

# UNCORRECTED PROOF ISSUE

**Friday 5 December 2014 - House of Assembly - Government Businesses Scrutiny Committee  
- Tasmanian Ports Corporation Pty Ltd**

## HOUSE OF ASSEMBLY

## GOVERNMENT BUSINESSES SCRUTINY COMMITTEE

**Friday 5 December 2014**

### MEMBERS

Mr Brooks  
Mr Green  
Mr Llewellyn  
Mr McKim  
Mrs Rylah  
Mr Shelton (Chair)

### SUBSTITUTE MEMBERS

Mr Barnett  
Mr Bacon

### IN ATTENDANCE

**Hon. Rene Hidding MP**, Minister for Infrastructure

#### Ministerial Office

**Vince Taskunas**, Chief of Staff  
**Richard Wilson**, Senior Adviser

#### Tasmanian Ports Corporation Pty Ltd

**Dr Dan Norton**, Chairman  
**Paul Weedon**, CEO  
**Geoff Duggan**, Chief Financial Officer

**The committee resumed at 12.06 p.m.**

**CHAIR** - Thank you very much for coming along.

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**Mr HIDDING** - We only have an hour so I am not going to take the time up with a substantial statement except to say I am enjoying working with Dan Norton and his board and there certainly has been a power of work with TasPorts, particularly as they work towards a long term strategy that can be out in the market place. TasPorts operates in an environment of a national government that is very interested in infrastructure. They put out a policy encouraging states to divest itself of infrastructure and reinvest that money in other infrastructure. We are such a small state with transport and supply chain logistics issues. TasPorts is working towards a 30-year plan and we look forward, probably in the new year, for that to be launched. It will provide a clear direction for the industry in Tasmania. With that I can take questions.

**Mr GREEN** - Have there been any details provided or any discussions planned that you can make public around the amalgamation of TasPorts and TasRail?

**Dr NORTON** - Yes, I am probably going to say what has already been said by my colleague, Bob Annells. We haven't worked together on this but the Government has asked that the issue of a merger between TasPorts and TasRail be looked at. A steering group has been established which consists of myself, Bob Annells as Chair of TasRail, the Secretary of Treasury and the Secretary of the Department of State Growth. We have probably had four or five meetings. Treasury are undertaking a work program, which is essentially looking at what the benefits of the merger might be, what any costs might be, are there any competition law impediments, et cetera. From a TasPorts perspective we have been cooperating in that process. The board does not have a view one way or the other. It is essentially a matter for our owners, but we are being engaged in that process. The time frame for that steering committee to get a report back to the Government is either the end of this year or early next year. I am not sure where it is. Given where we are in the calendar year, it might be early next year. So that is the situation.

**Mr HIDDING** - There is absolutely no reason for anybody to believe the Government is looking to necessarily make savings in this space. It is just that these companies are both in the supply chain area in Tasmanian industry. It was timely to have a look as to whether there were benefits in better alignment of the operations in the investment strategies of both of these companies. It is absolutely open-minded.

**Mr GREEN** - Surely, minister, if you were amalgamating two businesses, you would do it to achieve savings and deliver better outcomes, wouldn't you? Inevitably, you will have two sets of administrations, and two sets of what is associated with any merger, so there would be savings.

**Mr HIDDING** - Yes, but you do not just look at your group and say, 'Would somebody mind combining so we can save the cost of a board'. What is far more important is whether we can better operational and investment decisions with one organisation rather than two, and the jury is very much out on that. It is a very open-minded look at it. We are doing this review for very good reasons but there is no expectation of an outcome either way.

**Mr GREEN** - TasRail requires an equity injection from TasNetworks at the moment, doesn't it? Why wouldn't you as a government think about ways to make sure the two businesses are not a burden on taxpayers in the future?

**Mr HIDDING** - Let us not argue. What I am saying is -

**Mr GREEN** - You do not want to frighten people.

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**Mr HIDDING** - No, what I am saying is you would not look at combining two state-owned corporations just for the -

**Mr GREEN** - You went to the election saying you would get rid of boards at the drop of a hat.

**Mr HIDDING** - Yes, but we are not doing it for that reason. This is a much higher-order discussion as to whether -

**Mr GREEN** - If the other one was a low-order of discussion, at the end of the day it will be interesting to see how you deliver on that.

**Dr NORTON** - There will be some savings coming out of it, if it did occur.

**Mr HIDDING** - Across the board.

**Dr NORTON** - For those who were here yesterday when we were talking about the merger of Aurora Distribution and Transend - that has driven significant savings. I think the savings based on the work I have seen done under Treasury's leadership indicates that the savings in this case are more modest. But there have to be savings and they have to lead to a better outcome; there is no doubt about that.

**Mr GREEN** - Minister, you ruled out earlier any sale of assets other than, potentially, the Triabunna facility. Have there been any discussions about any other asset disposals by the business at all?

**Mr HIDDING** - No.

**Mr GREEN** - Nothing planned for the future?

**Dr NORTON** - We have had some minor asset sales over time where we have had surplus cold store facilities, for instance. If somebody came along and we had an asset that was surplus to our requirements, we would sell it. But we are not talking about core infrastructure.

**Mr GREEN** - So if some unsolicited bid comes along offering \$100 million worth of investment, et cetera, the port would be considered for sale?

