



PARLIAMENT OF TASMANIA

LEGISLATIVE COUNCIL SELECT COMMITTEE

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE 'B' 2021

Report with Minutes of Proceedings

Members of the Committee:

Hon Rosemary Armitage MLC (Deputy Chair)
Hon Jo Palmer MLC
Hon Tania Rattray MLC (Chair)
Hon Jo Siejka MLC
Hon Rob Valentine MLC
Hon Josh Willie MLC

TABLE OF CONTENTS

MINUTES OF PROCEEDINGS.....	3
APPENDIX – TRANSCRIPTS OF PROCEEDINGS.....	7

**LEGISLATIVE COUNCIL SELECT COMMITTEE
GOVERNMENT BUSINESSES SCRUTINY COMMITTEE “B”**

MINUTES

THURSDAY, 2 DECEMBER AND FRIDAY, 3 DECEMBER 2021

THURSDAY, 2 DECEMBER 2021

The Committee met at 10:31 am in Committee Room 1, Parliament House, Hobart.

Present:

Ms Armitage (Deputy Chair)

Ms Palmer

Ms Rattray (Chair)

Ms Siejka

Mr Valentine

Mr Willie

Apologies:

Nil

In Attendance:

Ms Julie Thompson (Secretary)

Confirmation of Minutes

The Committee **RESOLVED** that the Minutes of the Meeting on Wednesday, 17 November 2021 were and true and accurate record.

Correspondence

Outwards

The Committee endorsed the following outgoing correspondence:

1. Letters dated 17 November 2021 inviting written submissions/comments from stakeholders.
2. Letter sent 18 November 2021 to Ministers and Chairs providing meeting details for GBB hearings on Friday, 3 December 2021.

Incoming

The Committee received incoming correspondence from stakeholders.

Stakeholder Meetings

At 10:35 am the Committee commenced informal discussions with stakeholders.

The meeting was suspended at 1:27 pm until 9:00 am on Friday, 3 December 2021 in Committee Room No. 2, Parliament House, Hobart.

FRIDAY, 3 DECEMBER 2021

The Committee resumed at 9:00 am on Friday, 3 December 2021 in Committee Room 2.

Members Present:

Ms Armitage (Deputy Chair)

Ms Palmer

Ms Rattray (Chair)

Ms Siejka

Mr Willie

Mr Valentine

Apologies:

Nil

In Attendance:

Ms Julie Thompson (Secretary)

PUBLIC TRUSTEE

At 9:00 am the following witnesses appeared before the Committee:

Hon Elise Archer MP, Attorney-General

Mr Mark Scanlon, Chairperson, Board of the Public Trustee

Mr Glen Lucas, Acting CEO

Ms Gaylene Cunningham, General Manager, Trustee Services

The Attorney-General provided a brief overview and the Committee proceeded to questions.

Questions on notice

1. Provide total amount of services being procured from supermarkets and how does that work with the Treasurer's instructions, is that being complied with. (JW)
2. Provide compensation payments for the last three years and a brief description of each. (JW)
3. In relation to the three CSO non-compliance files. Provide detail of the process followed, plus any training activity. (JW)
4. Provide detail regarding the 'underlying profit (loss)' figure being significantly down 2020-21 see Table 5: page 51 of the Auditor-General's Report on the Financial Statements of State Entities, 25 November 2021 (RA)
5. Provide breakdown of 'other associated personal expenses' – see page 38 of Public Trustee Annual Report 2020-21. (TR)

The witnesses withdrew at 11:00 am

The Committee suspended at 11:00 am.

The Committee resumed at 11:15 am.

SUSTAINABLE TIMBER TASMANIA

At 11:15 am the following witnesses appeared before the Committee:

Hon Guy Barnett MP, Minister for Resources
Rob de Fégely AM, Chairman (via Webex)
Steve Whiteley, Chief Executive Officer
Suzette Weeding, General Manager Conservation and Land Management
Chris Brookwell, General Manager Corporate Services

The Minister provided a brief overview and the Committee proceeded to questions.

Questions on notice

1. Provide how much area of specialty timber areas in PTPZ land are designated high conservation value 3.3 forests. (TR)
2. Provide a copy of the 'diversity and equal opportunity policy'. Further, provide the average income and income range for those groups identified in this policy. Also, outline the representations of those groups at each level across STT. (RV)

The witnesses withdrew at 1:26 pm.

The Committee suspended at 1.26 pm

The Committee resumed at 2:15 pm

TASMANIAN PORTS CORPORATION PTY LTD

At 2:15 pm the following witnesses appeared before the Committee:

Hon Michael Ferguson MP, Minister for Infrastructure and Transport
Stephen Bradford, Chairman (via Webex)
Anthony Donald, Chief Executive Officer
Geoff Duggan, Chief Financial Officer

The Minister provided a brief overview and the Committee proceeded to questions.

