

It is time to understand the weakness of our democracy.

It would not be a surprise if the \$700 billion bailout of Wall Street was really compensation paid by taxpayers for a failure of American public administration to understand clever practices, many of which were beyond the capacity of those engaged in its surveillance. Or, as a result of legitimate industry influence over ineffectual public monitoring practices.

It seems that a similar failure may be occurring at other levels of government, even within Australia. Generally, the blame must fall on elected and un-elected officials. Corruption is not suspected. It is a matter of conflict between industry objectives and a failure by administrators to understand that industry needs can differ from public interest objectives. Public administration needs to be strong, clever and vigilant.

The National Sea Highway, Tasmania's sponsorship of the AFL's Hawthorn team and the vision of a Tasmanian AFL team are highly interlinked. It is possible that if Tasmania had its own AFL team, its supporters would miss many of its matches, but why?

It is time to understand the difference between tourism objectives, based on revenue and basic transport objectives, based on the movement of numbers of travellers. . It is not sufficient to just accept that the Commonwealth support for "tourism" means the same to everyone.

For example, in the retail sector, Coles needs large volumes of people, many often making small purchases, but David Jones may obtain high revenue from a fewer number of high spending customers. If David Jones had limited resources it wouldn't use them to reach Coles customers. Extending this example, it would seem nonsense for say, Canberra to give David Jones uncontrolled resources, and expect them to be applied to attract Coles customers.

As in retail, this kind of distinction also exists within tourism and possibly in many other industries.

Sponsorship of the Hawthorn AFL team by Tasmania is feeding revenue indirectly into objectives that are, and can be, quite different from the provision of equitable sea transport, able to build population in Tasmania and transport volumes of people in South Eastern Australia.

Canberra has a responsibility to move the focus of the BSPVES from core revenue-centred Tasmanian targeted tourism objectives involving mainly hotel or motel stays, to include basic transport or the volume movement of people.

Canberra is not differentiating between a definition of tourism, largely focussed upon by the upper end of the tourism industry and the wider definition of tourism, adopted by the World Tourism Organization and the United Nations Statistical Commission, as "the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes."

Without taking this wider focus, there is a failure of application by Canberra of very sound "sea highway" transport or tourism policy.

Tasmania has very little chance of ever having an AFL team, and matches that can be attended by AFL supporters, unless Rudd Labor changes its Bass Strait sea transport policy and the

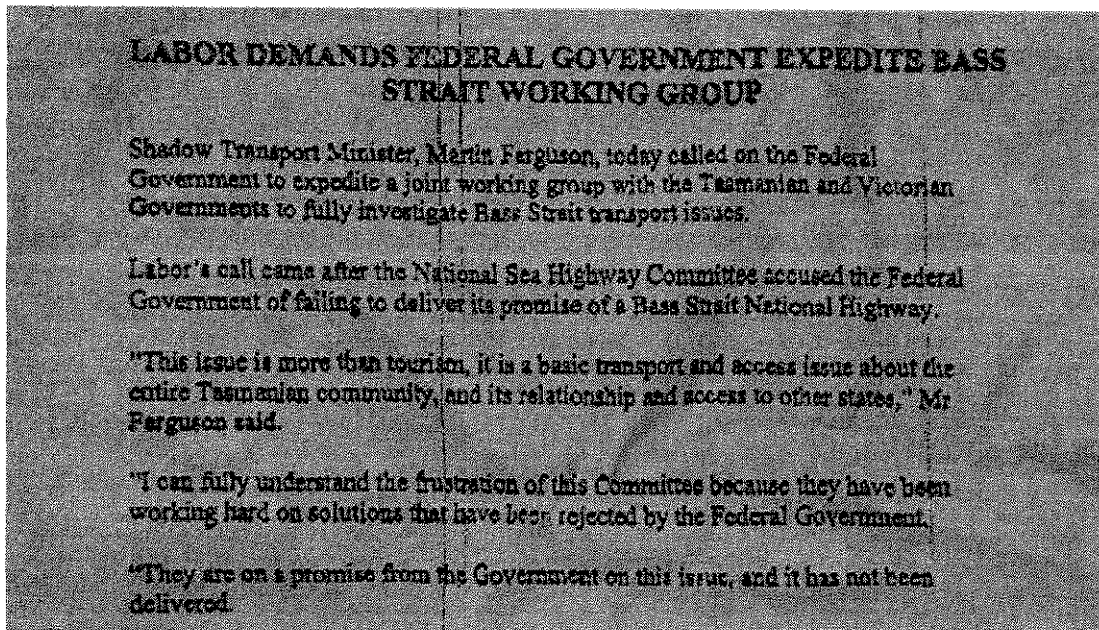
Tasmanian Government tells Canberra, privately, that it really wants the publicly promised, and already federally funded, equitable National Sea Highway link.

The understandable influence, by mainly the upper-level of the Tasmanian tourism sector over the Tasmanian and Federal Governments should be balanced by Canberra by, at least, an equal interest in the needs to transport people and people in vehicles.

Canberra's "de-regulation" of the only interstate surface route between Victoria and Tasmania by handing over the benefits from uncapped federal funding to one industry, to control access, on one-side of Bass Strait, can't work, without conditions or active and effective surveillance by Canberra.

There was universal public support from the Nation and across Tasmania in 1996 for the introduction of a National Sea Highway, using ferries, crossing Bass Strait. That is why the BSPVES was introduced.

Martin Ferguson also knew the vital difference between tourism and basic transport. See the third paragraph of his media release in 2000 shown below,



"I can fully understand the frustration of this Committee because they have been working hard on solutions that have been rejected by the Federal Government."

"They are on a promise from the Government on this issue, and it has not been delivered."

"Various Coalition politicians, including former Minister John Sharp and Tasmanian Senator Jocelyn Newman, have referred to Bass Strait as a National Highway. But this has only been given lip service."

"The joint working group between the Federal, Tasmanian and Victorian Governments, initiated by the Tasmanian Government, should be expedited to come up with lasting solutions."

"It is important that it focus on all Bass Strait transport issues, not just tourism and visitor numbers."

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Even Tasmanian Labor's Brenton Best said,

~~"If Labor wins the election on August 29, we will negotiate with the Federal Government to implement the principle of passenger equalisation as suggested by Peter Brooker."~~

But practically every step after the introduction of the BSPVES in 1996, taken by government, has been against implementation of this type of link including the views of a three government officer working group.

The working group said:

6. Fully equalised fares should not be introduced because the fare structure is unviable for the operator without costly annual rebate increases to the Commonwealth Government under the BSPVES. [Section 7 (a)]
7. The Commonwealth Government consider introducing a flat rebate irrespective of season - \$125 would be cost neutral, \$150 would require an additional \$3million pa. [Section 7 (b)] *HOW MUCH GREATER THAN...*
14. Bass Strait should not be declared part of the National Highway. [Section 8a]

and later the then Tasmanian Tourism Minister Bacon was reported as saying,

Tourism Minister Ken Bacon yesterday rejected claims that Spirit III was overpriced.

"I don't think it is because we're targeting a niche market here," Mr Bacon said.

"If you take the upmarket hotel-motel chains, that's the type of people they need to get into Tasmania."

Tasmania has on three occasions been given a full opportunity by Canberra to have a National Sea Highway. It still has that opportunity now. The mandate of the people and industry for such a highway, offering very low sea fares, with or without cars is being resisted or ignored.

Federal Bass Strait sea policies were not about the movement of the shell of cars and ignoring the people in them, and ignoring those that choose to leave the car at home.

The cost of crossing Bass Strait by sea is today unnecessarily far too high to deliver anywhere close to comprehensive bitumen equivalence.

The regular cost of crossing Bass Strait by sea, sit-up recliner, over the football season is between \$158 and \$179 per person each way, sit-up, plus \$58 for the car each way and an additional \$180 each way paid by Commonwealth taxpayers for the car under the BSPVES.

These fares need to drop to all-year, each-way fares of under \$50 for a foot passenger and \$299 for a car, including its passengers. This represents "bitumen equivalence".

Promotional fares that can vary each season, spring and winter specials, 40% off specials all introduce uncertainty into access, in a way no other highway or basic transport operates. Whilst these fares may be optional, all-year, low interstate fares, offering business certainty, are needed.