**Dr NORTON** - That would be a matter for the owners but we have not had anybody do that, to my knowledge. One thing we ought to distinguish is that in some of our ports, we own and operate facilities. In other of our ports, we operate by what is called a landlord model. The classic example is the toll facility in Burnie. If, with mining developments for instance, a mining development came along and there was significant additional infrastructure that was required and they wanted to enter into a lease and put the infrastructure in themselves, we would look at that. That is not selling the asset but it is allowing private sector investment on our facilities.

**Mr GREEN** - In fact, you have recently purchased an asset - the woodchip facility.

[12.15 p.m.]

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**Dr NORTON** - Yes, in Burnie. We bought that back. When I say 'we bought it back', they had a lease on our land. They built it and we bought it back. We see ourselves as having a mixed model. We operate in some ports but we are not averse to a situation where if an investor -

**Mr GREEN** - But unlike Joe Hockey, who believes there needs to be a wholesale privatisation of assets so other infrastructure can be built elsewhere, you have had no direction to do that?

**Dr NORTON** - Not from our owners, and it is not on our agenda to try to sell our core assets. We understand we are going to have to deal with the cold store in Hobart, which is adjacent to the Macquarie Point development. We are not running that as a cold store anymore because of reduced demand. At some point in time we will presumably have to talk to the Government and Macquarie Point development about how they might be able to utilise that within their development.

**Mr GREEN** - On the subject of the Hobart port, are you aware of the proposal by SolutionsWon to scrap the Royal Hobart Hospital redevelopment in favour of a new health precinct at Queens Domain?

**Dr NORTON** - Yes, I am.

**Mr GREEN** - Have you been briefed on the proposal?

**Dr NORTON** - I am in a difficult position on this one. I have been a member of the Royal Hobart Hospital redevelopment rescue taskforce the Government set up. That is a three-person group that works to identify how that Royal Hobart Hospital project might be developed. We have submitted a report to government. The Government also asked us to be involved in a government-wide assessment of the Senetas proposal, so I have been involved in it from that perspective. I have not been involved in it for TasPorts.

**Mr WEEDON** - That is certainly case. There have been no approaches to me or my officers from that proponent.

**Dr NORTON** - I had one early meeting with a proponent who wanted to talk to me with my TasPorts hat on. That was before the review of the proposal was envisaged. I indicated to him that if he wanted to have any more discussions, the appropriate person was the CEO, and the CEO has not had any discussions with the proponent or his representatives.

**Mr GREEN** - So TasPorts has not received any briefing at all about the project?

**Mr WEEDON** - None whatsoever.

**Mr GREEN** - As to Macquarie Wharf, what modelling have you done around the plan to turn Macquarie Wharf into an export base for woodchips?

**Mr HIDDING** - I will get the chairman to answer this. There has been a body of work undertaken by Forestry Tasmania in conjunction with TasPorts on understanding options that flow from the Government's announced decision that we would not seek to acquire Triabunna land, to free up Mr Wood to get his development underway. It is fair to say that that work Forestry Tasmania and Tasports are doing is under way. I guess they will be reporting in the new year.

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**Mr WEEDON** - That is about the timetable. We are feeding information into the Department of State Growth.

**Dr NORTON** - Our role in that has been to identify what would be feasible from a port perspective as to volume that could be handled, and modelling how you would store it - the instruction we received was that it is going to be stored in sheds, not in a woodchip pile.

**Mr GREEN** - So that was a direction?

**Mr McKIM** - If you put it in sheds, it is still a pile, isn't it, Dr NORTON? You just put a shed around the pile. I am not accusing you of anything; I am accusing the Government of being mendacious.

**Dr NORTON** - I am not trying to be cute; I am just saying the modelling we have done is to store woodchips in a covered shed. Then we had to look at the engineering feasibility of putting [inaudible] and then the port logistics around getting woodchips onto vessels. We have done that sort of engineering analysis and have fed those results into the work that has been done by FT and when you talk to them this afternoon no doubt you will raise it with them.

**Mr McKIM** - My word.

**Dr NORTON** - As you would understand - and I am not getting into the politics of it - there is a whole lot of issues around logistics and where you chip the wood. The wood was not to be chipped on our facility, by the way, so the chips would be brought in if it was to proceed.

**Mr McKIM** - Yes, double-handled by the Government. Tripled-handled, actually.

**Dr NORTON** - I might add that this exercise in a sense goes back a number of years, as Mr Green will recall.

**Mr GREEN** - Yes, we did exactly the same thing.

**Dr NORTON** - We looked at all the options.

**Mr GREEN** - My next question was in respect to the weight restrictions on the [inaudible].

**Mr McKIM** - We advised you strongly against it.

**Mr GREEN** - The concrete cancer issue with respect to the existing -

**Dr NORTON** - I will ask Mr Weedon to explain how we may be able to deal with that.

**Mr GREEN** - We were disappointed to find that we had weight restrictions with respect to [inaudible] and particularly more likely to be able to export from.

**Mr WEEDON** - Yes, and they still exist.

**Mr GREEN** - What would the capital cost be of actually repairing it?

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**Mr WEEDON** - To repair the wharf? We have not refreshed those numbers in a number of years but the last time a preliminary assessment was done we were talking in the tens of millions of dollars.

**Mr McKIM** - Was that only for Macquarie Point?

**Dr NORTON** - No, that was for Macquarie 5 and 6.

**Mr WEEDON** - We have numbers in the order of \$50 million to remediate the wharf deck back up to the original design specification.