Questions on notice

1. Provide value of land at Bell Bay. (RA)
2. Provide list of 93 consultants, less than \$50,000. (RA)
3. Provide figures on the number of units being delivered by rail and road transport. (RV)
4. Across the whole organisation can TasPorts please outline the numbers and remuneration outcomes for men compared to women and what strategies are in place to deliver a more equitable work environment. (RV)

The Committee suspended at 3:16 pm

The Committee resumed at 3.30 pm.

The witnesses withdrew at 4.55 pm.

The Committee **AGREED** that responses to questions on notice be due close of business, Thursday, 9 December 2021.

The Committee **AGREED** that the Committee next meet at 10:00 am on Monday, 13 December 2021.

Next Meeting

At 10:00 am on Monday, 13 December 2021.

Adjournment

At 5:00 pm the Committee adjourned.

DATE:
13/12/2021

CONFIRMED

A handwritten signature in black ink, appearing to read 'Jamie Rothney', written in a cursive style.

CHAIR

APPENDIX – TRANSCRIPTS OF PROCEEDINGS



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESS SCRUTINY COMMITTEE B

Public Trustee

Friday 3 December 2021

MEMBERS

Hon Rosemary Armitage MLC (Deputy Chair)

Hon Jo Palmer MLC

Hon Tania Rattray MLC (Chair)

Hon Jo Siejka MLC

Hon Rob Valentine MLC

Hon Josh Willie MLC

WITNESSES IN ATTENDANCE

Hon Elise Archer MP, Attorney-General and Minister for Justice, Minister for Corrections, Minister for the Arts, Minister for Workplace Safety and Consumer Affairs.

Mr Mark Scanlon, Chairperson, Board of the Public Trustee

Mr Glen Lucas, Acting CEO, the Public Trustee

Ms Gaylene Cunningham, General Manager, Trustee Services, the Public Trustee

PUBLIC

The committee met at 9 a.m.

CHAIR - Welcome everyone to this year's government scrutiny undertaken by the Legislative Committee B.

Ms ARCHER - Thank you, Chair. To my left I have Mark Scanlon, who is the chairperson of the Public Trustee Board and Glen Lucas who is the acting CEO of the Public Trustee at the moment, his usual role being CFO.

In relation to this government business enterprise, very happy to provide the committee with a brief opening statement which is important this week. The Public Trustee, as members of this committee will know, interacts with Tasmanians often at the most difficult times in their lives. It provides essential services to the Tasmanian community, assisting around 2000 people to manage and act as trustee for their financial affairs.

The Public Trustee Annual Report was recently tabled in parliament on 28 October and that outlines its key operational and commercial activities for the 2020-21 financial year. It is important to note the board has acknowledged in its annual report the community concerns raised and recognises there is an opportunity to appropriately respond and improve service delivery.

Members would be aware I called for an independent review into the administrative and operational practices of the Public Trustee in June of this year and appointed the highly respected barrister, Damien Bugg AM QC, to carry out this work. The final report was delivered to me on Tuesday of this week as requested and I released it publicly the following day, being Wednesday.

Whilst I have taken a preliminary look at this very comprehensive report that runs into 80 pages, there has not been sufficient time to fully consider and respond in detail before the GBE committee hearing today, but I will endeavour to answer your questions as best I can on the recommendations. It is important we now take the time to consider the report, findings and recommendations.

I thank Mr Bugg for this important and timely work. He finished it on time and has completed that work comprehensively. I acknowledge while some of the findings are tough, particularly for the Public Trustee to hear, it was necessary for a review to be carried out independent of Government, so all the issues and recommendations on how best to rectify them, could be appropriately identified.

I also fully recognise and acknowledge the distress and hurt the types of issues that have been identified in the Bugg review can cause or have caused which is why, on behalf of the Tasmanian Government, I apologise to the vulnerable Tasmanians, their families and support persons, who have been hurt and negatively affected by the inappropriate handling of their cases. We are sorry.

We hope those affected will accept our acknowledgement there have been failures by the Public Trustee to deliver important services which appear to be due to misunderstanding of its responsibilities and accountabilities in carrying out its functions under the legislative frameworks. That is certainly a finding of the Bugg review.

PUBLIC

It is critical to ensure the community maintains confidence in this vital service and can be assured our Government will act on the findings and recommendations to make the necessary improvements. This is why we will do all we can to help the Public Trustee to improve the processes and systems in order to meet its statutory obligations and community expectations. The findings are presented across two parts, containing 28 recommendations which aim to help resolve concerns raised about the Public Trustee and allow it to continue to deliver its important services into the future.

I am also aware the Public Trustee only received a copy of the report when it was released, so they too, will need to consider it in detail. Importantly, I note the reviewer does not indicate there has been any fundamental failure or wilful blindness by the Public Trustee regarding the concerns raised on how cases are managed, but rather there appears a need to clarify the misunderstanding regarding its responsibilities and accountabilities in carrying out its functions under the legislative frameworks.