This type of link will quickly build population, as would a land-based highway, and is necessary to attract an AFL team and provide fair, all year, access for football supporters to attend matches on either side of Bass Strait. It is already costed, and given relatively untargeted BSPVES uncapped federal funding, can be introduced in weeks.

Currently, ordinary AFL supporters are unjustifiably and unnecessarily denied low- cost access to AFL matches, in favour of targeted tourism objectives favouring low- volume, rich travellers, or those who have saved hard, staying longer and taking accommodation packages. All of this, with a "free" car paid for by federal taxpayers.

This promotional use of Commonwealth funding was never the stated intent of the Bass Strait equalisation scheme. The nation would not have supported this use. They instead supported a "National Sea Highway".

In 1996 the Coalition said,

The Bass Strait Passenger Equalisation Scheme (BSPES) isn't a special hand-out for Tasmania: rather, as the name implies, it seeks to equalise the cost of travelling by 'sea highway' between Tasmania and the mainland, compared with using national highway links between other states.

But what has resulted?

Tourism Minister Ken Bacon yesterday rejected claims that Spirit III was overpriced:

"I don't think it is because we're targeting a niche market here," Mr Bacon said.

"If you take the upmarket hotel-motel chains, that's the type of people they need to get into Tasmania."

Canberra and the Tasmanian Government, privately, and in recent public Federal annual monitoring reports, are not seeing the BSPVES as a method of reducing Tasmania's isolation and thereby building population and visitors to Tasmania sufficient to support AFL teams and many other large and small robust businesses or major industry sectors.

Their approach is not maintaining the barrier for poor or middle class supporters, families or budget conscious travellers.

Reports show that many like to visit Tasmania but face an access price deterrent. The following was a finding of \$400000 high-level study,

Access factors with the greatest potential to influence demand for travel to Tasmania are price and capacity.

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.

Targeting the BSPVES to fund just the shell of cars moves the impact of federal money away from budget conscious travellers, referred to in a former TT Line annual report. A sea highway would allow all to travel, without any downside for Canberra, or anyone else for that matter.

David Jones can build its customers on many Coles customers but Coles could not build its business on the fewer David Jones customers.

Without a car, air travel does not cater well for many ordinary Australians travelling for various domestic or business purposes and who do not stay in up-market hotels. These are the people who regularly use short distance land-based highways. These highways are still maintained by Canberra despite discount airfares. Access to Tasmania should be no different.

Why should the National Highway not deliver equal surface links to all states?

The following assessment was made by officers of three governments regarding numbers crossing by sea, set at full equalisation.

The cost shown at the lower part of the following section, is an estimate the Coalition made in 1996 of future outlays of up to \$22 million a year, to 1999. It is very close to the estimate of \$28 million a year to deliver comprehensive equalisation, about two years later.

2001 EQUALISATION ESTIMATED to cost \$28 million a year

- fares set at \$47.50 for foot passengers and \$190 for a car including passengers

estimated cost of 2001 full equalisation \$28.6m

Saey \$15 million

Cost

\$12m 1996/97; \$15m 1997/98; \$22.5m 1998/99

(Based on 80,000 vehicles in 1996/97, increasing to 150,000 vehicles by 1998/99).

Conclusion 7 With:

- Fully Equalised Fares charged to travellers.
- no Hotel services included in fare (although with additional crew numbers for required passenger safety/management levels in place of that function being lost by the exclusion of the 'Hotel' services staffing).
- foot passenger numbers remaining unchanged from present.
- similar vessels to those now operating the service.
- Ferry at much the same number of trips as in 1999-2000.
- Additional vessel running 481 trips, and
- Additional crew paid at current rates (with vehicle capacity fully utilized for all trips in 2001 for 237 940 vehicles - an increase of \$11.2m on 2001-02 funding level)

2000 = \$13.1 million

now over within 5 years

go to \$15 million

Then P1-Line should collect \$4.3m over and above operational costs with an in-built 10% 'mark-up' less the costs for additional crew numbers (conservatively estimated at 2 crews x 30 @ \$70 000 pa ie \$4.2m)

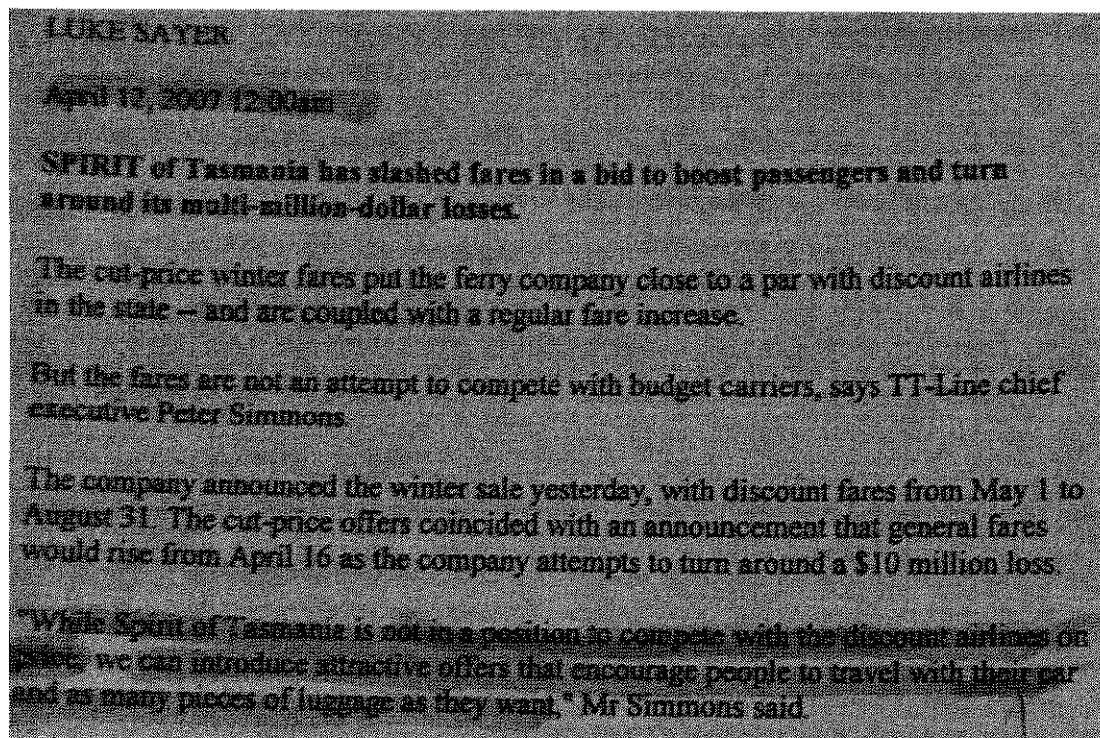
A loss of 30.1m less commercial provision for vessel replacement and dividend payments, is a total significantly less than its 'mark-up' margin.

This shows that comprehensive equalisation, based on an all-year two-ferry service would cost the Commonwealth close to the Coalition's expected outlay under the BSPVES. Equalisation was and still is very affordable.

Despite this, Canberra's Bass Strait seems to be about maximising revenue for one industry, on one side of Bass Strait over all the rest, with a relatively small trickle down effect to others. Core tourism was a generator of about 10% of Gross Tasmanian Product. There are many other

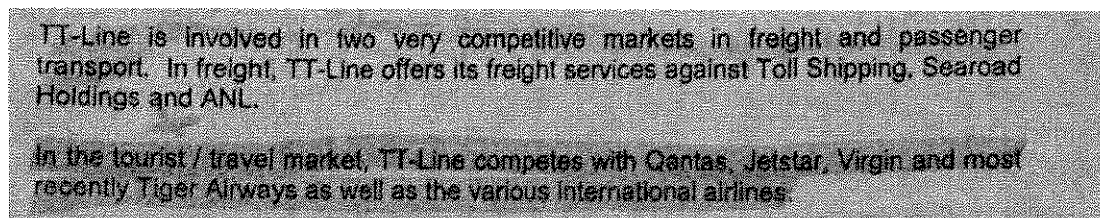
generators of wealth, included in a wider definition of tourism, including those who run budget accommodation, who need equity.