**Mr McKIM** - What would be its load-bearing capacity in that case? You're talking about tens of thousands of tonnes of woodchips here.

**Dr NORTON** - To perhaps explain this a little bit because there can be a lot of confusion on it, the woodchips would be stored in a shed which is not on the wharf that needs remediation. It is on solid ground and if you had a ship loader it would be put on the parts of the wharf that can bear that weight without needing to remediate all of the wharf.

**Mr WEEDON** - It is potentially quite a complex design solution which constructs new structural bearers that sit on the main supporting columns of the wharf. It doesn't put any loading on the wharf deck itself.

**Mr GREEN** - You are exporting logs from there now so it is obviously possible.

**Mr WEEDON** - It is only about 5 tonnes per square metre safe working loads on the wharf deck at the moment. It means that a small forklift with a couple of logs on the front are not a problem.

**Mr GREEN** - Would a new shed have to be built?

**Mr WEEDON** - Yes.

**Mr McKIM** - I have a number of questions on this as you would probably expect. You have gone some way to explaining the detail of what you have fed into the Department of State Growth's work, but what cost are we talking about here? What would be the estimated cost of upgrading Macquarie Wharf, as you have outlined in general terms, to enable it to export large volumes of woodchips and, second, what volumes are we talking about here?

**Mr HIDDING** - The numbers will be in the report from FT.

**Mr McKIM** - But I am asking you today about the cost to the long-suffering Tasmanian taxpayer to prop up the voracious consumer of public funds that is Forestry Tasmania.

**Mr HIDDING** - They have not been nailed down but I can tell you I have seen a range and it's not pretty.

**Mr McKIM** - Not pretty?

**Mr HIDDING** - No, because -

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**Mr McKIM** - So we have a not pretty range. Could you please tell us what that range is, Mr Hidding?

**Mr HIDDING** - This won't come cheap.

**Mr McKIM** - I know it won't come cheap but I'm asking you what will it cost the long-suffering Tasmanian taxpayer? Please reveal that information to the committee and explain why if you are not going to.

**Mr HIDDING** - Because it is premature.

**Mr McKIM** - Only because of your political concerns that you're going to get another smashing because you're sacking teachers and cutting funding to schools and propping up FT with tens of millions of dollars again. You got caught out yesterday and you're getting caught out again today. I want Mr Hidding to release that information or explain exactly in detail why he will not provide it to the committee.

**Mr HIDDING** - In detail, the information will be contained in a report to Cabinet which is due in the new year -

**Mr McKIM** - But you've seen the figures.

**Mr HIDDING** - No, I haven't.

**Mr McKIM** - You've just given evidence to the committee that you did.

**Mr HIDDING** - I have seen and discussed some potential costs on the wharf which are very substantial.

**Mr McKIM** - Well, tell us what they are? Very substantial costs -

**Mr HIDDING** - It won't come cheap. The detail will be available in the new year and no doubt you will get to know more then.

**Mr McKIM** - Mr Hidding, you have an obligation to provide that information to the committee today. Okay, let me ask this, will it impact on TasPorts bottom line or not?

**CHAIR** - Order. Before you go on, Mr McKim, I would just like to remind the committee that we are supposed to scrutinising TasPorts from financial year to financial year. To ask any of the members to speculate is basically just that, speculation. I will allow the questions realising it is speculation and the minister can answer questions however he likes.

**Mr McKIM** - Thank you, Chair. The minister has said 'it won't be pretty' - that is a direct quote - and that the costs would be 'substantial', so my question to you, minister, is will this not pretty scenario that your Government is entering into impact on TasPorts' bottom line in any way at all?

**Mr HIDDING** - That is precisely the information which is premature to give.

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**Mr McKIM** - Only because it's not politically convenient.

**Mr HIDDING** - It is not known yet.

**Mr McKIM** - You're trying to hide it from the Tasmanian people.

**Mr HIDDING** - The draft model to be put to Government has not been determined, they are not there -

**Mr McKIM** - But you have seen the figures, you have just given evidence -

**Mr HIDDING** - I have seen and am aware of some of the costs of some of the elements of it but it is simply premature to speculate other than to say -

**Dr NORTON** - I can make the following comment. Our interaction on this in terms of the costs and so on has been on the assumption that we will get a commercial return. It has not been on the assumption that we will in any way subsidise it.

**Mr McKIM** - No, but what will happen is the Government will put the subsidy in earlier in the chain, Dr NORTON, so they in effect will be cross-subsidising this.

**Dr NORTON** - I'm not entering into any of that debate, I'm just saying that all our cost modelling has been on the assumption that if we had to do this we'd need a commercial return. The other thing we would need to have is surety of revenue flow. We can't take a risk on it.

**Mr McKIM** - One further question.

**CHAIR** - You have a tendency of trying to grab an extra question or two, but I will allow one more just to be nice, Mr McKim.

**Mr McKIM** - Thanks for that. Given that you have said all of your work has been done on the basis of a commercial return and given that we have heard the numbers are not going to be pretty, there will be a significant capital cost, I think we can confirm that. To be fair, Dr NORTON, I will also ask Mr Hidding, but my question to both of you is can you confirm that there in fact will be a substantial capital cost and because TasPorts is working on a commercial return scenario that TasPorts will not be required to cough up that capital cost and that will come from the Con Fund or somewhere else in the public purse?