We can all recognise the Public Trustee is more than just a financial or accounting institution and that improvements may be needed to ensure its clients' needs across the vast range of services it provides, not only that of financial management, are equally met. This work will also include consideration of the recommendations regarding the Public Trustee's budget and resourcing.

As myself and the Premier have clearly indicated, if extra resources are needed to ensure the continued and improved operation of this important authority we will consider it. I would also like to reiterate the statements I have previously made that the recommendations for reform to the Public Trustee will be considered alongside our ongoing and extensive work that is underway of our review of the Guardianship and Administration framework. I look forward to progressing this work early next year and any necessary improvements at the earliest opportunity. I know a lot of the recommendations make some findings and indeed recommendations in relation to the legislative framework as well.

CHAIR - Thank you Attorney-General. Before I hand over to questions I am interested if the chair has anything to add to the Attorney-General's statement?

Mr SCANLON - No, I do not.

Mr WILLIE - Attorney-General, I am pleased you apologised to Tasmanians who in instances were disempowered, dispossessed, disrespected and ignored. That was going to be my first question, so I am pleased you have done that.

In his report, Damien Bugg QC said, 'the responses on all occasions led me to conclude that the 26 years the Public Trustee has genuinely misunderstood the duties of an administrator under Section 57.' Section 57 reads; (tbc)

Exercise of power by an administrator

An administrator must act at all times in the best interests of the represented person without limiting subsection 1, an administrator acts in the best interests of the represented person if the administrator acts as far as possible in:

PUBLIC

- (a) In such a way as to encourage and assist the represented person to become capable of administering his or her estate; and
- (b) In consultation with the represented person taking into account as far as possible the wishes of the represented person.

Minister, how does the Public Trustee view its role as an administrator?

Ms ARCHER - I can ask the chair to address that directly. but in relation to the report's finding on section 57, it is important to note in my opening statement I said it is not as a result of any wilful blindness. There has simply been an interpretation by Public Trustee for some 25 or 26 years of its obligations under section 57. As I said, the Public Trustee needs to also be given time to consider that particular recommendation and also take its own advice. I accept the finding and recommendation of Damien Bugg in relation to section 57. I am also aware at no time it has been raised throughout that period with the Public Trustee. Again, it has not been an issue that has been identified. I do not know if Mark wants to add anything further in relation to that, but in their eyes, they were interpreting section 57 correctly.

It is also important for me to point out there has been a lot of confusion therefore, one of the recommendations addresses community awareness and education of the different roles of the three different bodies under the Guardianship and Administration framework and that is the Public Trustee and its role in managing financial affairs. The Guardianship and Administration Board, which is now enveloped within the Tasmanian Civil and Administrative Tribunal and is now a guardianship stream of that tribunal. Then there is the Public Guardian who is a last resort guardian for someone who does not have someone to act in that capacity for them and is appointed. There is a lot of confusion in relation to who administers what and the Guardianship and Administration Board if I can call it that or TASCAT, is there to manage health and other affairs, not financial.

There is often the need to work together and this is why when I called this review the terms of reference were not limited only to the Public Trustee because a lot of the instances or examples coming forward related to guardianship and administration more broadly and not just simply the functions the Public Trustee carries out. I note on my preliminary review of the report that the recommendations strongly refer to the fact that some of those guardianship and administration issues raised by the Tasmanian Law Reform Institute will be addressed within my broader reform early next year, dealing with vulnerable Tasmanians.

As members of this committee know, I've already advanced the first tranche of that reform through parliament. That first tranche involved advanced care directives, which is an important body of work that has now been dealt with. TASCAT has the register relating to advanced care directives. That work is well progressed and we are now embarking on the second tranche, relating to other powers and functions for vulnerable Tasmanians.

Going back to your question about section 57, the Public Trustee has carried out its functions according to its interpretation of that section. Mr Bugg has identified that he has a different view of their functions in relation to managing financial affairs, and the Public Trustee will need time to consider that. However, they are willing and able to look at that and address those concerns raised by the review. It's the whole purpose of the review.

PUBLIC

Mr WILLIE - My question, minister, was how the Public Trustee views its role as an administrator. You've talked about the administration of finances but I'm interested in this interpretation around section 57.

Ms ARCHER - I'm very happy for Mark to address how they have been interpreting section 57; but it was really important to note that it has been specifically identified in the review, and the Public Trustee will need to consider how it has been interpreting that and how it may need to address that in future.

Mr SCANLON - I can call on Gaylene Cunningham who is head of our trustee services. She deals in this stuff all the time. That would be useful.

Ms ARCHER - Mark, I think you're able, as chair, to initially address that.

Mr SCANLON - Yes.