If high paying travellers are targeted, the Scheme has even a built in incentive to increase the cost of crossing by sea through value adding, over time, rather than pressure to reduce total fares. There is currently no mechanism to put downward pressure on the total cost of crossing and no direct sea or air competition regarding passenger fares.



Air travel cannot replace such a surface link, and air and sea packages become alternatives, without air competing with land based interstate highways, as occurs with other interstate routes. Air competes with fair surface links across all other borders.

TT Line gave evidence, before the current Coastal shipping inquiry as follows, limiting its comments to the tourist / travel market, and did not raise issues of competition regarding sea passenger transport.



If Tasmania wants to host AFL football matches, it should not continue to leave it to Victorian Government to just ask for surface transport equity.

Thursday, 30 June 1994

BASS STRAIT FERRY PUSH COULD BENEFIT VICTORIA

The Tasmanian Government's push for a higher subsidy for Bass Strait passenger services from the Federal Government could enhance tourism between the two States, the Minister for Roads and Ports, Mr Bill Baxter, said today.

"If the Groom Government's case for a higher subsidy is successful, it has indicated that a second passenger service could be operating within a short time, possibly based in Geelong," Mr Baxter said.

"Given the greater tourist traffic a second ferry would generate, it would then make sense for the Federal Government to declare as National Highway the full length of the Western Ring Road to the West Gate Freeway, the Princess Highway West to Geelong and the West Gate Freeway to the Port of Melbourne.

"This would ensure that the expanded ferry service is supported by high-standard road access and that the tourist potential of a second ferry is maximised.

"More importantly, inclusion of these and other major routes within the National Highway

and VECCI said

As AusLink evolves over time, we believe consideration should be given to incorporating the Tasmanian Freight Equalisation Scheme (TFES) and the East-Bird Passenger-Vehicle Equalisation Scheme (BSPVES) under AusLink, thereby offering a similar connection to National Network road and rail links between Melbourne and Hobart, as currently exists between Melbourne and Sydney and Melbourne and Adelaide.

VECCI also believes that the TFES should be extended to include full southbound equalisation. The southbound component of the Scheme applies only to persons or businesses engaged in manufacturing, mining and primary production (agriculture, forestry and fishing) in Tasmania. Equalisation, when fully applied to passengers and freight, could be expected to substantially increase economic activity, population, investment and jobs in South Eastern Australia and to significantly increase traffic flows through Victoria to and from Tasmania.

and the Victorian Government said last year,

The Victorian Government also saw an overlap between AusLink objectives and those being pursued by the Tasmanian freight schemes. It saw scope for pursuing national transport objectives by encouraging improved freight transport connectivity. The Victorian Government suggests that the most effective and equitable way to align the TFES and AusLink policies would be to extend the subsidy to final goods in the southbound direction. (sub. 60, p. iv)

But since its support for a sea highway in 1996, Tasmania seems to virtually say nothing or refuses to ask for any adjustments to the BSPVES or TFES, or to implement changes to reduce the cost of crossing to bitumen equivalence.

It can even implement full bitumen equivalence now under the BSPVES. It chooses not to do that. It can give its people a sea extension of the Hume Highway in weeks and fair access to the rest of the nation. It has policy, funding, and surplus capacity, right now. People need and want basic transport.

The current CEO of the Tasmanian Government's TT Line acknowledged this when he made comment this year.

Mr Griplas said reigniting the passion of Tasmanians to travel on *Spirit of Tasmania* was a major goal for the company.

"While Tasmanians regard the *Spirits* as icons of the State, they also view the ships as a means to get from point A to point B rather than a travel option that provides a unique travel experience," he said.

Regardless of Tasmania's inaction, it is the Commonwealth's full responsibility to get interstate transport right over the Strait, for all Australians. Bass Strait comprises mainly Commonwealth water. National transport objectives should prevail over interstate routes.

If Prime Minister Rudd follows the example of both Prime Ministers Howard and Keating, an AFL team could possibly be now, or soon be, in Tasmania.

Despite every available resource being in place, Rudd Labor has, to date, rejected directing the taxpayer's uncapped federal funding, obtained by the people for "equalisation", to achieve "equalisation". Instead Canberra's bureaucracy has disregarded a national mandate for a National Sea Highway.

By allowing the BSPVES to be targeted in a way contrary to highway equivalence, the BSPVES seems to feed the following views:

Officers of ~~the shipping line~~ take a different view to lowering fare ~~and whether~~ the fast turn-round of ferries across the Irish Seas or the English Channel ~~lessons~~ for Tasmania, the response is that there is no comparison. The UK has a population of 55 million people and Europe has a population of about twice that. Australia has about 18 million people with 400,000 in Tasmania. The markets cannot be equated and any shipping line which tried to run a volume service would lose money.

On the other hand, not everyone agrees. ~~the shipping line~~ says the answer lies in better promotion of the service rather than cheap fares. 165

Cheap fares attract people without funds so what's needed is better promotion so people who can afford to travel will come to the state.

But the Coalition said of the BSPVES, in 1996,

is a measure of long-term benefit for Tasmania, and indeed
 Australians - it's not a short-term unproven expedient.
 It is an extension of the fair and equitable, and proven, freight equalisation
 scheme which has had bipartisan support since it was introduced by the
 Coalition 20 years ago.

- It will encourage greater passenger numbers through lower fares.
- It will encourage competition by enabling other operators to provide viable
 services in an expanded market.
- It directly benefits the driver of the vehicle, not the transport operator.
 (This applies to all passenger vehicles and drivers (including motorcycles).
- It is directly tied to the comparative cost of running a vehicle over
 the equivalent distance on national highway.
- The scheme will be reviewed annually by the Bureau of Transport
 and Economics (BTE) to maintain equity.

It will increase tourism numbers as well as increasing the attractiveness of
 Tasmania as a place to live as a result of the reduction of the costs which
 result from isolation.

The BSPES scheme is designed to achieve this, by being linked to
 vehicle movements. The TTT line estimates it carries 3.3 passengers
 for every vehicle - therefore attempts to raise fares to absorb the
 rebate which is only applied to the fares paid by a driver and
 vehicle would be counter-productive and would flow on to fares paid by
 other passengers.

This current approach has made Federal Coalition "sea highway" and part of the National Highway promises a façade and continues to make Rudd Labor promises to "move toward the cost of bitumen" practically a pipe dream.

The Tasmanian tourism sector justified the recent increase in BSPVES funding by Rudd Labor, by using the equalisation formula that was part of Federal Ministerial directives till 2001. This formula was removed when Canberra's officers chose not to maintain that formula in ministerial directives and a working group recommended against "equalisation".

TICT's Tasmanian tourism's Mr. Hanna said in 2007,

In 1996 when the rebate for a family sedan was set at \$150, the estimated running cost for an average family saloon was 39.87 cents per kilometre. The cost of running a family saloon has since increased to more than 70 cents per kilometre. Based on this, the cost of travelling 427 kilometres on a national highway - the equivalent distance from Melbourne to Devonport - would be \$299.

But this "equalisation" should include passengers in the car to be effective equalisation. The original formula was based on a single driver in a four-berth cabin, with a car.

The scheme provides a rebate against the fare charged by a ferry operator to transport a driver plus passenger vehicle by sea across Bass Strait.

Then the TICT said,

The Tourism Industry Council of Tasmania has welcomed the Rudd Government's decision to increase the standard Bass Strait passenger vehicle rebate from \$150 to \$180.

TICT Chief Executive Officer Daniel Hanna said today the Tasmanian tourism industry would benefit greatly from the fare rebate decision confirmed by the Federal Transport Minister Anthony Albanese this week and expected to be included in tonight's Budget.

"The Tourism industry campaigned hard for this increase in the lead up to last year's Federal election when we received commitments from both major political parties," Mr Hanna said.

Mr Hanna said that since the Federal election a TICT delegation had met with Tasmanian Labor members as well as Mr Albanese to further press Tasmania's case to ensure the Rudd Government kept its commitment.

"This is a big win for the TICT, for the Spirit of Tasmania, its passengers and for the Tasmanian economy.