**Mr HIDDING** - It's way too early to speculate. I couldn't possibly get into that.

**Mr BROOKS** - I was wondering if the minister could update the committee on the issues around Flinders Island, the dispute involving TasPorts and Flinders Island Shipping who announced they would be considering withdrawing their service?

**Mr HIDDING** - This is a great example of how deeply interested island residents are about their shipping service. Just as Tasmanians are about TT-Line generally, Flinders Island people are red hot on their shipping issues, as is King Island and, as I recently found out, Bruny Island as well.

**Mr McKIM** - Paradise on earth, Bruny Island, in the great electorate of Franklin.



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**Mr HIDDING** - It is just a visceral thing. I can tell you that the Flinders Island Shipping Service issue was extremely complicated and complicated by all sorts of things. I absolutely back TasPorts in maintaining its responsibility to maintain a safe port. It has a legal responsibility to do that. That led to some issues between the operator and the port. I want to place on the record my thanks to the Flinders Island Council, the group of livestock agents and farmers who are the main customers of this service, 80 per cent of the business of this shipping service, for their attitude to working through these matters. I particularly want to place on the record my thanks to Qube for their agreement to work through this very sticky matter in a way that shows them to be very good corporate citizens indeed.

[12.30 p.m.]

The extensive negotiations are complete and I can announce that the service is now contracted for another 12 months and is secure. I see no reason why it will not continue after that. There will be some transition happening during that 12 months. We are pleased to say the service is restored. It was not necessary for me to ask TasPorts to stand up a new interim service and Furneaux Freight is secure.

**Mr BROOKS** - It is very important, minister, for the small community there and the residents. It is a good outcome.

**Mr LLEWELLYN** - I ask the chairman, what negotiations have happened with respect to the Triabunna Port arrangements and/or potential sales or changes that might be mooted in regard to that?

**Mr HIDDING** - Do you mean of the port structure?

**Mr LLEWELLYN** - Yes.

**Dr NORTON** - I will ask Mr Weedon to answer that question because he has been involved in discussion. I make the point that it is still the board's intention to pursue the sale of that facility. We have decided it would be premature to go to market ahead of the parliamentary committee bringing down its findings. Paul can explain.

**Mr McKIM** - The witch-hunt is delaying TasPorts in conducting its normal commercial affairs?

**CHAIR** - Order.

**Dr NORTON** - That was solely our decision, nothing to do with the minister.

**Mr McKIM** - No, I understand that but I am talking about the parliamentary committee delaying another process. The witch-hunt strikes again.

**CHAIR** - Order, Mr McKim,

**Mr WEEDON** - We have agreed to construct an open expressions of interest process. We have appointed an agent to assist us. The documentation pack has been prepared and we are in a position to be able to take the wharf and the seabed land to market at a time of the TasPorts board's choosing. At this point three parties have expressed an interest in being invited into the expressions

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of interest process. We have taken due note of those parties. At a time in the first quarter of 2015, I would expect, we will make a determination on when to launch that process.

**Mr LLEWELLYN** - Has the decision and the direction which you have chosen to take resulted from either or instructions or -

**Dr NORTON** - I just answered that question and I probably was not clear enough.

**Mr LLEWELLYN** - I did not hear it properly probably.

**Dr NORTON** - The decision by the board to hold off until after the parliamentary committee put its report in was solely our decision.

**Mr LLEWELLYN** - That was not the question I was going to ask you.

**Dr NORTON** - We have had no direction from Government.

**Mr LLEWELLYN** - You are trying to read my mind. I was going to ask had you had any instruction from the Government in respect to the process that had been put in place with regard to the port and its potential sale.

**Dr NORTON** - No. We have had no direction from the Government. We have told the minister what we intended to do and therefore our owners have had an opportunity to advise us if they did not want us to go that way. We have had no direction whatsoever from the Government.

**Mr LLEWELLYN** - Taking into account that there may be a potential value in the site have those things been taken into account in the decision you have made?

**Mr HIDDING** - This time 12 months ago, David O'Byrne was the minister sitting in this seat, and he announced he was selling the port.

**Mr LLEWELLYN** - But he is not sitting in the seat anymore.

**Mr HIDDING** - It commenced then.

**Dr NORTON** - TasPorts has had a constant decision on this for a couple of years. Under the previous government and this Government we told our owners what we intended to do. They did not tell us not to do it. They did not direct us to do it. It has been unchanged.

**Mr LLEWELLYN** - The point I am making is the value of the port for other reasons and maintaining in government hands or in the hands of the port authority is a very important assessment whether the former minister has made that instruction or not. He is no longer in the Parliament and we -

**Mr GREEN** - Point of clarification, Chair, did the previous minister provide you with an instruction?

**Dr NORTON** - No, he did not. It is exactly the same situation. We went as we always do, we spoke to our and they did not give us a direction one way or the other.

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**Mr WEEDON** - We are confident if there is a market value that the open tender process that we are constructing will flush that out.

**Mr GREEN** - It should be a very valuable piece of real estate.

**Mr HIDDING** - Mr Llewellyn has an authoritative mind though would you share with us some notions of value and why it might be more valuable -

**Mr LLEWELLYN** - I am asking a question, not answering it.

**Mr HIDDING** - I thought you might have some assistance for us.

**Mr LLEWELLYN** - It is just an observation from my point view and it has been confirmed by the chief executive officer.

**Mr GREEN** - With respect to the work you have been doing on Macquarie Wharf to allow Forestry Tasmania and the Government to understand exactly what the situation is, have you been talking with the Hobart City Council about truck movements and a whole range of other things associated with it.