CHAIR - All right. If we need to, we can invite Gaylene to the table.

Mr SCANLON - Section 57 refers to executing the powers, and the powers are provided under section 56. We believe that in exercising our powers we're limited to the powers provided to us in section 56.

Mr Bugg thinks we should be reading it broader than that. We don't think that's the case because you can only exercise the powers you're given. I'm not a lawyer but, as I understand it, if you're provided with a certain range of powers, that's your limit. I can't speak for Damian, but I think he is taking section 57 in isolation whereas we see it as one follows the other. Our interpretation is that we exercise the powers that are provided to us under section 56. They're limited to things like collecting rent and this sort of stuff.

Mr WILLIE - That strict interpretation of section 56 has perhaps caused some of the issues where -

Mr SCANLON - You may be right.

Mr WILLIE - - people haven't been consulted.

Mr SCANLON - Yes, you may be right; but we haven't had an opportunity to explore it in the light of his report, as a board. We haven't met. That will happen next week and then we can have a discussion about how we approach it going forward.

Mr WILLIE - A follow-up question is if the Public Trustee is to build agency in its clients as per section 57, will that require more resources like counsellors and other staff to genuinely engage and consult with the clients?

Ms ARCHER - Possibly. As I said in my opening statement, it's the Government role to look at the resourcing implications of the findings and recommendations, and we will certainly look at that with the Public Trustee. That's why we need time to consider the findings and recommendations.

PUBLIC

The Premier in his capacity as Treasurer, and I are the shareholder ministers in this GBE and we will consider the resourcing implications of the findings and recommendations. We've been very upfront and open about that right from the start.

Mr WILLIE - Has the Public Trustee been under-resourced and that's why there hasn't been this engagement?

Ms ARCHER - I don't believe that they've been under-resourced to this point, but to implementing the findings and recommendations may well have resourcing implications. I think that's two separate matters.

Mr WILLIE - Minister, 18 of the recommendations put concerns back on the Public Trustee, things like review, retrain staff etcetera. However, the evidence is overwhelming that the problems are systemic within the Public Trustee and will likely remain the same if left to the Public Trustee to self-implement.

Do you have confidence the Public Trustee will be able to self-implement the cultural and procedural change required, and if not, what are you going to do about it?

Ms ARCHER - Again, we need time to consider the findings and recommendations as to how the recommendations are best implemented. The Public Trustee hasn't implemented any of its functions with willful blindness or apparent disregard for or intentional bad will on any of its clients. Prior to this independent review being formed, it has been in the process of carrying out a more self-identified, client-centric reform of its organisation,. We will consider the findings and recommendations about how the recommendations and the reform can best be implemented. If assistance or oversight is required, that we will certainly consider that in the context of Government support that we need to provide. The Government and the Public Trustee need to be given time to consider the recommendations.

I received the report very late on Tuesday; I released the report straightaway. We haven't even provided our response. Our response as a Government will address some of those issues.

Mr WILLIE - My question, specifically, Minister, is to whether you had confidence in the Public Trustee to self-implement the recommendations given?

Ms ARCHER - I have just answered your question, Mr Willie. I said at this point in time I cannot commit, because I haven't fully considered the findings and recommendations. If I felt that they can't, then we would look at how we would need to implement the recommendations. At this point in time, I can't answer that directly without being given time to fully consider all of the recommendations and what might be required to implement those recommendations. I have given the undertaking though, on behalf of the Government, that we have taken on board all of the findings and recommendations and accept them. We will now look at providing a response on how we will implement them. I can't give you that commitment until I am able to consider them in full.

Ms PALMER - Attorney-General, can you provide the committee with an update on the further reforms to the guardianship and administration framework? You referred to that in your answer to the member. It would be great to have an update.

Ms ARCHER - I did, and I think it is important for this update in light of the calls for changes to the guardianship and administration framework which I am deeply committed to. I have said this all year, and I have said it publicly, that we are continuing to consider the report of the Tasmanian Law Reform Institute and all of its review of the Guardianship and Administration Act. I have repeatedly said, it is a very complex reform that needs to be undertaken. The report itself is voluminous and that is why I am taking a staged approach to the reform, so that it doesn't take a long time to implement and we can do it and progress it in stages in a timely manner. The first tranche was the advanced care directives (ACDs), which successfully passed through parliament in September 2021, and I thank all members for that support.

CHAIR - We might need them ourselves sometime.

Ms ARCHER - We all should, I think. It is an important reform that drew on the work delivered by the TLRI in their 2018 review and it is the first in a number of stages to deal with this substantial and often very difficult reform. Under the new framework, the guardianship stream of TASCAT will be responsible for keeping the register of the ACDs, which I referred to in my statement. I am advised that the work is well under way to progress the changes. And I would like to thank the president Malcolm Schyvens, for taking on that project so quickly.