"The Bass Strait Passenger Vehicle Equalisation Scheme is vital for the ferry service, the tourism industry and the regional economy.

The scheme provides a rebate against the fare charged by a ferry operator to transport a driver plus passenger vehicle by sea across Bass Strait. The base level of the rebate has not been increased in more than 10 years.

"In our submission to both parties last year we argued that in the decade since the introduction of the BSPVES, the cost of traveling long distances by passenger vehicle had increased significantly.

"The TICT asked for an increase in the rebate by \$30 to \$180 each way and that the scheme be indexed to the CPI into the future.

Mr Hanna said the increase in the rebate would help offset some the increased costs of running the Spirits of Tasmania ferries caused by rising fuel costs which would ease pressure for fare increases and encourage more people to use the ferry to visit the State.

The Coalition comments in 2001

Expanding the Bass Strait Passenger Vehicle Equalisation Scheme

Bass Strait has always put Tasmanian industry and commerce at a disadvantage. Successive Liberal Governments have acknowledged this, with the establishment of the Tasmanian Freight Equalisation Scheme and the Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES) – which are now worth around \$82 million per annum. These schemes are uncapped and demand driven.

In our second term we recommitted ourselves to both schemes and provided a \$15 million boost to the Freight Equalisation Scheme. Thanks to the sound economic management of the Howard Government, we can announce a further enhancement of the BSPVES.

A third Howard Government will provide an estimated \$15.2 million enhancement of the BSPVES by introducing:

- A flat rebate, irrespective of the tourist season. The current rebate per car is between \$100 and \$150 each way depending on the season. A re-elected Coalition Government will increase the rebate to a flat \$300 per car on a return trip. This will give greater assistance to Tasmania's vital tourism sector by encouraging travel to the island in shoulder and low seasons;

Martin Ferguson said in a media release dated 16th February 2000

LABOR DEMANDS FEDERAL GOVERNMENT EXPEDITE BASS STRAIT WORKING GROUP

Shadow Transport Minister, Martin Ferguson, today called on the Federal Government to expedite a joint working group with the Tasmanian and Victorian Governments to fully investigate Bass Strait transport issues.

Labor's call came after the National Sea Highway Committee accused the Federal Government of failing to deliver its promise of a Bass Strait National Highway.

"This issue is more than tourism, it is a basic transport and access issue about the entire Tasmanian community, and its relationship and access to other states," Mr Ferguson said.

"I can fully understand the frustration of this Committee because they have been working hard on solutions that have been rejected by the Federal Government.

"They are on a promise from the Government on this issue, and it has not been delivered.

Even as late as September 2007, Martin Ferguson then said for Rudd Labor, following a request from the Tasmanian tourism sector to increase the BSPVES funding to bring it up to current road equivalence,

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Labor increases Bass Strait Passenger Vehicle Equalisation rebates and reaffirms support for Tasmanian freight schemes

September 8 2007

Current Issues Minister for Transport, Roads and Tourism, Martin Ferguson is in Derwentport today to announce Labor Government will increase the rebates for taking passenger cars across Bass Strait on Tasmania by \$30, reducing the fare from \$79 to \$49 each way.

Information Kits would cost up to \$10 million per year taking into account the increased number of vehicles expected to take advantage of the scheme.

Links Tasmania's highway to the mainland, linking it by sea instead of bitumen.

Contact ... the number of visitors travelling by sea to Tasmania declined by 5,500 - or almost 4 per cent - with the number of Tasmanians travelling by sea to the mainland also declining by 3 per cent.

Mr. Ferguson said "The cost of travel across Bass Strait is clearly a major impediment to travel between the mainland and Tasmania."

"Without the passenger vehicle rebates, 4,375 new tourists would not have visited Tasmania in 2005-06 and the State would have missed out on \$9.4 million in tourist spending."

"But there has been no increase in the rebates for a family sedan since it was set at \$150 eleven years ago in 1996."

"It is time for it to be increased to move towards the current cost of driving similar distances on the national highway network," he said.

Bass Strait

Even with Mr Ferguson's knowledge in 2000 and 2007, still the BSPVES was not targeted to obtain equivalence.

Regardless of this Rudd Labor offer, what seems to be actually on offer here is a one-sided tourist assistance scheme aimed at value added, high cost and value sea travel for the Tasmanian tourism sector. This results in low volumes of high paying travellers, many taking travel packages and staying longer just in hotels or motels and travelling around the island in an almost "free" Commonwealth taxpayer funded car. There is no public mandate for this approach. In Switzerland, tourism is built on equitable rail or highways carrying large traffic volumes. Why not in Tasmania? Why is the BSPVES called "equalisation"? What does it equalise? Someone once said "You wouldn't win an award for Wine Glass Bay if you had people crawling all over it"! Switzerland is not destroyed by people, why should that fear exist about Tasmania? Is Tasmania to be a state or a private holiday isle?

The National mandate in 1996 was for a National Sea Highway, and the Coalition said:

Our belief is that competition for vehicle and passenger traffic across Bass Strait is the most effective means of achieving affordable movement of vehicles and passengers, and therefore the Coalition will work with the Tasmanian Government to promote competitive and efficient daily vehicle and passenger services across Bass Strait.

7 February 1996

This scheme at least recognises that Bass Strait is part of the national highway.

No competition resulted. The two existing ferries, each capable of a return crossing on the existing longer route each day, are half used. This acts as a deterrent to future sea-based competition.

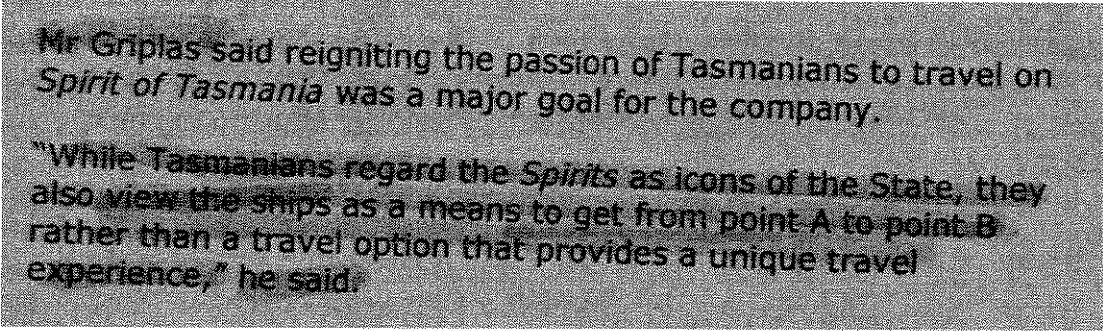
The BSPVES, under Rudd Labor, is now indexed to CPI. This will further encourage an increase in the cost of crossing, over time, as Commonwealth funding and travellers funding now follow the existing level of services or allow for the enhancement of the level of service to meet the needs, or perceived needs, of the people most able to meet the core tourist sector's objectives.

Why does Canberra ignore the fact that with equalisation, the parameters of doing business in or living in Tasmania will change and demand curves across many industries can move outward, including those of the AFL? Equalisation will not just encourage a move along an existing demand curve.

What if the Geelong Road and rail to Melbourne were closed? The economy in Geelong would turn down. Why is Tasmania any different? Should we be selective, using access packages, determining who can travel on the Geelong Road? What impact would that have on the economy of Geelong?

Ferries that can move thousands of people a day, over time on shorter routes, cheaply, for A to B travel are hardly being used over winter. Ferries capable of transporting goods for a potential increase in population are also under-utilised.

Across Australia, I know of no organization that rejected the concept of a National Sea Highway.



Mr Griplas said reigniting the passion of Tasmanians to travel on *Spirit of Tasmania* was a major goal for the company.

"While Tasmanians regard the *Spirits* as icons of the State, they also view the ships as a means to get from point A to point B rather than a travel option that provides a unique travel experience," he said.

"We need to take advantage of the icon status and encourage more Tasmanians to travel on our ships rather than the low cost, budget airlines.

"We know that our mainland passengers travel with us because they want an end-to-end travel experience that starts with a trip on the Spirit

"That experience provides passengers with a comfortable cabin, the convenience of travelling with a vehicle and the opportunity to enjoy fresh, Tasmanian produce onboard."