**Dr NORTON** - Not us but as a part of that the comprehensive assessment Forestry Tasmania is overseeing they may well have had some discussions.

**Mr GREEN** - They may well have spoken to them.

**Dr NORTON** - We have only been dealing within port operational feasibility issues.

**Mr GREEN** - In 2014 you had a community asset maintenance target of \$8.6 million but the amount spent was \$4.7 million. Why was that?

**Dr NORTON** - Can I answer that initially and then ask Mr Weedon to comment in detail. I have been waiting for an opportunity to talk about this issue. I will not go on too long.

I sat in front of a GBE committee five years ago and made the statement that we should be spending \$15 million a year on asset maintenance and we are spending \$7 million. It was pleasing we spent \$14 million all up last year and I am happy to advise that we will spend about \$19 million this current year so we have come a long way. Part of that has been because our owners, under the various governments, have allowed us to put money into maintenance. We have free cash flow and we could have put it into maintenance or dropped to a bottom line profit. There has been recognition from the previous government and this Government that maintaining these assets is very important.

The other thing that has enabled us to do it is the agreement we entered into with the previous government, supported now by this Government, for the community asset upgrade program which is \$27 million over four years. Paul can explain the detail. Last year was our first year. We were slower getting our people in place, we needed to get some additional engineering resources in place about 14 months ago and it a little while longer -

**Mr GREEN** - So the funds will go on?

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**Dr NORTON** - Yes, my word. We did not achieve our target last year, which disappointed us, but the pipeline of projects will mean we will catch up this year. Paul, do you want to make a comment on it?

**Mr WEEDON** - No, that is a good description of it, chairman. The two critical projects which slipped from the financial year under review to the current financial year was the remediation of the inspection head wharf at Beauty Point. Essentially the engineering evaluations and the design solutions to rebuild that in the right way, with minimum impact on the current tenants and operators on that wharf, lead to the slippage but those contracts have been let and that work is underway.

The second major project related to the retaining wall in Strahan. Similar circumstance where the design and engineering of it required significant reworking. So we went on with the significant tranche of other works in Strahan. We spent over \$1 million in the last 18 months in Strahan on navigation aids, upgrading the slipway, the general amenity works around the port that we did not get to execute the contract. Certainly the retaining wall contract has been let. That's why we spent \$1 million getting on with the rest of the things that needed to be got on with. The future commitment is around \$3 million.

**Mr GREEN** - Just to clarify that, the target was \$8.6 million and that amount, given you only spent \$4.7 million, remains?

**Mr WEEDON** - It is in the current year and is committed.

**Dr NORTON** - It is some of the reason the \$14 million we spent last year is going to be close to \$19 million this year, because we're catching up.

**Mr GREEN** - But that doesn't quite gel because the commercial asset maintenance from the target was \$13.5 million but your actual was \$9.4 million.

**Mr WEEDON** - It was the dredging project that slipped from last year's. We have a major dredging project every five or six years in the Mersey.

**Mr McKIM** - Is that to allow the *Spirits* in?

**Mr WEEDON** - Yes - all vessel grades.

**Mr McKIM** - Would you need to do that if it wasn't for the *Spirits*?

**Mr WEEDON** - We would need to do it for all vessels.

**Mr GREEN** - Why was it deferred?

**Mr WEEDON** - During the process of consultation, which any dredging permit application requires, the scallop fishing interests in the north of the state came to us to indicate that a potential scallop bed had been identified. That immediately led to a suspension of the process while we worked through whatever measures we could look to try to satisfy the industry there would be no negative impact of dredging spoil disposal and its impact on a potential scallop bed. That slowed the process down about six months. We have commissioned significant additional science to prove that the dispersal of any pluming as a result of the spoil disposal will have no impact on the scallop bed whatsoever. There have been repeated rounds of negotiation, explanation and proof of science

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through all of that and in the next couple of weeks we hope to be able to revitalise the application with the EPA in Canberra to be awarded the permit to dispose of the spoil.

**Mr GREEN** - So it was an EPA issue in the end?

**Mr WEEDON** - Yes. The federal EPA is the licensing authority for any dredging in the country.

**Mr GREEN** - You gave the impression the industry suspended it, but under the EPBC act you required approval any way?

**Mr WEEDON** - Yes, and the local EPA has been involved in this as well.

**Mr McKIM** - You have acquired the Burnie woodchip facility from KordaMentha. What did you pay for that?

**Mr WEEDON** - I would have to take advice on that. I think there were some commercial-in-confidence elements because it was part of the receivership.

**Mr McKIM** - On what basis would it be commercial-in-confidence? They're in receivership.

**Mr HIDDING** - Yes, but the receivers may have put some strength on that. We would probably have to get advice.

**Mr McKIM** - It is taxpayers' money to buy a woodchip export facility, so surely there is a public interest argument here? Have you agreed to go away and take some advice on that?

**Mr HIDDING** - I will ask TasPorts to take advice if they are in a position to do that.

**Mr McKIM** - I will put it on notice then. Did you buy the woodchips as well?

**Dr NORTON** - No, we didn't buy any woodchips.

**Mr McKIM** - So the pile that is going to be on your port doesn't belong to you?

**Dr NORTON** - We will take advice and if there is no requirement under our sale purchase agreement with KordaMentha we will provide you with the acquisition cost. I repeat that we did not buy any woodchips. Of the woodchips at Burnie at the moment, some belong to Forestry Tasmania and some are now Forico's. The initial woodchips that were there were KordaMentha's, after they sold it -

**Mr McKIM** - To Forico.

**Dr NORTON** - No, they sold the facility to us and still had woodchips there, from my recollection. They then negotiated a rate for us to handle those woodchips.