My department, in consultation with TASCAT, is in the process of developing new regulations to support that framework as well as developing a new digital solution for a 24 hour accessible database for the register.

Pending finalisation of funding arrangements, which I understand will be considered as part of next year's Budget, it's anticipated the implementation work will be completed next year. That is really important because people will be able to access that register, most importantly, medical practitioners.

Regarding the second tranche, as I like to call it, of the Guardianship and Administration reforms, I can advise that this work is well underway towards entrenching further supports for vulnerable Tasmanians into the Guardianship framework.

Some of the further improvements to be progressed as part of the future reforms will include changes to the framework. I think it is really important for me to run through these, such as, a revised test of decision-making ability; a consistent definition of health care; and the inclusion of a greater role for the Public Guardian in providing preliminary assistance to resolve disputes between parties.

I also intend to import into the principal act, concepts that have been given effect within the advance care directives bill, namely the adoption of human rights principles, as a framework for the way in which decisions, under the act, are to be made. This is something that came out of a lot of the stories and concerns that we have heard, as part of this review, that we have been discussing.

CHAIR - We've read the stories.

Ms ARCHER - Yes. Also, a revised test of decision-making ability which recognises that all persons have decision-making ability as a common law right, and that the

reasonableness test of the decision is irrelevant to the assessment of a person's ability to make a decision.

The move away from a best interest approach towards a will and preference approach, which requires substitute decision-makers to recognise the wishes of the person when making any decision under the act, and the removal of disability as a stand-alone test of decision-making capacity.

The aim of adopting these approaches into the broader Guardianship and Administration framework will ensure the key concepts in the principal act are contemporary and reflect best practice.

In addition, as I mentioned in my opening statement, the recommendations for reform to the Public Trustee will be considered alongside this ongoing work to review the Guardianship and Administration framework. I think members can all agree, this is vitally important work as we must ensure that all bodies operating under this act represent those with whom they are charged responsibility in certain matters.

The findings and outcomes of the Bugg review are important to continue to improve the processes and systems of the Public Trustee in order to meet its statutory obligations and the community expectations into the future.

It is critical to ensure the community maintains its confidence in both the Public Trustee and the framework generally. Can I stress again, the Government will act on the findings and recommendations to make any necessary improvements as part of this work.

CHAIR - Thank you, minister, we will need to keep our answers a bit tighter if we are going to get through all our questions.

Ms ARMITAGE - Attorney-General, looking at the joint chairperson and acting CEO report. I am looking at the complaint area, where it points out that, the Public Trustee supports the implementation of an effective complaint handling process, and it goes on to, to improve the reputation of the Public Trustee, that provides confidence in the consistent treatment of complaints.

I note there were 28 complaints, with 26 unsubstantiated and two substantiated. Following the Bugg report, are you confident that they were dealt with appropriately? Is there any concern? Will you be looking to review those complaints to make sure they all were dealt with appropriately?

Ms ARCHER - I can ask Mark to address their complaints handling process and how they have been dealt with to date. In relation to the findings and recommendations in the report, I believe that the process will naturally need to be looked at to ensure that it does respond in a way that is appropriate.

I am sure that the complaint handling process and the information that the board is receiving, the complaints to date have been handled in accordance with their procedure. I do not believe that that has been deviated from. However, if there can be a better procedure as a result of the findings and recommendations, that is something that needs to be looked at further.

PUBLIC

As to how those complaints have been dealt with to date -

Ms ARMITAGE - How they were determined would be good. The two that were substantiated and the 26 that were not.

Ms ARCHER - Mark, if you could explain the process?

Ms ARMITAGE - The methodology used, maybe, to determine whether a complaint is substantiated.

Ms ARCHER - I think it is important how the board gets the complaints.

Mr SCANLON - Complaints are dealt with by our manager of compliance. He sits separate from the file managers. He reviews the complaint, looks into the file, gathers information and then looks to see whether the complaint is actually substantiated and he provides his findings to us as a board. We get a report once a quarter on all of those and we can see if there are systemic issues coming out of his reporting. It is a robust system. People are provided with time lines of when we will respond to their complaints et cetera, so it is a robust system and we have a high level of confidence in it.

An individual who is charged with looking at the complaints is a very experienced Trustee Services person.

Ms ARMITAGE - What right of review or appeal does a complainant have, if their complaint is found to be unsubstantiated? Do they have a right to appeal?

Mr SCANLON - Yes, they can go to the Ombudsman.

Ms ARMITAGE - They probably don't have two years to wait. The other thing is the annual report states that the staff are counselled on each occasion. Issues are raised and actions are taken to improve service delivery. Without referring to the content of any specific complaints, can you indicate what type of issues were raised and what specifically does 'counselling' mean, as it relates to the staff who were involved in complaints?

Mr SCANLON - It can mean a broad array of things, but it might simply be that you need to be a bit more -

CHAIR - Sympathetic?