But mainland travellers also want A to B travel to every state of their country, not just some. They use interstate highways to give effect to that need. They are entitled to it. TT Line has referred to unsatisfied demand by "budget conscious travellers" in the past. Also Tasmanians that live outside Tasmania want access to their state, not just end-to-end travel experiences in hotels and "free" cars. The distance is a similar distance Melbourne-Albury.

Will Hodgman, Leader of the Tasmanian Opposition, said that:

Instead, TT-Line fares have steadily increased on the back of massive subsidies from the Commonwealth Government. The BSPVES was not designed to prop up a government enterprise but provide a fair and equitable access to the national highway for Tasmanians.

But the Coalition in 1996 said:

The Bas: Small Passenger Equalisation Scheme (BSPES) isn't a special hand-out for Tasmania; rather, as the name implies, it seeks to equalise the cost of travelling by 'sea highway' between Tasmania and the mainland, compared with using national highway links between other states.

Tasmanian tourism sector policies, seemingly endorsed by the Tasmanian Government by its resistance to change, seem to be influencing Federal politics to hold back development of all other sectors of the economies of two states, while allowing and encouraging one sector in Tasmania to grow.

This is not tourism's fault. They operate in the framework that Canberra sets and have every right to try to influence and maximise their benefit from that framework. They appear to have done an excellent job.

But Prime Minister Rudd ought to support democracy and fairly deliver and protect the interest of all sectors of the nation. Failure to target the BSPVES towards "equalisation" has limited the size of Tasmania's population, investment and jobs. It has limited the development of the public and private sector and the numbers of people travelling to Tasmania. It unjustifiably

denies Tasmania the population size or critical mass to support an AFL team and many other service based industries. No amount of support for a Hawthorn or a Tasmanian AFL team will change this outcome. Only the Prime Minister can act to change the status quo.

John Howard tried to offer a \$50 passenger fare on top of a free car and failed. He should not have. He also said to me "I'm sorry, the senators voted ". Peter Costello said that "he rarely said, sorry".

Bob Cheek, one time leader of the Tasmanian Liberals recounts the time of the 2001 Federal election,

Howard said he had some good news for me and produced a thick document on Bass Strait ferry subsidies, as part of a Tasmania package, he intended to announce in Launceston. I'd spoken to the PM State Council in August about extending the existing Bass Strait equalisation subsidy (making cars cheaper to ship across the strait) to passengers; this would allow foot traffic to board the ferries for as low as \$50. At that stage the subsidy was for vehicles only, so you had to take a car to get any benefit; again, it was geared to the powerful tourism industry, who wanted mobile passengers. I wanted

a fare to benefit all Tasmanian businesses so it was like getting on a bus to cross the strait. Howard had given me a good hearing and my advisers, in constant contact with the PM's office, were convinced he was going to come good. The news was passed on to the National Sea Highway Committee, a business lobby group led by Melbourne lawyer Peter Brohier, who had been pushing this principle for 10 years. They were ecstatic.

I excitedly gripped the PM's offering.

"You've got everything you wanted there," he said smiling, confident he'd met all my expectations.

Sorry, PM. To the contrary, there was nothing in the proposal about passengers, just a further sweetening of the existing vehicle subsidy as a sop to the tourism industry. I was totally confused.

"Thank you, PM, anything is welcome, but this is not what we asked for. We wanted the subsidy on passengers as well as cars."

Howard seemed genuinely shocked. "That's what it is, isn't it?" He called over his chief of staff, Arthur Sinodinos. "Is this the right one?" he asked.

Arthur assured him it was and a perplexed Howard muttered: "I was sure we did what you asked?"

This was a far different Howard from last night's self-assured statesman holding an audience spellbound with a riveting, noteless address about his vision for the country. He looked dithering, almost bumbling, as he scratched his head about our Bass Strait policy. In a way, it was good to see his frailties.

I genuinely believe the PM thought he'd delivered what I sought, or he put on a very good act. I later discovered that a group of Tasmanian senators, acting on behalf of the Tourism Council, who wanted the subsidy kept to vehicles, had stymied the passenger proposal. Howard wasn't aware of it. The tourism boys had won again. The National Sea Highway Committee was devastated: they'd been at it for 10 years and this was their last chance. They disbanded soon afterwards.

Howard's often brusque words...

This summary is not quite correct. We were not just a business lobby group. The campaign was started by some of us at a public meeting in Burnie where the people asked for transport equalisation. We have never lost sight of that objective. Also the BSPVES payment was not just only for a car. It had equalised the driver in a four-berth cabin with a car, but allowed operators to apply the BSPVES flexibly.

Prime Minister Rudd must not allow the most uneconomic and carbon extravagant application of the BSPVES to continue, without delivering fair bitumen equalisation.

Losses, for many other industry sectors in South-Eastern Australia, possibly in the billions, are being incurred without an equitable surface transport connection.

This is a basic transport issue. Minister Albanese still will not act. He says in the second paragraph shown,

2008, and indexing it annually. The total allocation for the scheme is \$102 million.

Bureau of Infrastructure, Transport and Regional Economics (BITRE) analysis shows the important contribution the Scheme makes to the Tasmanian economy. The most recent BITRE Monitoring Report 2005-06 indicates that while numbers accessing the Scheme are declining, it increased motor vehicle passenger numbers 21 per cent on the estimated level of traffic without the Scheme.

The Scheme provides important assistance to those travelling to and from Tasmania and to the Tasmanian tourist industry. Figures demonstrate that those travelling to Tasmania with their vehicles stay longer than those taking advantage of fly/drive packages, providing a valuable contribution to the local community.

The Government is also committed to assisting the growth and development of other aspects of the Tasmanian economy. Approximately \$102 million has been allocated to the Tasmanian Freight Equalisation Scheme (TFES) and the Tasmanian Wheat Freight Scheme this financial year. Additionally, the Government has delivered on its election promise to introduce the new TFES intrastate King Island and Flinders Island component on 1 July 2008.

How valuable is this contribution when compared with highway equivalence? As total costs of crossing are controlled by a single operator, with no competition for vehicle or passenger fares, how can that Federal assistance over time be effective to move fares downward?


The Minister goes on,

This is a worthwhile investment to support Tasmanian businesses, and recognises the additional sea freight costs borne by these island communities.

Your views on costs for individuals travelling between Tasmania and other Australian states are noted. So too though, are the competitive airfares for travel between Tasmanian and other mainland airports, which are broadly in line with equivalent airfares throughout the rest of Australia.

Thank you again for providing me with your views on these issues. They will be kept on file for future consideration of these matters.

Yours sincerely



Note the second paragraph of the first part of the minister's letter. – our views are in respect to people and people in cars. Low foot passenger fares sometimes save the need less movement of cars. We want the total cost of crossing to come down as on a road with a bus fare equivalent. Discount air has been described by TT Line as “too plane expensive” when add-on cost are included.



The Commonwealth's BTRE, reporting annually to the Federal Transport Minister, has moved from the initial focus on “equalisation” to now justifying Tasmanian tourism sector packages.

Anthony Carlson
Sea, Air and Safety Branch
27 April 1998

Calculation of the rebate

The rebate is calculated on the basis of charging a net fare for an eligible passenger vehicle plus driver, travelling in standard share cabin accommodation, that is comparable to the notional cost of driving an equivalent distance on a highway.

The equivalent highway cost is based upon the sea distance of 427 kilometres between the ports of Devonport and Melbourne multiplied by an estimated running cost for an average family saloon (39.87 cents per kilometre). This

provides an equivalent highway cost of \$170 for a one-way trip.

For the purposes of the rebate calculation, the fare for an "inside cabin" on the *Spirit of Tasmania* is used as the passenger fare benchmark. This accommodation represents approximately 50 per cent of the berths available on the *Spirit of Tasmania*. The benchmark passenger vehicle fare has been based upon the fare for a passenger vehicle of no more than five metres in length.

Due to the seasonal nature of demand, both the passenger and vehicle fares vary according to three seasons (high, shoulder and off peak seasons). Consequently, the rebate varies with the largest rebate being applied during the high season and smallest rebate being applied during the off season, to provide an approximation of the equivalent highway cost across all seasons. The rebates applied for the monitoring period are provided in table 1.