**Mr McKIM** - At normal commercial rates?

**Dr NORTON** - It was part of the deal. They got a lower rate initially.

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[12.45 p.m.]

**Mr McKIM** - So part of the deal to purchase the woodchip mill was a reduced rate to handle the chips?

**Dr NORTON** - Yes, it was part of the package.

**Mr McKIM** - To handle only the KordaMentha chips that were on the wharf at the time?

**Dr NORTON** - There was a rate struck with KordaMentha and there was a different rate that applied to whoever they sold their facilities to, from my recollection.

**Mr McKIM** - Does TasPorts make money out of exporting woodchips?

**Dr NORTON** - All I can say is we acquired that facility on a fully commercial basis. We evaluated the price we paid as to whether we could get a commercial return and to date from a commercial return perspective the facility has been performing very well. We are not losing money, we are making money at a commercial rate.

**Mr McKIM** - Even though you gave Korda a discounted rate to handle their chips as part of the purchase?

**Dr NORTON** - Yes. One of the reasons we bought it was because we've got a mandate to facilitate trade and when Gunns owned it it was an exclusive facility. One of the purposes of our owning it was to make it available as a common user facility to anybody who has woodchips. We have opened it up to a broader market.

**Mr McKIM** - Thanks, Dan. There is about 70 000 tonnes of woodchips sitting on the Burnie Wharf at the moment. Firstly, what is the carrying capacity of that part of the wharf where the woodchip pile is? In other words, is it at maximum capacity, which I understand it is because they are burying logs out in the bush at the moment because they are harvesting and haven't got a market for them? Can you confirm that you are at capacity there in terms of the carrying capacity of that part of the Burnie Wharf?

**Dr NORTON** - Mr Weedon can answer the question but it is on solid ground so it is not on the wharf.

**Mr McKIM** - The physical capacity, then.

**Mr WEEDON** - The physical stockpile capacity is in the order of 200 000-250 000 tonnes of product in the existing boundaries of that facility.

**Mr McKIM** - What is the highest it has been historically? Has it been up there over 200 000?

**Mr WEEDON** - At any one point in time we can be near capacity. If a ship comes in and loads 50 000 tonnes then we have excess capacity. It is that constant repetition of ships coming.

**Mr McKIM** - It's tacking \$20 notes to every woodchip that gets me, that's what takes the time. Thank you - you don't need to respond to that.

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**Mrs RYLAH** - Dr NORTON, can you give me more information on the Burnie Port in particular? I am interested in the growth and what is happening there. It is our local port and I am keen to hear what TasPorts are doing.

**Mr HIDDING** - Before the Chairman answers, of course there is the project funded by federal funds the previous government put together. There are three players in it - TasRail, TasPorts and Toll. A lot of work has been done particularly on design and the rest of it but I think I told the Legislative Council earlier this week that in the next two weeks we will be able to announce the successful tenderer on that and a commencement to the project. It will be great for Burnie, particularly with the rail shunting that will not be necessary.

**Dr NORTON** - All our ports are very important and our 30-year plan will make public our view that all those ports should remain in use. We do not see any of those ports being closed down. They all have particular uses and we certainly do not see the notion of a one-port solution as being any way feasible.

Burnie is particularly important as a container operation for Toll; they have invested quite a bit of money there. With the Burnie optimisation project, as we have called it, the rail will not go onto their land any longer. It will not shunt along the foreshore either, which will free up land and enable them to have increased capacity on their site. We also have our 30-year plan, as will be publicly released early in the new year. We have a many-year concept of how we would like to further develop the Port of Burnie. There are a number of issues that need to be dealt with into the longer term. One is the bulk mineral ship loader, which TasRail own. At some point in time, there has to be a decision about whether that is replaced and where it sits. The bulk mineral shed is not in an ideal location, either. We have a concept of moving the bulk mineral concentrates shed further to the south-east.

One of the other advantages of buying the woodchip facility is that because we own it, we could move it if we wanted to. We could move the location of the woodchip pile. You would not move the location of the woodchip loader, but you could move the location of the pile. Into the future, we see significant potential for further development of that port, especially to handle bulk mineral exports. We have had some ups and downs on the west coast as you are all aware with projects that, for one reason or another, mostly due to economic circumstances, may not have gone ahead. All of those projects, if they do go ahead, will require the development of the Port of Burnie to handle them. Do you want to add anything to that, Paul?

**Mr WEEDON** - No, I think that is a good summation. The minister is right; the go-forward on this rail reconfiguration project is key because that allows us to take trains out of the Toll terminal. It gives them capacity. In the financial year under review, we did 242 000 TEUs through the Port of Burnie, which is the most we have ever done. Toll have done an outstanding job in being able to handle that volume in a quite constrained terminal footprint. This is a real boost for them and that is why they are party to this project. It is because they get the benefits of increased capacity. That really is the most critical objective we have.

