

CORRECTED VERSION

RURAL AND REGIONAL COMMITTEE

Inquiry into rural and regional tourism

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Mr R. L. Thomas, Chief Executive Officer, Greyhound Australia.

The CHAIR—We have with us Mr Robert Thomas, Chief Executive Officer of Greyhound Australia. Thank you for taking the opportunity to come and give evidence today. This is an all-party parliamentary committee. We welcome you to the Rural and Regional Committee's inquiry into rural and regional tourism. All evidence taken at this hearing is protected by parliamentary privilege provided by the Constitution Act 1975, the Parliamentary Committees Act 2003 and the Defamation Act 2005. Any comments that you make outside of the parliament may not be awarded parliamentary privilege. Would you like to state your full name and address, give your presentation, and then allow some time at the end for questions from the committee.

Mr THOMAS—Thank you. My name is Robert Leslie Thomas. Firstly, I thank the committee for allowing me to present our submission and to make my presentation today. It is a great honour to be in front of you, ladies and gentlemen. I would like to open by giving you a background on Greyhound, for those who do not know. We are 102 years old; we are a 100 per cent owned Australian company—always have been. We are the first company in the world to use 'Greyhound' as a logo—a lot of people think that Greyhound is a US based company; in fact, it is Australian based, started in Toowoomba 102 years ago. We are the last, and only, national coach company in Australia, and we employ some 500 staff, 35 in Victoria directly on our books, and more than 2,000 travel agents around Australia, some 400 in Victoria.

What does Greyhound do? To set the scene: we connect more than 1,000 regional and rural communities around Australia. We consider ourselves an essential service around Australia in every single state. We travel more than 29 million kilometres a year to those destinations, and we carry more than 1.3 million passengers every year in our coaches. Of that 1.3 million, approximately 60,000 are free independent travellers—FITs—and most of those FITs at this point in time are inbound tourists, mainly from Europe and Scandinavia but a growing proportion from America, South America and Canada. There are approximately 600,000 FITs who come to Australia every year, and we touch about 10 per cent at this point in time, but one of our strategic focuses is to grow that side of the business significantly.

We also operate an integrated freight operation that delivers freight on a daily basis to those 1,100 destinations where there are no other freight options. We carry freight for the likes of Australia Post, Toll, TNT, Virgin and Qantas because we deliver to destinations that they actually cannot deliver to. We are the only express coach operator that aggressively promotes free independent travel; aggressively promotes to the free independent travelling market overseas. We have an annual marketing budget and we promote Australia overseas. We attend travel shows, seminars and what have you around the world, persuading people to come and see Australia, and we do that in conjunction with regional tourist operators, state tourist operators and, obviously, the Australian tourist operations.

It has been a really tough time for the industry over the last few years. With the advent of very cheap airfares, it has placed extreme pressures on the coach business. Many operators have been forced to leave the business and many routes were cut due to marginal returns. Greyhound has accepted the challenge, and we have adopted a new focus of doing business in this changed environment. The basic model that we have is that, for an airline to effectively compete on a sector, it has to be over a thousand kilometres. Anything under a thousand kilometres starts to become very cost ineffective for an airline. Our business now is to compete on those intrastate operations—that is, between cities; it could be between Melbourne and Bendigo, Melbourne and Shepparton, Sydney-Coffs Harbour, and what have you. Therefore, we offer both a commuter service and a service to inbound tourists to see Australia from the grassroots up, experience the local diversity that Australia has and, as I say, really experience Australia. Out of all our destinations, the east coast of Australia is by far the most popular; 50 per cent of the revenue is derived from our east coast operations. Therefore, Victoria should be a very important part of our operations.

That brings me to why I am here today. I am really here to draw your attention to the Public Transport Competition Act 1995 that I believe, in effect, is anticompetitive and stifles regional and rural growth in Victoria. Basically, the act states that Greyhound or any other operator cannot pick up or drop off any passengers within Victoria: we can bring passengers from Sydney and drop them off in Victoria, we can bring passengers from Melbourne and drop them off in Sydney or Albury, but we cannot pick up passengers in Melbourne and drop them at Shepparton; we cannot pick up any passengers anywhere in Victoria and drop them anywhere else in Victoria, which is quite strange.