To a 2005-6 BTRE report,

In order to put the Scheme rebate in context, it is useful to consider the cost of broadly comparable sea and air transport packages in 2005–06. This comparison needs to be treated with caution—particularly given the variability of discount air fares.

If these new visitors spent an average of \$2146 per person, then the net new tourism spending would have been \$9.4 million in 2005–06. This estimate of spending by these new visitors is indicative only and is for visitors travelling for leisure purposes between Melbourne and Devonport—it does not include additional spending by visitors travelling for business and other purposes, visitors using the Sydney–Devonport service, or benefits to Tasmanian residents travelling by sea who received the rebate.

The Minister noted that the resulting fare reductions would help to increase the demand for travel across Bass Strait, with direct benefits to the tourist industry and potential growth in jobs, investment and population for Tasmania (Sharp 1996, p. 1).

Significant changes to the Scheme in the September 2002 Ministerial Directions included replacing the previous seasonal structure for rebates by a constant rebate throughout the year, and extending the Scheme to include additional vehicle types.

By reducing the cost of travel to Tasmania, the Scheme would be expected to result in additional visitors to Tasmania. However, the Scheme—by effectively reducing the cost of sea travel—also increases the attractiveness of sea travel as compared to air. When considering air and sea travel options the prospective visitor to Tasmania would consider more than just fares—most notably the costs of rental cars. In order to put the rebate for eligible passenger vehicles in context, it is useful to consider the cost of broadly comparable sea and air transport packages—taking into account the average length of stay in Tasmania by sea and air visitors, and differences in visitor spending on transport. The package sea fare used is for two adults and a standard accompanied passenger vehicle between Melbourne and Devonport.

Without change, Rudd Labor will allow the needs of one sector to be met in preference to the needs of the Nation.

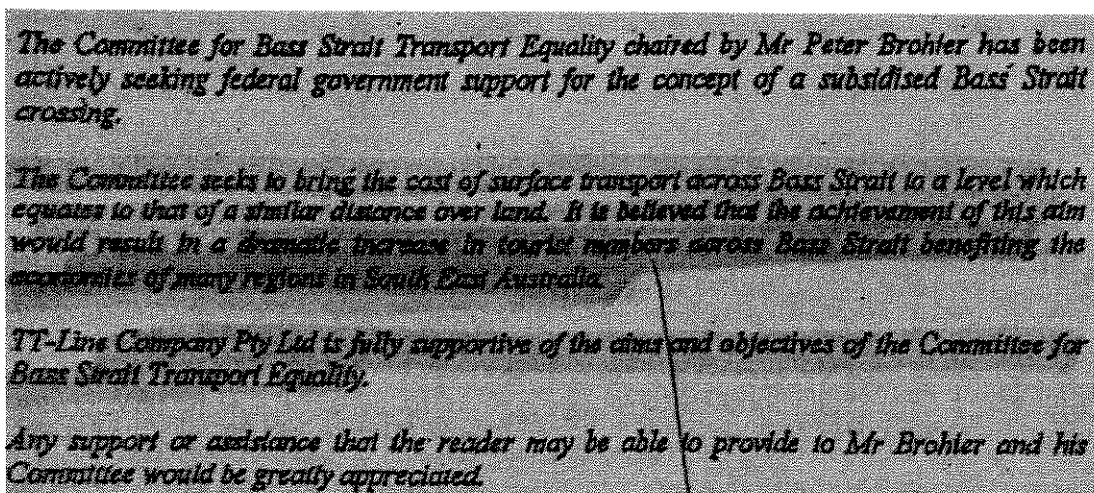
Without strong political intervention at the highest level, even the existence of a Tasmanian team is unlikely to move this focus to basic transport. If Tasmania is wedded to targeted tourist sector priorities and sponsorship of Hawthorn meets those needs, as it does very well, then there will be no change to access. If the will of the people for a National Sea Highway is not to be met, why would the wish of ordinary supporters to get to Tasmania cheaply, or to even live there, be welcomed? The fear would be of Tasmanians holidaying interstate to attend AFL matches thereby taking money directly out of the Tasmanian tourist sector and putting it into other sectors.

But governments that force team supporters, or in fact all Tasmanians, to stay at home or just have the few rich ones visit matches should not be facilitated either by Canberra or Tasmania. It is discriminatory in the extreme. Why should Tasmanians be told to “holiday at home” and watch their team on television? Why should the Commonwealth’s Bass Strait equalisation funding, obtained by the people and paid for by the federal taxpayers, be directed to benefit part of one sector whilst Canberra continues telling the people that it is moving “towards bitumen equivalence” and linking the national highway. Why would Canberra be offering “equalisation” on a perceived formula for car travel, without regard to the cost of passengers inside the car?

How can Canberra ask the people to have faith in democracy when the whole nation asked and voted for a “sea highway” and then got something else?

The Prime Minister has a serious responsibility here to justify to the nation that democracy works. The Prime Minister can act within weeks to deliver equalisation. There is every resource, shipping capacity, federal funding, costing and sea highway policy in place. It is time to stop just using the words “bitumen equivalence” or “link to the national highway” but to apply them. The funded equitable National Sea Highway or an AFL team should not be just treated as aspirational goals.

TT Line said in 1995,



“Equivalence” was to be about sustainable AFL teams, development of Tasmania as a state not just a region, capacity to sustain a team and a fair and equitable reason to have one.

A sea highway will offer supporters access in both directions and shorten crossing times. For any AFL team, there must be an active supporter base able to get to matches and able to get their children to view matches and be interested in football. Regardless of the benefit of higher advertising revenue to the AFL of supporters staying at home watching football, people on the ground hopefully are still needed.

Football should not be able to be seen in real life by only the rich or those who save hard.

If Tasmania is to be accepted as a state, the AFL is to be seen as an Australian football league, if Auslink is to be a national integrated transport system and the National Highway is to connect all capital cities, then there is every justification and every economic reason for Tasmania to have transport equality and be an equal partner in the AFL.

Tasmanian Minister for Tourism Michele O’Byrne on 26th Sepember 2008 Mercury online is quoted as saying,

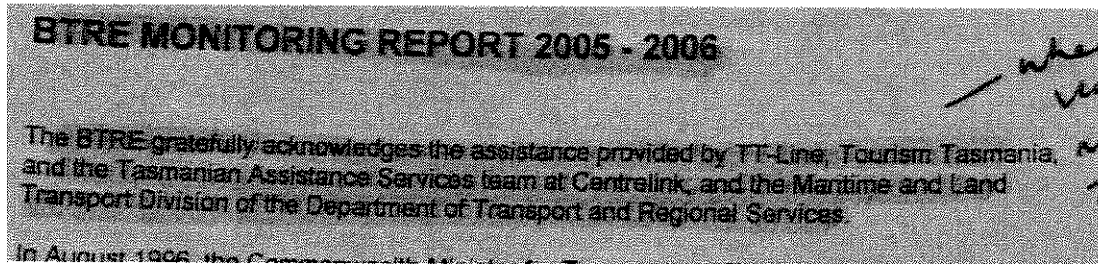
“Our relationship with Hawthorn delivers hugely not only for our football environment, but also to the broader community with economic and social benefits,”

“On the other side of the coin, we are exploring a business case for our own AFL team so when the opportunity becomes available we are in a position to have one.”

An AFL team connected by a sea highway can deliver far more than the economic and social benefits from just a relationship with Hawthorn or from the trickle down impact of restricted access policies.

The business case was made out in 1966 and accepted by the nation. It just is not being followed. Are the masses being placated by promises or offers for just future opportunities?

Why are Victoria and others not advising Canberra BTRE monitoring staff when Victoria and Tasmania both rely on this link, not just Tasmania?



Why are other industries and public not giving the same assistance to the BTRE or being offered the same direct access to Minister Albanese? Is the Federal Transport Minister getting one-sided advice from his department?

The BSPVES requires active control by ministers and control of the annual monitoring process. In this case, substantial industries are also losing turnover from a lack of direct access to volumes of travellers, increases in population and more revenue than travellers staying even "10 days on the island" can bring. As with Wall Street, who will repay these losses?