**Mr McKIM** - Sorry, Chair, I graciously allowed Mrs Rylah to ask a question. I do not recall giving a commitment.

**Mr BROOKS** - I would not mind hearing a question tally, Chair.

**CHAIR** - Mr McKim, you have one question.

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**Mr McKIM** - This is about disposal of freehold land on King Island. Could you please inform the committee of how much land TasPorts has disposed of, perhaps going back over the last two or three years? Could you inform the committee of whether there was a proper process around the disposal of that property that I understand was previously owned by TasPorts and has now been disposed of?

**Mr HIDDING** - I do not know the answer to that question. I have recently been on King Island with TasPorts and nobody spoke to me about disposing of any land.

**Dr NORTON** - We did go to market four years ago with some property we had in Currie. There was some concern on the island about that and we withdrew from that process. There have been ongoing discussions more recently with the council about some of the property within that Currie precinct. I think the position that we have been trying to get to is to hand some of that land to them.

**Mr McKIM** - To council?

**Dr NORTON** - To council. I notice negotiations or discussions have been going on for some time and I think quite positively now.

**Mr HIDDING** - This is the Currie wharf area, is it?

**Dr NORTON** - Yes, it is in the Currie wharf area.

**Mr HIDDING** - There is some beautiful land there.

**Mr McKIM** - Yes, and I think that is part of the concern.

**Dr NORTON** - I think we got to a point with the previous council where there was some in-principle agreement around some of that.

**Mr WEEDON** - Yes, we are very close to in-principle agreement essentially to hand back that land and the buildings that are currently disposed to community assets. There is one facility which is occupied by the Lions Club. The Men's Shed is in another facility.

**Mr McKIM** - Right. They obviously cost you in terms of maintenance at the moment.

**Mr WEEDON** - Exactly.

**Mr McKIM** - You are examining, effectively novating, them over for a potentially nominal fee - a peppercorn?

**Mr WEEDON** - Just a nominal one.

**Mr McKIM** - Just to confirm, you said you withdrew from the previous process. So there was no land disposed of under that previous process?

**Mr GREEN** - Is there a ship booked for Burnie for the Forestry Tasmania pile?



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**Mr HIDDING** - Yes, there is.

**Mr GREEN** - When is it arriving?

**Mr McKIM** - It is leaving on 14 December 2014.

**Mr HIDDING** - You can arrange a demonstration. Are you planning a workplace invasion or something?

**CHAIR** - Order. Committee members can have that discussion at the end of the committee.

**Mr GREEN** - Can you confirm that there is a vessel that is going to pick up woodchips before 14 December?

**Mr WEEDON** - We will confirm.

**Mr McKIM** - Why are they not on the shipping lists?

**Mr WEEDON** - They probably are but we -

**Mr McKIM** - I think you will find they are not there.

**Mr LLEWELLYN** - They do not need to be because you know what they are already.

**Mr HIDDING** - We just ask the Greens.

*Laughter.*

**CHAIR** - Order.

**Mr GREEN** - Obviously, the Government has made decisions with respect to international shipping and money available to assist in the process. Has TasPorts been involved in negotiations with Swire?

**Dr NORTON** - No.

**Mr GREEN** - The infrastructure requirements with respect to international shipping - have they been discussed? The federal funding - has it got anything to do with the Swire negotiations?

**Mr HIDDING** - We would expect the signing of the MOU earlier this week or late last week will mean that Swire will be on the ground starting before Christmas to interact with its own market and to understand the state of it. I seem to recall that they indicated that those discussions with TasPorts would occur then.

**Mr GREEN** - They have signed an MOU without having any discussion with the port facilitator?

**Mr HIDDING** - I suspect that they did that under your previous government. They had already done that -

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**Mr GREEN** - That is exactly the point because there were some discussions about infrastructure at that stage - infrastructure requirements.

**Mr HIDDING** - Since I have been minister, I am not aware of Swire interacting with TasPorts, so the question then is whether -

**Mr WEEDON** - Just to clarify it for you, minister. Swire is a current customer of TasPorts. They put a ship in about every six weeks with the breakbulk cargo for both Pacific Aluminium and occasionally for TEMCO.

**Mr GREEN** - I certainly was aware of that.

**Mr WEEDON** - They are well aware of the current cost structures, the operational parameters in the ports and those arrangements. What they have not spoken to us about yet is what vessels they may be contemplating deploying in any new container service and how that would impact on infrastructure or pricing in the port. So, logically, that would follow. Once they have decided what ships they wish to deploy, that then triggers a specific discussion.

**Mr GREEN** - None of the funding for Bell Bay as part of the Commonwealth funding is going to potentially facilitate Swire in any way?

**Mr HIDDING** - What sort of federal money? What do you mean?

**Mr GREEN** - You have the project on at Bell Bay, have you not, with respect to upgrades?

**Mr HIDDING** - TasRail has it.

**Mr GREEN** - So none of that federal funding with the Swire deal has been built into that?

**Mr HIDDING** - No, it is not contingent on that.

**Mr WEEDON** - Certainly, I can say that the current vessels that Swire deploy can be handled under the existing container crane that is owned and operated by AATMQ in the port. They could start operations with their current fleet under that crane tomorrow if they wished to. But if they wanted to bring different ships, that specific analysis would have to be undertaken.

**Mr GREEN** - The existing ship that comes into Southern Aluminium - can that potentially take containerised freight?

**Mr HIDDING** - It does now.

**Mr WEEDON** - It can and does.

**Mr HIDDING** - It is a breakbulk - it carries containers as well as the bulk.

**Mr GREEN** - Why would they not use just the existing vessels that they have now to facilitate what the Government is suggesting?