If I may read a quote of one of the previous ministers, the Minister for Transport, Mr Brown, in parliament:

The purpose of the Public Transport Competition Bill is to provide for the removal of regulatory restrictions on competition in the road, passenger, public transport sector, and ensure that public transport services continue to be provided in the public interest.

I would suggest, given that we are not allowed to compete even though we have five coaches running your highways each day and night into Victoria and are not allowed to pick up any Victorians and drop them anywhere else in Victoria, that it is hardly in the spirit of the legislation. I think, more correctly, the legislation should be called the 'Public Transport Anticompetition Act'; it is quite strange.

The effect of the act when it was brought in was, in fact, to restrict the amount of business that we do into Victoria. We used to run a number of services from Sydney down the Pacific Highway through the Gippsland region and down into Melbourne. We used to run some operations from Brisbane directly through, joining Shepparton and coming to Melbourne, and a number of operations from Sydney via a similar route down the Hume Highway. Because of the restrictions in Victoria, we cannot maximise passenger numbers coming on those services; therefore, we have limited the services. I will give you the example of the unregulated market like Queensland. Sorry to bring up Queensland again, after the last speaker! We run 35 services a day into Queensland and about 40 per cent of the passengers on those buses are tourists who jump on and jump off at different locations all the way through Queensland. In Victoria we run five services a day. Even though Queensland does not have the population size of Victoria, our services are one-fifth the size of Queensland's.

Virtually every operation in Victoria is marginal. To give you a little bit of background, I was appointed as CEO some six months ago and I have just undertaken a complete route review, and of all the routes that we look at, those sectors from Brisbane, from Adelaide and from Sydney, into Victoria are some of the least profitable sectors on the corridors that we operate.

If the restrictions were lifted, I think that we would see a significant increase in tourist numbers flowing into Victoria. As I said to you in my opening comments, we promote very heavily in overseas markets, and domestically, the wonderful things that you can see in our coaches. We spend a lot of time, effort and money and we get a very good return. I believe that we also can increase the intracity options. We understand that V/Line is an operation that is, effectively, a Public Service activity, and we are not saying that you should remove V/Line activity; we are saying that, because Greyhound runs through there anyway, we can be an adjunct to the V/Line operations, where we would be promoting the Victorian rural and regional development through its tourism activities.

We also run a number of interesting promotions. One is the harvest promotion, which is international, and encourages itinerant workers to come and do fruit picking and a whole lot of other things. We cannot do that in Victoria because we actually cannot pick up passengers and drop them off in the state. A lot of our activities are centralised around South Australia and New South Wales, not necessarily around Victoria, so it does have quite a dramatic

impact. Even though I understand that the legislation was meant to be about ensuring a continuous service for Victorians within their state to get from A to B, we can do that and, given that we are a private enterprise, we can compete directly without any request for additional funding at all.

Ms DARVENIZA—Can I ask a question? I am sorry to interrupt while you are making your submission.

Mr THOMAS—No, go right ahead.

Ms DARVENIZA—In the back of the written submission that we have been given there are the timetables, and those timetables do have pick-up and set-down points.

Mr THOMAS—Yes. That is for external, so if somebody hops on a bus in New South Wales, they can ask to be dropped off somewhere in Victoria, but we cannot pick up in Victoria and drop off; so we could not go from Shepparton to Melbourne.

Ms DARVENIZA—I see, yes.

Ms LOVELL—They can get on at Albury and get off at Benalla but they cannot get on at Wodonga and get off at Benalla.

Mr THOMAS—Correct.

Ms DARVENIZA—Yes, I am with you. I could not follow the timetable; but, yes, I am with you. Thank you for that.