Mr SCANLON - That might be one of the words that you use, but I was going to say you might have to be more proactive in responding to clients. Some of the complaints would be that they don't get answers to their questions. Unfortunately, in today's world, it is assumed that if you send an email to somebody you get an email straight back with an answer, but often we are not able to do that. We don't have that many resources. That is the sort of stuff.

If we see that somebody does tend to take a bit of time, they will be told, 'You really need to focus on this aspect of the way you do your work'. It is as simple as that.

Ms ARMITAGE - So it is not a formal counselling or discipline?

PUBLIC

Mr SCANLON - No, it not performance management.

Ms ARMITAGE - Just an idea, what type of issues would have been raised in the last three years, any specifics, without going into any detail obviously, unsubstantiated as against substantiated? You have 26 unsubstantiated. I am wondering what type of issues they were as it is quite a significant number.

Mr SCANLON - Yes. I don't have the detail to hand.

Ms ARMITAGE - No, but you would have an idea.

Mr SCANLON - They would be across the range of services that we provide and a number of them are CSO services, which are the community service obligation. Often, we are dealing with people, as the Bugg report said, who don't fully understand the role of the administrator in looking after their finances. That raises complaints because a day earlier, they were in charge of everything and then somebody issues an emergency order and we are put in as the administrator and all of a sudden, we have to take charge of their finance.

Ms ARMITAGE - We have had some sad cases come through our office though. They have wanted money and they haven't been able to access it.

Mr SCANLON - Yes, and often it depends on how much money is there. As the administrator, we are charged with making sure that we have got money to support them over their journey, whatever that is and that can raise issues. People don't fully understand one, why an order has been issued and two, what our role is, even though we do onboard them with explanations. Often it is a bit challenging for them to understand what we are doing.

Mr VALENTINE - Thank you for that. I go back to the Tasmanian Law Reform Institute's December 2018 report on changes to the act. Attorney-General, I am interested to know what sort of communications might have happened between the Guardianship and Administration Board and the shareholder ministers as a result of that? In reading this report, was there anything that was identified that you felt might have been able to be changed administratively within the Guardianship and Administration Board itself?

Ms ARCHER - I have already identified the types of major things we are looking at for the reform.

Mr VALENTINE - In regard to reforming the act, I understand that, but I am interested to know whether there was any analysis done and communication with the board to see whether things may have been able to be improved as a result of what was -

Ms ARCHER - Are you talking since we received this report on late Tuesday?

Mr VALENTINE - No, not this one yesterday. I am talking about the TLRI December 2018.

Ms ARCHER - Right. There has been constant communication between my department and the Guardianship and Administration Board there has been constant communication between the two putting together not only the first tranche we have seen through this parliament with the advanced care directives, but the future reforms to which I have referred.

PUBLIC

It is an extensive body of work the TLRI as I have said and all members can acknowledge has completed. In my assessment and on behalf of the Government of that report that runs into hundreds of pages, is that it needs to be done in stages and the next tranche is part of the most important part of the reform in the list of things I said would be addressed. That has been in communication with the bodies impacted. As I have said, there are the three different bodies who have different roles and functions under the framework or the legislation and indeed as we put forward a draft of the amendment bill there will be detailed consultation, not only with stakeholders but also with the public.

This is an area of high public interest for obvious reasons. It is an area that will need extensive consultation with stakeholders and the public. When we do that and release a draft bill, quite often when we receive the submissions, even when they are very detailed, my department does a complete analysis of those submissions and then incorporates a lot of those suggestions that people make into the final bill that then gets tabled in parliament. It is a process that responds to peoples' concerns and issues raised. This will be no different, but we have to get this right. I am advised by these respective bodies a lot of these principles are being applied. I want it in the legislative framework in the principal act so these common law rights and obligations are entrenched in the legislative framework as I have listed those things in terms of the definitions and the common law rights because these are the issues come to light as a result of the Bugg review. People need these rights entrenched and we need to have that overarching principle that peoples' wellbeing is put at the forefront and their wishes are being administered within these respective bodies themselves.

Mr VALENTINE - As a result of the TLRI one was there any change to the letter of expectation to the board?

Ms ARCHER - I would need to check that. I cannot answer that directly at this point in time. I would have to take that one on notice.

Mr VALENTINE - Perhaps, I can ask a question the board might be able to answer. Is the outcome from the TLRI review and the Bugg review - which I appreciate you have not had a lot of time to deal with - from those significant documents been identified as a risk by the board's risk committee? Any of the outcomes within those significant documents?

Mr SCANLON - The board has considered what might occur once the TLRI recommendations are implemented. We do not know what they will be at this stage. However, we have looked at another jurisdiction where similar recommendations were implemented and that was in Victoria.

Mr VALENTINE - This is out of the TLRI?

