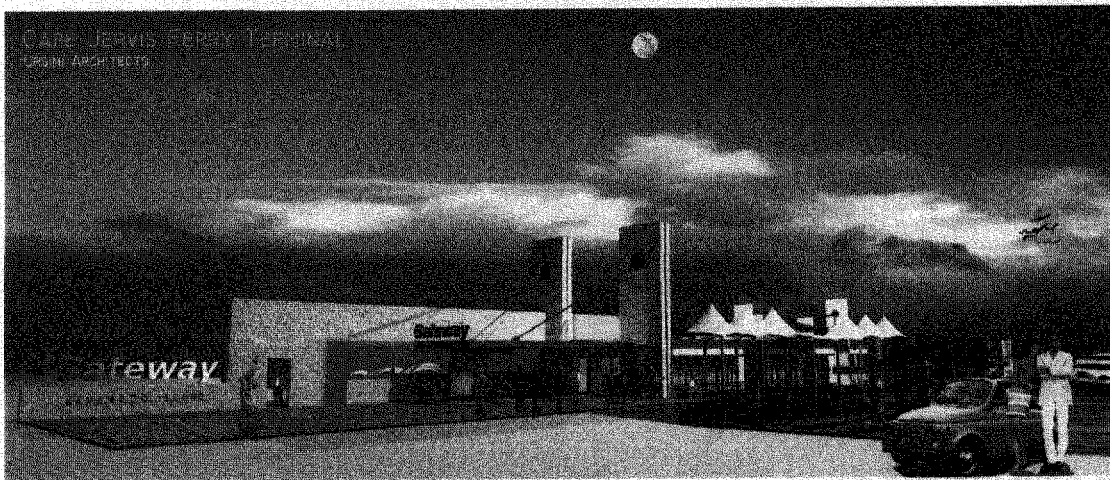
Cape Jervis is the gateway to the jewel in the crown of South Australian tourism – Kangaroo Island.

2.19 Over 300,000 visitors pass through the port of Cape Jervis each year.

- 2.20** National and international travellers are currently confronted with a small booking office and no public toilet facilities prior to embarkation for their visit to Kangaroo Island. The port is unprotected and provides little, if any, protection to passengers from the elements.



- 2.21** Kangaroo Island SeaLink has proposed the construction of a passenger terminal/Visitor Information Centre at Cape Jervis.



- 2.22** SeaLink has sought funding assistance from the South Australian Tourism Commission for the construction of public toilets and a waste management system for the region.
- 2.23** On completion of construction, the waste management system will be handed to the local Council for the use of regional development. Kangaroo Island SeaLink will pay normal rates to Council for the use of the waste management system.

- 2.24 Please refer Appendix "A".
- 2.25 Please refer Appendix "A".
- 2.26 SeaLink will provide the ongoing cleaning and maintenance of the proposed toilet and passenger terminal facility.
- 2.27 The proposal is currently waiting approval from Transport SA for the lease of the site of the building and confirmation from the South Australian Tourism Commission for funding for the public toilets and regional waste management system.
- 2.28 Without financial support for the toilet infrastructure this will not be constructed.

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

3.1 Local Government.

The following recommendations are made:

- Forward supporting submissions to State Government which will result in removal of wharfage charges and a subsequent reduction in ferry fares of between 10% and 15%.
- Forward submission to State Government which will result in a more equitable and equitable approach to, and application of concessional travel arrangements.
- Removing Council charges to lower the cost of ferry transport, improve visitation to Kangaroo Island and increase economic activity.

3.2 State Government

The following recommendations are made:

- State Government must ensure all regional areas, including Kangaroo Island, have a safe, reliable and sustainable transport system.
- Withdraw wharfage charges thereby facilitating a commensurate reduction in ferry fares by Kangaroo Island SeaLink of between 10% and 15%.
- Extend the concessional travel scheme to the ferry service operating to and from Kangaroo Island in two tiers if necessary:

- a) Priority 1 - for Kangaroo Island residents.
 - b) Priority 2 - for all South Australians eligible for travel concessions.
- Ensure ferry operators have a long term certainty with regard to access to infrastructure to ensure that they can invest in the State with confidence.
 - Remove obstacles and assist in the construction of appropriate passenger terminals/Visitor Information Centres at Cape Jervis and Penneshaw.

3.3 Federal Government

The following recommendations are made:

- Recognise the water gap from Cape Jervis to Penneshaw as an extension of the national road system similar to the arrangement with the Tasmanian State Government.
- Provide a "per vehicle" subsidy similar to that offered by the Bass Strait Equalisation Scheme.
- Consider a national pensioner/concessional travel scheme, which will provide universal and standardised concessional travel throughout all regions of Australia and particularly to Australian island destinations like Kangaroo Island.
- As one of Australia's iconic tourist destinations, recognise the need for appropriate tourism infrastructure at the main gateway to Kangaroo Island.

ADDITIONAL INFORMATION HELD BY THE SECRETARIAT

ATTACHMENTS TO SUBMISSION NO. 188

CONFIDENTIAL

Appendix A
Appendix B