Mr THOMAS—In addition, if these restrictions were lifted for Greyhound, we are confident that we would add a number of routes to our network. The obvious one is Sydney to Melbourne via the Pacific Highway and through the Gippsland region, which is a wonderful touring road for free independent travellers, backpackers, grey nomads and what have you, and I have a number of supporters who have got businesses in the Gippsland region and are keen for us to be able to provide that service; they run backpacker and youth hostels, accommodation. In addition to that, you have quite a large student campus, I understand—and I am not a Victorian—in the Gippsland area, and a submission I have got from the student union is saying that the students there are also asking for the provision of transport services to allow them to move more freely around the state and to do more holidaying within Victoria.

It also allows Victoria to improve its green credentials. Our coaches are some of the most fuel efficient in Australia, and some parliamentary research from the UK that I have included in the submission suggests that we are 20 times more cost effective than a train and significantly more cost effective than a car. We are a very environmentally cost-effective option compared to other forms of transport in Victoria.

A number of people that I have spoken to said, 'Well, if Greyhound or another operator were given the ability to service these routes, they're just going to change the timetable and compete directly with V/Line and make its operations uneconomic.' I think it is worth bearing in mind that our operation starts in Brisbane and ends in Melbourne, so we cannot just change the timetable for pick-up and drop-off in peak areas within Victoria. For instance, we might enter one town in Victoria at five o'clock in the morning, where V/Line is not going to operate, but, typically, free independent travellers will get up at five o'clock in the morning and use the service to move to their next destination. A timetable is not something that is so fluid when it has to be set over a long period and there could be 35 stops between here and Brisbane.

We also see our operation feeding into the V/Line network. If we bring people in here, they are going to use V/Line as an additional transport medium to move to places where we do not go. We only have limited routes in Victoria; so once again it is bringing tourists and itinerant workers and what have you into the state. Our focus is and has always been the support of grassroots tourist businesses, whether it is B&B like Peter McMahon, whether it is caravan parks, whether it is two- and three-star motels. It is not the large five-star developments that we support; it is obviously those two- and three-star activities that are the grassroots of the tourism industry in this area.

In closing, I have got a new executive team on board. We have taken a look at all the areas and we think that Victoria is missing out because of these restrictions. We would push for either an exemption or legislative change to the current V/Line activities to allow us to pick up intrastate, and our model of operation suits Victoria perfectly because it is a relatively small state; therefore, we can move people very cost effectively on our coaches within Victoria.

The CHAIR—Thanks very much.

Ms LOVELL—Robert, what are the numbers that you are carrying interstate and what percentage do you think you could increase that by if you were carrying within the state? Also, I will just let you know that you are not the only ones affected by legislation at this time. The taxidriviers in Victoria, if they are based in Wodonga, can pick up a fare in Wodonga and drop them off in Albury, but they cannot pick up a return fare and bring them back into the state.

Mr THOMAS—Okay. Nationally we carry 1.3 million people. How many into Victoria I would have to take on notice. I do not know how many we bring into Victoria, but our business plan for the next five years is showing a compound growth of 18 per cent in the free independent travelling market. That is the international tourists coming into Australia, of which, as I say, we carry 60,000, and there would be no reason why those 60,000 should not, all of them, be coming into Victoria and seeing some of the wonderful sights.

Ms LOVELL—Compound growth over what period?

Mr THOMAS—Eighteen per cent over five years.

Ms DARVENIZA—Is Victoria the only state that doesn't allow you to pick up and drop off within the state?

Mr THOMAS—Victoria is the only state with a global ban. South Australia on some specific sectors has restrictions. Victoria is the only one where you cannot pick up and drop off within the state if you are an interstate bus operator.

Ms DARVENIZA—So those are the only two states?

Mr THOMAS—Yes.

Ms DARVENIZA—And you operate in all the other states around Australia?

Mr THOMAS—Except Tasmania. That is the only exception.

The CHAIR—Have you got a problem there? Bass Strait!

Mr THOMAS—No. We are looking closely at some opportunities there.

Ms TIERNEY—Do you believe that that was an unintended consequence of the legislation?

Mr THOMAS—If you read the legislation, it is quite strange. If you read the preamble of the legislation, it uses Greyhound as a specific example of a coachline that is not meant to be included in the legislation. The preamble says that Greyhound is specifically excluded but then, when you read the definition of a regular public service, re the passenger service, we fall into that category of regular passenger service. So I believe that at no time were we meant to be exempted; we just fit those criteria. Possibly some people have used the legislation to work for the benefit of certain individuals.