Mr SCANLON - Yes, similar, but in a different jurisdiction. They implemented similar recommendations some time ago and the cost of the business doubled. Yes, we have identified it as a risk it may increase our operating costs and we have asked we are involved an economic review of what the changes might do to our business before we implement them.

Ms ARCHER - Mr Valentine, you will know, as part of the drafting of any legislation we always look at a risk analysis or an impact statement.

PUBLIC

Mr VALENTINE - I was wondering what assessment was given under your risk rating of likelihood and impact of some of these things occurring?

Mr SCANLON - We do not have it down as a likelihood or impact. We have identified a potential impact but really, it is in the hands of the Government as to when this thing might actually occur.

Ms ARCHER - I think we are pre-empting work that needs to be done once I present the draft.

CHAIR - It is pretty clear there is work that needs to be done.

Ms ARCHER - There is, Ms Rattray, but they need to be able to see that work. As I said, stakeholders and the public get an opportunity to look at that at the time we release it.

I have said what my intention is with the framework but the intricate details, in fairness to the Public Trustee, they would need to have a look at that at the time it is released in a more fulsome way.

We are talking about a framework at this stage. I have said what is going to be in it, but it is not a specific draft in front of us for a complete risk analysis to be carried out.

Mr VALENTINE - What view does the Trustee holds in respect of adopting a human rights approach and improving the agency of those individuals who have had the Public Trustee appointed to manage their financial affairs, as a result of these significant document and quite clearly the latest one you have not had a chance to address and I appreciate that?

Mr SCANLON - Generally, the board has identified we needed to introduce a client-centred service model and we had started work on doing that. That would involve more engagement with individuals and so on. We are doing that in the context of also a cultural development program within the organisation.

Unfortunately, we started our cultural development program in 2019 and then the pandemic hit. We had to put it on hold because people were not working in the office. They were all working from home. Now we are back in the office and working -

CHAIR - What were they doing at home then if they were not working? We still have computers.

Mr SCANLON - We stopped the cultural program, but they were still working, yes. We could not get them together.

Ms RATTRAY - There is a lot of this that goes on these days.

Mr SCANLON - I appreciate all that but when you are doing something like a cultural development program, it is better to do it with people in the room and you can engage with them a lot more. You do not engage very well with people on a screen.

CHAIR - We are hoping to do so later today with two CEOs on that screen.

PUBLIC

Ms ARCHER - Chair, I think that is a bit of an unfair comment and I am going to say something there. I think that is a bit unfair on the chair. He is trying to explain his reason for saying he cannot implement a cultural -

CHAIR - I was talking about technology.

Ms ARCHER - In fairness, it is not his fault if other people are appearing by video.

Mr VALENTINE - I guess you are saying you are looking at improving certain things within the agency. Do you have any documents you can show us that clearly indicate the program of work you are wanting to undertake in that regard?

Mr SCANLON - I do not have anything with me.

Mr VALENTINE - Or that you are able to table?

Mr SCANLON - If you have seen the annual report, that lists -

Ms ARCHER - You could point to the page number. That would be good, Mark.

Mr SCANLON - Page 6 under 'strategy'.

Mr VALENTINE - I was talking about the specific actions, plans you might have in place to improve things in this area.

Mr SCANLON - The annual report contains the fact that three strategic things were identified at the start of 2020. That was the continuation of the cultural development program, the development of a client-centred service model and a review of the product offerings including a review of the possible alternative fee structure. Those are the key themes that came out of our strategic planning session.

Mr VALENTINE - It is all very well, we can put dot points in annual reports and I appreciate it gives a degree of information, but it does not necessarily show us how the organisation is actively dealing with plans. Whether you had anything you can table that shows a definite plan of attack with these sorts of things?

Mr SCANLON - I don't have it with me.

Mr VALENTINE - If you don't have it with you, you don't have it with you. I can't pursue that.

Mr SCANLON - No, but if I could add, the board does get updated on all the strategic initiatives and the progress on implementing them on a regular basis. That's provided basically every month to the board. We monitor this, we monitor it very carefully, but we also have to take it in the context of when COVID-19 hit, some of these projects couldn't progress. We're trying to get them back on line now.

Mr VALENTINE - You've got it properly project managed and people have their eyes on it and they're assessing progress in those areas.

PUBLIC

Mr SCANLON - That's correct; yes.

Ms ARCHER - I think it's important to note that because of the Bugg review that that will need to be considered in conjunction with the recommendations now.

Mr VALENTINE - I can understand that. Can I go to another point?

CHAIR - No, I need to come up the table but I will come back to you.

Mr VALENTINE - Yes, thank you. I've got other questions.

Ms SIEJKA - Minister, clients are often given vouchers for shops far from home. We've recently heard about one client who was given vouchers for shops in the city but he lived in the northern suburbs. He had no money on his Metro Greencard for a bus and no money for a taxi and he walked all the way, many kilometres, to use his vouchers. Can you explain the process of providing vouchers to clients? What consideration is given to the individual needs of that client and do they have a say in where the vouchers are purchased from?

