Date Introduced: 13 September 1984
House: House of Representatives

Short Digest of Bill

Purpose

To approve an Agreement between the Commonwealth and the State of Tasmania whereby the Commonwealth is to provide a grant of not more than $25,041,927 for the purchase, relocation and modification of the passenger ferry presently known as the 'Nils Holgersson' for use in the provision of Bass Strait sea passenger services. The grant, which will also be a contribution towards the upgrading of terminal facilities in Melbourne and Devonport, is conditional upon the State accepting financial and operational responsibility for conducting the service (using the abovementioned vessel or any other vessels) for a period of not less than 10 years.

Background

The provision of sea passenger transport across Bass Strait has for many years been quite unsatisfactory. The present ferry, the twenty-year-old 'Empress of Australia' has very limited capacity, being capable of carrying only 444 passengers and 176 cars. For most of the year, the 'Empress' operates to capacity and this has been presented as a constraint upon the realisation of Tasmania's tourist potential. Despite this high utilisation rate, the 'Empress' has required Federal subsidies, as a contribution towards offsetting its operating losses since 1973-74, the year following the introduction of the vessel into Bass Strait service. Between 1973-74 and 1983-84, such subsidies have amounted to $20.85m.

The question of sea passenger transport across Bass Strait has been addressed by a number of bodies including the Nimmo Commission in 1976, the Bureau of Transport Economics in 1980 and a Senate Select Committee in 1981. The general conclusion reached by these bodies is that any
'passenger only' shipping service is likely to operate at a loss and that the only services likely to be at all economically viable would rely on the use of a ship or ships with both a freight and passenger capacity.

After tripartite discussions between the Commonwealth, Tasmanian and Victorian Transport Ministers, the Commonwealth requested, in May 1982, statements of interest from shipowners and operators wishing to provide commercially viable sea passenger services between Northern Tasmania and the mainland. Expressions of interest were received from five organisations, all of which proposed combined passenger/cargo services. It would appear that all the proposals, except that of ANL, would still have required government assistance and all were predicated on the assumption that the Tasmanian Freight Equalisation Subsidy scheme would continue. ANL subsequently announced that it wished to re-evaluate its proposal. In October 1983, the three Transport Ministers again met and agreed that there was no purpose in further pursuing this exercise.

In September 1983, the Tasmanian Transport Minister, Mr. Groom, announced plans to charter a second ferry for the Bass Strait run to supplement the 'Express' during the peak holiday period. This line of action was, however, not followed. Following a proposal by the Tasmanian Government, the Commonwealth announced, in May 1984, an agreement with the State concerning the provision of Federal funds towards the purchase of a replacement vessel, such funding being subject to the acquisition of a vessel at a satisfactory price and successful negotiations on the matter of manning levels.

In June 1984, it was announced that the Scandinavian ferry 'Nils Holgersson' would be acquired to replace the 'Empress'. It was agreed that the Federal Government would provide a grant of $26m for the purchase, repositioning and modification of the vessel, along with the upgrading of associated terminal facilities. The ten-year-old, 12,500 tonne vessel has double the capacity of the 'Empress', carrying 900 passengers and 440 cars. Furthermore, the facilities offered on the ship will be of a considerably higher standard than those found on the 'Empress'. The purchase price of the vessel is $32m. In addition to the upgrading of terminal facilities in Devonport, it has been proposed that the Melbourne terminal will be shifted from Webb Dock to Station Pier, closer to the city.

For its part, the Tasmanian Government will accept all responsibility for operating the vessel. In anticipation of the Agreement coming into effect, the
Commonwealth made, in June 1984, a grant of $958,073 to the State to enable it to make a preliminary part-payment on the purchase cost of the ship. This Bill therefore authorises the payment of the remaining $25,041,927 to meet the Commonwealth's total financial commitment to the project. This amount will be paid out of monies appropriated under Appropriation Bill (No. 2) 1984-85.

Main Provisions

Clause 3 of the Bill seeks approval for the Agreement, made between the Commonwealth and the State of Tasmania relating to the provision of Bass Strait sea passenger services, as set out in the Schedule to the Bill.

Clause 4 of the Bill authorises the payment of assistance to the State in accordance with the terms and conditions of the Agreement.

Sub-clause 3(1) of the Schedule requires the Commonwealth, subject to the conditions set out in the Agreement, to provide an interest-free, non-repayable grant to the State for the purpose of meeting or reimbursing expenditure in connection with the purchase and modification of the ship (the 'Nils Holgersson') and the upgrading of terminal facilities. Paragraph 1(2)(b) defines expenditure in connection with the purchase of the ship to include any repositioning costs.

Paragraph 3(2)(a) of the Schedule limits the amount of the financial assistance to $25,041,927. Paragraph 3(2)(b) requires the State to apply the grant first in respect of expenditure in connection with the purchase and modification of the ship and secondly, if any balance remains, in respect of expenditure in connection with the upgrading of terminal facilities.

By clause 10 of the Schedule, the State agrees that, in return for the financial assistance, it will, for a period of not less than ten years commencing on the date upon which the ship commences to provide the service, conduct the service at its own expense. Clause 11 requires the State to ensure that the ship, or any other ship, used to provide the service is kept in good order and fully insured.

Clauses 4 to 9 of the Schedule detail the formal arrangements relating to the requests for payments, provision of information and payments to the State, while clauses 12 and 13 set down the formal requirements for the audit of financial statements and the issuing of notices.
For further information, if required, contact:

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LEGISLATIVE RESEARCH SERVICE

24 September 1984

References


(c) Report of the Senate Select Committee on Passenger Fares and Services To and From Tasmania. A.G.P.S., Canberra 1981.


(e) 'Responses to the Senate Select Committee Report on Passenger Fares and Services To and From Tasmania'. Tabled by Senator A. Gietzelt in the Senate on 7 June 1984.