

Minister for Infrastructure
Minister for Police, Fire and Emergency Management

Level 5, 4 Salamanca Place, Salamanca Building, Parliament Square HOBART 7000
Ph: (03) 6165 7686



10 OCT 2017

The Hon. Ruth Forrest MLC
Inquiry Chair

By email: jenny.mannering@parliament.tas.gov.au

Dear Chair

**Response to Government Administration Committee A Sub-Committee Inquiry into King Island
Shipping and Freight Services**

I write in response to your Sub-Committee's invitation to comment on the transcript of the King Island Shipping and Freight Services Committee hearing conducted on 1 September 2017.

Evidence of Mr Richard Lowrie (Incat)

In relation to the evidence provided by Mr Richard Lowrie, I have met with Incat representatives on more than one occasion and the Hodgman Government maintains a very strong relationship with this proud Tasmanian company.

I met with Incat representatives to discuss the company's Bass Strait ferry concepts including a potential King Island service. However, the build cost of more than \$100 million was much too expensive to consider, especially when added to operational costs associated with such a service.

As I have previously advised, Incat also did not participate in the Tasmanian Government's open, competitive process to identify a preferred proponent for King Island freight shipping.

As to the concept of passenger ferry operations running to King Island, the focus of the Tasmanian Government has always been on the priority of providing continuous sea freight services following the withdrawal of the SeaRoad Mersey I from the run.

This focus on the need for regular, affordable freight sailings has also been the key objective of King Island stakeholders, a fact that has been reinforced in evidence to your Committee. The establishment of a new passenger ferry service may be a future aspiration, but is not currently under contemplation by the Government.

In terms of a long-term solution for King Island shipping, the Government has committed to consult closely with the community, key customers and shippers, on the final ideal design. I have no doubt that Incat designs will be considered as part of that stakeholder engagement, which will be led by Infrastructure Tasmania.

Mr Lowrie advised the Committee that he was aware of an operator interested in servicing the King Island trade. The Government would welcome a private sector operator entering this market and I am prepared to meet any serious proponent to discuss their interest.

Evidence of Mr Les Dick (L.D. Shipping)

While I do not intend to correct all the evidence provided by Mr Dick, I do wish to respond to some of his allegations.

Firstly, I reject any suggestion that the Government has acted in an anti-competitive manner through its intervention to ensure the continuation of King Island Freight shipping. Without this intervention, there would have been no freight services when the SeaRoad Mersey withdrew in early April 2017.

I am advised that Mr Dick took part in the competitive process conducted in 2016 by Infrastructure Tasmania to identify a preferred proponent to take over the shipping service from SeaRoad. While Mr Dick was not successful in that process, there was no impediment then to Mr Dick entering the King Island freight trade on a commercial basis. That commercial opportunity remains available today.

It was because of the likely clear market failure leading up to the withdrawal of the SeaRoad service and the ongoing absence of any commercial entrant to the market, that the Government stepped in to maintain the continuation of services through TasPorts subsidiary Bass Island Line.

Furthermore, there is no conflict in relation to TasPorts' role as the port operator and the shipping services provided by its Bass Island Line subsidiary.

In order to ensure competitive neutrality, TasPorts levies the same charges on Bass Island Line as it does for Mr Dick's Eastern Line vessels.

In terms of freight rates and associated charges for customers, I am advised that Bass Island Line charges have been maintained broadly at the same levels as the former SeaRoad Mersey charges. This is despite the much higher cost of operations for the Bass Island Line, mostly attributable to the extra trans-shipping costs in handling freight that were not previously required. The Government is committed to keeping freight costs as low as possible for the King Island community and makes no apology for the fact that Bass Island Line is absorbing significant short-term losses as a result of this policy.

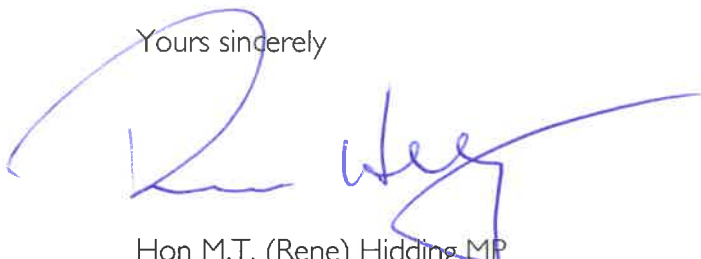
Shortly after Mr Dick gave evidence to your Committee, his vessel grounded on a reef off Stanley, sustaining serious damage, and was rescued at short notice by a TasPorts tug despatched from the Port of Burnie. The return-to-service date for this vessel is unknown at this stage.

Subsequently, the Bass Island Line vessel has on at least one occasion carried livestock for Mr Dick's main customer.

Finally, Mr Dick asserts that he made the decision to charter his larger vessel, the *Go Lesath*, after taking part in the Government's competitive process in 2016 to identify a preferred proponent. The record shows that the *Go Lesath* was acquired by Mr Dick in the first half of 2015.

Thank you again for the opportunity to comment on the evidence provided to your Sub-Committee.

Yours sincerely



Hon M.T. (Rene) Hidding MP
Minister for Infrastructure