In August 1999, full equalisation was expected by the TCCI to bring \$433 million a year into the Tasmanian economy and \$137 million year into Victoria. Presumably a significant part of this has been lost by Canberra not targeting its equalisation scheme. Commonwealth saving on welfare payments made to Tasmanians were also estimated at an additional \$150 million a year.

The TCCI Way Forward Report says,

the recommended Bass Strait service and the resulting lower fare structure will be easily secured. The reduction in diesel fuel costs following the implementation of the Goods and Services Tax will only reinforce this position.

- The cost of travel between Melbourne and South Australia along a land based highway, and Melbourne and Tasmania along a sea highway will be equal after the implementation of the Bass Strait Sea Passenger Equalisation Scheme. On this basis it is believed that visitor numbers to Tasmania will equate to those currently travelling to South Australia.
- It is anticipated that as a result of the Equalisation Scheme visitor numbers to Tasmania will increase by 656,000 to 1,196,000 each year injecting an additional \$433.6 million into the Tasmanian economy that will in turn create 9,225 jobs. Victoria will also benefit by an additional 343,652 visitors each year spending in excess of \$137.5 million that will in turn create 2,924 jobs. Tasmania's declining population growth will also be substantially alleviated and reversed.
- The implementation of the Bass Strait Sea Passenger Equalisation Scheme will potentially enhance the Commonwealth's budgetary position by \$150 million per annum through the impact of lower welfare payments, increased taxation receipts and ultimately a lower cost of an equalisation scheme.

Many other industries, including the AFL and ANRA lose by restricted Bass Strait access.

ANRA said:

Through Auslink, the Government has demonstrated a major commitment to improving the movement of goods across the nation. If this approach could be expanded to include Bass Strait shipping it would promote the movement of goods and people in both directions and encourage investment in Tasmania and on the mainland. Additionally such an approach would benefit Tasmanian exporters who are currently not eligible for the subsidy. It would help grow the size of the domestic market in Tasmania and in so doing, further reduce retail prices. In exploring such an approach, it would be important to ensure that the original intentions of the scheme were not undermined.

When close to equalisation resulted just after the new ferries were introduced the following comment was made,

But it had taken just one year to reach demand the Government had thought would take five years to achieve. Passenger demand for the two Spirits had exceeded all expectations, Mr Bacon said.

Also when low fares were tried the BTRE reports

April	20000	24591	23.0
May	12235	21478	75.5
June	11970	20253	69.2
Total	215718	259523	20.3
<i>per voyage</i>	731	829	13.4

Source: TFL line vessel management database

It should be noted that, during 1996/97, the Tasmanian Government provided \$350,000 for a \$30 discount in the off-peak APEX fare for both Tasmanian and mainland passengers. All 11,666 tickets were sold, which may help explain some of the growth in passenger numbers in the May to June 1997 period.

Reuters reported to the world a few months ago “Australia’s islanders say they are modern convicts”. Without both an equitable National Sea Highway and an AFL team or affordable access to AFL matches, they may well be right.

Just as sectors of Tasmanian tourism have justifiably made the very best use out of the BSPVES, so should Canberra now make the very best use out of the scheme for the nation and all its people- adjust the delivery of the National Sea Highway.

It is not the tourism’s sector’s responsibility to get it right for the nation. It is up to Canberra to act now.

Mr LENNON - That is probably appropriately addressed to me. Mr Brohier has been a very strong advocate for a better deal for people on Bass Strait. I think he has done a terrific job over the last few years. Through his efforts he is probably more responsible than anybody else for the introduction of the vehicle subsidy. I would think he continues to lobby Federal politicians about that matter, and my department continues to support him in those efforts. Essentially that is an issue that needs to be taken up at a government level, rather than with TT-Line management. What we have provided for here is the closest thing to a highway we will probably ever see on Bass Strait frankly, with a daily monohull service and operating all year round with a massive increase in the number of cars that we bring across Bass Strait in a year compared to the current service. Mr Brohier now has much more ammunition for his ongoing campaign with Federal politicians of both political persuasions because we have the road now and we will continue to support him in his efforts to get the cost down of travelling on that road for that car.

This submission should be read in conjunction with my evidence and material given to the House of Representatives Coastal shipping enquiry by the writer. This includes submission number 47 and four supplementary submissions. References for each excerpt in this report are held by that Committee, save for the TCCI “The Way Forward”, dated August 1999 and the Ferguson media release dated 16th February 2000.

The Victorian Position

VICTORIA CAN JUSTIFY A FEDERALLY FUNDED THIRD INTERSTATE, INTER-CAPITAL TRANSPORT LINK

Peter Brohier, Australian lawyer and chairman of the former National Sea Highway Committee, described by Premier Lennon as “the person most responsible for the introduction of the Federal Bass Strait Passenger Vehicle Equalisation Scheme “BSPVES”, said today:

“The Bass Strait Passenger Vehicle Equalisation Scheme is not delivering equitable and comprehensive “bitumen cost” equivalence for Bass Strait sea travel, the original intention of the Scheme.

Canberra needs to act now to deliver that outcome. The focus on moving the shell of cars should be balanced by a focus on also moving the people in them, and offering a carbon and economically efficient “bus fare”, equivalent to travelling a similar distance Melbourne-Albury.

National support, Federal Labor and Coalition policy, uncapped federal funding and substantial infrastructure capacity are already in place to deliver transport equality, offering the same cost of travelling by sea across Bass Strait as on a bitumen highway.

The Victorian Government also needs to plan connecting infrastructure and is justified in receiving substantial Federal funding for a complete ring road around Melbourne and public transport links to ports connecting Victoria to Tasmania. This third interstate, inter-capital link and could start to be delivered within weeks.

Mr, Brohier went on to say:

“With billions of dollars going into every other interstate linkage, fair application by Canberra of the existing Bass Strait uncapped equalisation schemes is necessary. Proper connections between Melbourne's other interstate corridors, upgrade of the rail network to Stony Point, Station Pier and Webb Dock and recognition of existing parts of connecting links, as primary inter-capital links, ought to result. It will justify federal funding of the road link Doncaster to Greensborough. It will connect with a suggested east-west transport link across the State, including a link across the Port Phillip heads and offer perhaps Melbourne's new icon, a bridge like the Verrazano Narrows Bridge as in New York. This can rival Sydney's harbour bridge and complete the full ring road around Melbourne, reversing peak hour traffic flows and possibly reducing the need for taxpayers to compensate existing road operators. It will increase the amenity of living in Victoria by low-cost, all year, consistently - priced, surface links, using ferries, to and from Tasmania.

Each-way fares of under \$50 for foot passengers and \$299 for a car, including its passengers are needed and represent “bitumen equivalence”, said to be the aim of Rudd Labor.

The link will also allow for southbound freight equalisation of Victorian produced consumables to Tasmania, a developing and close interstate market and increase the flow of people both ways through many parts of Victoria. It will allow for many more travellers to a combined destination of two southern states. It would decentralise and grow Victoria and Tasmania's population as quickly as a new land-based highway could. As expected from 1996, when the BSPVES was introduced, the impact of this proposal would be that demand curves for many industries would move outward instead of a movement along just one existing curve. It should enable an equitable ring road and interstate transport links consistent with Adelaide's treatment under Auslink and for efficient use of existing federal funding for this route. Population and visitors to Tasmania sufficient to support a Tasmanian AFL team may result.

Also, under the Tasmanian Freight Equalisation Scheme (TFES), Victorian suppliers do not enjoy the same "free trade" as Australia advocates internationally. Northbound consumables are equalised but the same goods sent southbound are not. This unfair scheme, however well intentioned some decades ago, is out of date and denies Victorian producers fair access to a whole state. It therefore adversely impacts on the price of consumables in Tasmania.