**Mr HIDDING** - No, their container handling is less than 100.

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**Mr WEEDON** - It is small volume.

**Mr HIDDING** - Rather than what would be required for the international tasks.

**Mr GREEN** - With your MOU with Swire, you have a feasibility underway now.

[1 p.m.]

**Mr HIDDING** - The MOU is time for Swire to prove their market and get indications as to what kind of ships they would require and firm up a proposal to us as to how much of the money they would want to access to demonstrate a viable service in the future.

**Mr GREEN** - I thought you had indicated to the Tasmania people that there would be an international shipping service. Now you are telling the Tasmanian people that Swire have to go away and make an assessment of whether there is a market.

**Mr HIDDING** - They are the only one of the proponents who have done the work already. They are well placed to do that. They now have to do their market assessments to work out what kind of ships, which will determine the support level required. That is the next discussion under way.

**Mr GREEN** - The \$33 million remains on the table?

**Mr HIDDING** - Yes.

**Mr GREEN** - Wouldn't the \$33 million have been better of spent on two new boats for the *Spirits*, added to the \$70 they have already and brought that forward?

**CHAIR** - I should remind members that we are supposed to be talking about TasPorts.

**Mr BROOKS** - I have a TasPorts question. I am interested in a Devonport port. I know you have mentioned dredging briefly but I would be interested to hear about freight volumes inwards and outwards, growth and what opportunities there are and how that is going and the challenges.

**Mr WEEDON** - Devonport is the second largest container port in the state. It handled 199 000 TEUs, which were carried by SeaRoad and TT-Line. It is also a very important port for us with Cement Australia, which was our cornerstone tenant and logistics operator on the west side of the city. Volumes, both in container freight and cement, improved last year on prior years.

It was a good year for us in Devonport. The real challenge is to determine the optimum future for Devonport in that we are looking at an environment where SeaRoad has confirmed their commitment to purchase a new ship. That creates some configuration issues on the east side of the river in terms of how we make sure we can support operations for both TT-Line, their current and whatever future operations might emerge, and also provide for SeaRoad and their growth ambitions. They are not buying new ships just for the fun of it. They are upgrading their capacity in the order of 50 per cent annual volume. One has to assume they are going to be looking for market share to fill those new ships. That means they need, potentially, a reconfiguration of their terminal footprint as well as what might happen on the water side.

We are well advanced in negotiations. We have long running negotiations with SeaRoad over the matter of their occupation of the east side of the river. We are reaching a logical culmination

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which provides for a mutually agreed solution to the terminal occupation and agreement on, if we do need to reconfigure, what the reconfiguration might look like.

**Mr LLEWELLYN** - Have you had any discussions with Cornwall Coal or its principals in recent times about their needs?

**Mr WEEDON** - Not in the last six months.

**Mr GREEN** - Bauxite?

**Mr WEEDON** - Yes. Bauxite at this stage is targeted for Bell Bay and we are well advanced in our discussions with Australian Bauxite and their needs. We have developed concept designs. Coming back to an earlier question, that is one of the potentially interesting opportunities for private sector investment in funding the storage and cargo handling infrastructure to support that contract. On that issue, we may well see ourselves act as primarily a landlord, making land available for the private sector to build a shed and conveyors and ship handler and the like.

**Mr GREEN** - What about the congestion on the Burnie Wharf when it comes to direct shipping or iron ore?

**Mr WEEDON** - We would love to have congested issues but they are not there at the moment. The reconfiguration around the rail is a key part of that along with creating space in Toll. It is also about reconfiguring port roads so we can actively manage truck ramping a lot more effectively than we have been able to in the past.

**Mr McKIM** - Back to Macquarie Point if I might, minister, and this is not in relation to woodchips. Has anyone approached TasPorts, including the Macquarie Point Development Corporation, in relation to any disposal of TasPort assets to the Macquarie Point Development Corporation?

**Mr HIDDING** - I can answer the obvious one. Of course the cold storage sits adjacent to the land. I am absolutely sure that discussion has taken place. As for any others I will leave that to Dan.

**Dr NORTON** - The cold store is the one we have had discussions on.

**Mr McKIM** - So nothing else, Dan?

**Dr NORTON** - No. You have had discussions over time about their plans but we have not had any negotiations about them taking our land or us taking any of their land.

**Mr McKIM** - Except for, I think you have said, the cold store.

**Dr NORTON** - Our position on Macquarie Point, and it is important to understand this especially as five and six need some refurbishment, we think it is critical for the long-term future of that port for the quay line to be maintained. For us to continue to have,

**Mr McKIM** - What is the quay line?

**Mr HIDDING** - The berthing line.

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**Dr NORTON** - The berthing ship capacity. We have got four, five and six on that part of the river. If the Government of Tasmania was able to get another Antarctic operator, if the Chinese ship came in, we would need that quay line.

**Mr McKIM** - You would?

**Dr NORTON** - We want to maintain the quay line. Even though, today, we do not need it.

**Mr McKIM** - You don't need all of it.

**Dr NORTON** - Ultimately we do need it so our view is that the port footprint, and particularly the quay line, needs to be maintained. Once again in this document that we will put out early next year on the 30-year plan goes into all those issues and makes it quite clear.

**CHAIR** - That is the finish of deliberations. Thank you all very much.

**The committee suspended at 1.07 p.m.**