Mr NORTHE—Taking the current legislation out of the equation so that Greyhound was able to operate intrastate operations as such, as a consumer why would I choose Greyhound over V/Line? What advantages do Greyhound have over V/Line? What could you offer? Is it cost? Is it flexibility?

Mr THOMAS—We are a cost-effective service. Within the next 18 months all our coaches within Victoria will have disabled access. Because we are a private operator, from our cost perspective and from a ticket cost perspective, we are a low-cost operator. We have the leverage of running a large fleet of coaches rather than a small number. With size comes leverage. In addition to that, we do not want to compete directly with V/Line. We are not saying, 'Use Greyhound because we're better.' We are saying, 'Use Greyhound because it's an alternative title to them hopping on a V/line bus.'

Mr NORTHE—Will it be alternative routes as well?

Mr THOMAS—We would only run fundamentally three routes, I would guess. I do not know yet. We would continue obviously the two from Brisbane to Sydney and then we would run a Gippsland one. The Gippsland one could run a number of different routes but the new management team is really consulting with industry and finding out where are the opportunities because, given our growth strategy is based on the tourism market, we are getting a lot of feedback from that market and we are changing product and routes according to the feedback we get from the tourism industry.

Mr VOGELS—You have gobsmacked me because I did not know that. That is how smart I am. I did not know that you could not get on a Greyhound bus in Warrnambool and get off in Melbourne, for example. Does that affect Gray Lines and every other bus line?

Mr THOMAS—Gray Lines is effectively a charter operation. It is not an express operation. But to be able to pick up and drop off passengers within Victoria, you have to have a service contract, which is issued by the state government. I assume it goes to tender and there are certain pricing restrictions on it et cetera. If you do not have a service contract, you cannot operate on the intrastate.

Mr VOGELS—Do you sell tickets on the bus?

Mr THOMAS—Yes, we do sell tickets.

Mr VOGELS—So if I am standing at Warrnambool and I get on the bus when you stop at 5 a.m., do you have to say, 'Where are you going?'

Mr THOMAS—We do. And if we pick up and somebody reports us, it is a 100-point penalty, which is equivalent to \$11,000 per offence. For every passenger we pick up intrastate, there is an \$11,000 fine.

Mr VOGELS—What are 'free, independent travellers'? What does that mean? They have paid for a tour?

Mr THOMAS—It is a new word for backpacker.

Mr VOGELS—Okay, because I want to be a free independent traveller.

Ms DARVENIZA—It is not a tour group. It is something other than a tour group?

Mr THOMAS—Absolutely right. There used to be backpackers. Now there are flash packers and grey nomads but they are all subsectors of the tourism market which make up those people who just want to do their own thing.

The CHAIR—Recently with V/Line there have been some pretty substantial fare reductions. The problem with V/Line at the moment is that many of their services are overcrowded. Have you made recent submissions or presentations to the Victoria government about having this potential issue changed? If you have, what has been their attitude?

Mr THOMAS—No we have not, at this point in time. We have a three-pronged approach to looking at this issue. The first one is to present to this committee. The second is to meet with the government and discuss the issue. The third is obviously that we are looking at potential legal challenges under section 43 of the Trade Practices Act. So, yes, we are doing it but one of the things that is worth clarifying is that we do not want a service contract because we are not in the business of running regular services five times a day between Shepparton and Melbourne. That is not what we do. We are in the business of running long-haul express businesses where we can bring tourists and workers in and provide an adjunct service to the regular operations.

The CHAIR—All right, Robert. Thanks very much for making your presentation short, sweet and succinct. It was very clear and left us with a very pertinent aspect that we can take notice of.

Mr THOMAS—Right, thank you very much.

The CHAIR—In a couple of weeks you will receive a copy of the evidence and you can be free to make any typographical changes that may be necessary.

Mr THOMAS—Thank you and good luck with your inquiry.

Witness withdrew.