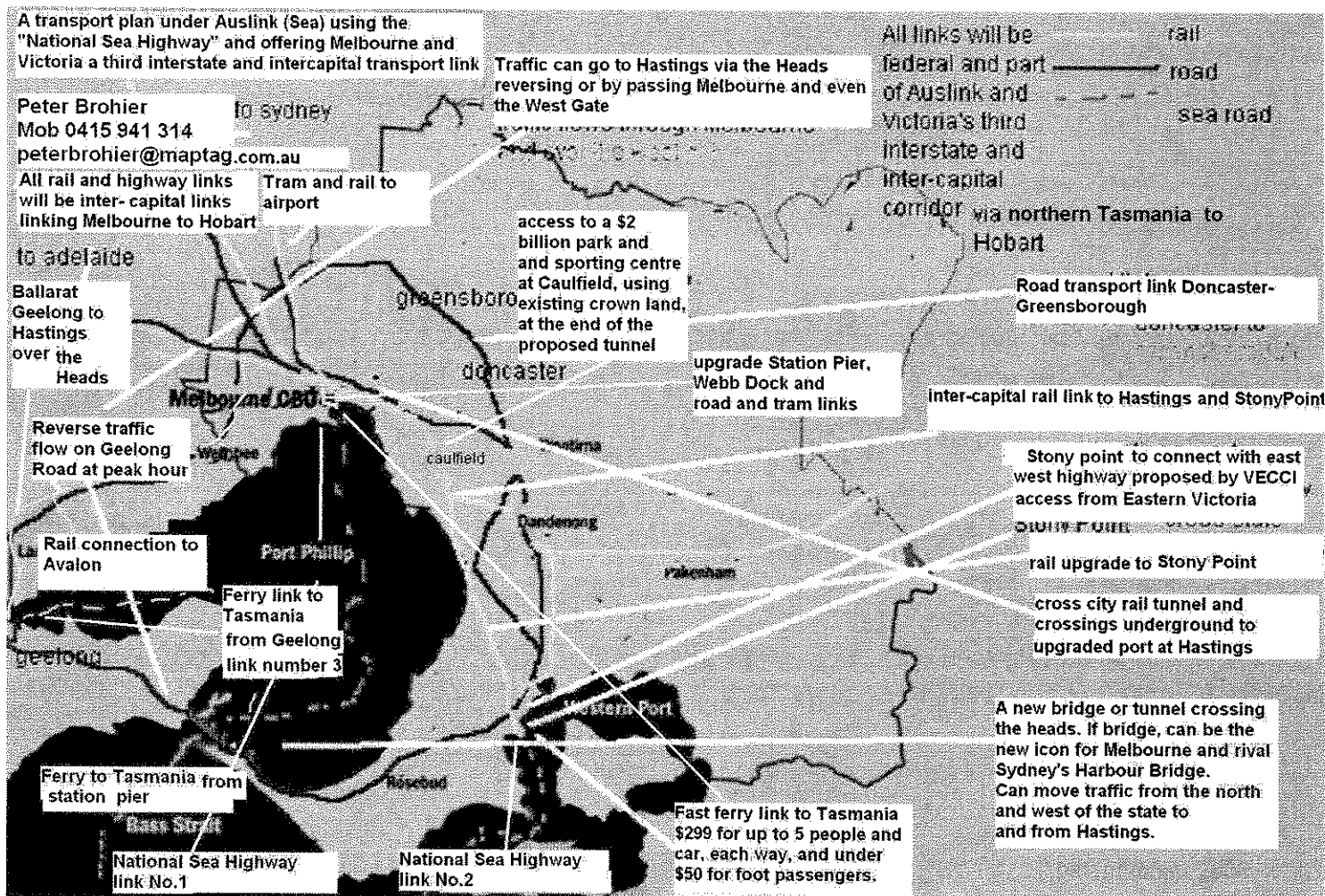
The TFES even excludes international exports crossing northbound to Victoria and therefore limits the use of world-class "state of the art " processing plants in Northern Tasmania. This reduces jobs and population in Tasmania and also unjustifiably limits the amount of freight through Victoria's ports.

The Auslink national transport system leaves one significant gap in Australia's said to be "integrated" inter-capital interstate transport grid, whilst Canberra's Bass Strait "equalisation" schemes do not deliver Auslink equivalence or comprehensive equalisation. Tasmania's only surface link, and Victoria's entitlement to a third interstate inter-capital route, needs priority over other national infrastructure projects. Auslink and Infrastructure Australia have ignored "sea highways" from the start, despite political recognition of Bass Strait as "part of" or "a link to the National Highway" being in place for over a decade.

The Labor Government in Victoria has asked the Productivity Commission to recommend an Auslink type link to Tasmania. Un-skewed transport opportunities, as are offered on the Hume Highway and the parallel rail link, should be made available between Melbourne and Hobart, via Northern Tasmania. The link should equalise cost disadvantages between states for people, vehicles and all freight and allow every state to fairly compete with each other, having equal air and surface linkages.

The solution is simple and very affordable using existing uncapped federal funding, current capacity, fair targeting of existing federal equalisation, and cost disadvantage between states and National Highway policies. Implementation by Canberra of comprehensive equalisation, under Auslink, will eliminate fear of contravention of WTO obligations for Tasmanian exports. It will also allow suppliers and retailers of consumables in Tasmania to be compensated for any dislocation through increased interstate competition by immediate access to a larger market of visitors and residents and fair trade policies.

Canberra should begin the staged implementation of this link by equalising the cost of people in cars and foot passengers. It can use existing levels of funding already obtained by a united and national lobby led by the Australian people."



The Tasmanian Position

The Sea Highway will, as would any land – based highway spread population across Tasmania allowing for a direct and immediate impetus to the private and public sectors. It would allow for national Auslink connections to Tasmania’s northern ports and an inter-capital connection under Auslink, between Melbourne and Hobart via Northern Tasmania, using ferries, and the growth of transport links across Tasmania.

There is no need to repeat the population debate. It was settled in 1996. Tasmania is an ideal sea change location. The BSPVES was to be about growth in population, investments and jobs. The BSPVES was not designed as an exclusive promotional tool.

The primary need is to offer transport equity for Tasmanians and all Australians over what can be the cheapest and shortest inter-capital interstate route in this country. All the Prime Minister needs to do is to direct our BSPVES funding.

The Hobart Mercury 8th August 2008

TASMANIA must develop ways of boosting its population and setting growth targets, opposition parties and business leaders said yesterday.

They called for an urgent debate on a population target.

Liberal leader Will Hodgman said the State Government should adopt a population target and fund a campaign to lure more interstate and overseas migrants.

"This is about Tasmania's population increasing so the state has critical mass to drive our economy and sustain economic development," Mr Hodgman said.

He accused the Government of inaction on an issue of vital importance to Tasmania's social and economic future.

"What we need is targeted policies to attract people of working age and their families from overseas and interstate, but we have to show them that Tasmania is a place where they can get a good job and their kids a good education," Mr Hodgman said.

"We are so well placed to attract people that want to flee the rat race, but we also don't want to become 'God's waiting room' for retirees."

Greens leader Nick McKim called for an end to a "policy vacuum" surrounding debate about Tasmania's ideal population. He called it the "elephant in the room".

"It is well beyond time that we had a constructive debate in Tasmania about what our optimum population might be, particularly what is sustainable environmentally and in terms of social infrastructure and diversity," Mr McKim said.

Tasmania has a population of about 498,000, a jump of 23,700 on the previous decade.

The critical half-million population mark is expected to be passed for the first time in the next few months.

But Tasmania does not have an active strategy to pursue a population target. The state's population is forecast to peak and decline from 2025.

Tasmanian Chamber of Commerce and Industry chief executive Damon Thomas said it was vital Tasmania encouraged more immigration and had a debate about a population target.

"This is a really important issue for Tasmania. We must work out what our total sustainable carrying capacity is and start working to that," Mr Thomas said. "If we don't have an idea of what our ideal population is or should be, we can't plan properly for infrastructure or determine what services and infrastructure we'll need to provide."

Tasmania's population was too small to support itself.

He said the \$525 million subsidy provided each year by other states to Tasmania, beyond its standard entitlements, was evidence that its population was not economically self-sufficient.

"Our population is not high enough and is nowhere near where it needs to be to be economically self-sustaining," Mr Thomas said.

"Whether we set a firm target to aim for is one issue. Whether we should start working out now

what infrastructure we would need to support a population of 500,000 or 700,000 is probably the more urgent question."

Peter Brohier can be contacted on Mob 0415 941 314 or 03 9532 8818