Ms ARCHER - That's highly operational.

Ms SIEJKA - It is, yes.

Ms ARCHER - And I appreciate you haven't referred to anyone by name.

Ms SIEJKA - No.

Ms ARCHER - If that's a typical scenario, I might get -

Ms SIEJKA - Yes. I have a few other examples of where that sort of scenario has happened, so, yes.

Ms ARCHER - Yes. Perhaps if Glen could explain that process because I can't, being operational.

Ms SIEJKA - Yes. I understand, yes.

Mr LUCAS - We have a voucher system that we provide our represented persons. It's effectively groceries, clothes, those sorts of things. We can't provide vouchers for every shop because it's not practical. The lion's share of it is with Woolworths for groceries and the needs of the client are identified through our client account managers whether it's appropriate to issue vouchers because these things get posted out, they get lost, the dog eats them, all that sort of stuff. We do take careful consideration when we issue vouchers to clients that they're actually going to be able to use them.

Ms SIEJKA - What process is in place to check that they've been able to use them? Another case that I've heard of is that someone waited for a few days for the vouchers to arrive and then they were too proud to seek support from some other service so they were hungry in that time. What sort of checks and balances are there to make sure that the clients have been able to get the voucher and use the voucher?

PUBLIC

Mr LUCAS - We've got a reconciliation process so we know when the vouchers have been used. We know how many vouchers have been issued to a client and not effectively tabled or - we're relying on Woolworths, for example, which is the lion's share of the voucher system in terms of volume.

Ms SIEJKA - And Australia Post, I guess, which is the other issue in COVID-19.

Mr LUCAS - Well, COVID -

Ms SIEJKA - It has to be managed, doesn't it? Because it's a reality.

Mr LUCAS - COVID-19 was a problem for us. When we were in lockdown we really were relying on the postal system. Going back to your question of how we identify if the vouchers have been used, we're relying on the client to tell us.

Ms SIEJKA - If they've got a problem?

Mr LUCAS - Yes.

Ms SIEJKA - Yes.

Mr LUCAS - Get on the phone, let us know. We are also reliant on our - we know what has been issued so we can tell what is outstanding. We're also reliant on Woolworths to give us the information so we can reconcile the books.

Ms SIEJKA - Is there a process, though? Not all clients are great advocates for themselves and they need assistance for a reason. Is there a process? What's in place if red flags occur to proactively look for those things? Somebody never cashes their vouchers or, I don't know.

Mr LUCAS - Yes. They're like cheques. We have got a process to deal with stale vouchers, if you like.

Ms SIEJKA - Is that actually actively looked at? Not just that they haven't been cashed but that - yes, so, there is a time?

Ms ARCHER - You mean if there's follow up?

Ms SIEJKA - Yes, if there's follow up. Yes.

Mr LUCAS - I can't answer the question on the follow-up so I might ask Gaylene to come up, if needed, to explain about that sort of process. I believe it's really at the discretion of the client to give us a call and say, 'Hey, I haven't got my vouchers. Can you please help me?'

Ms SIEJKA - Okay. It just seemed, I think, sometimes the clients that come to us with these sorts of stories, like I said, aren't necessarily always great at advocating for themselves. That might be something that needs to be committed to in the communication process.

PUBLIC

Mr LUCAS - For the most part, the voucher system is a good option for clients who struggle to manage cash. They lose cash, people take money off them, it gets stolen. Vulnerable people get taken advantage of, so the voucher system, like a cheque, is a good way of putting a control around that.

But, it does have its downside, in terms of, they do get lost in the mail, they do get destroyed, they try to trade them on the black market, if you like.

Mr VALENTINE - Do they?

Mr LUCAS - Yes, they do. You are dealing with people who can be desperate and that is human nature. That's no aspersion on the clients, but that is the reality of what happens. We do take very careful consideration in terms of who we issue vouchers to so the intended benefit is realised.

Ms SIEJKA - Within that though, I am sure there are still people who aren't necessarily doing the things that you just outlined, who are just struggling to use their vouchers as well.

The majority are through Woolworths. Perhaps somebody has vouchers for Woolworths and Woolworths is several bus stops or several different bus changes away. Is there any possibility if you have an IGA 200 metres down the road which you can get to easily, are you able to adapt the process for those sorts of things?

Mr LUCAS - This is where it becomes difficult.

Ms SIEJKA - There is not a Woolworths in every town.

Mr LUCAS - As I mentioned earlier, we can't have a voucher system for every shop. That would be nice if you have someone who lived next door to an IGA and we could open some form of account for them, but that is additional management, time resource et cetera. In some respects, it is probably easier to give them cash. If they don't manage their cash very well, it is a real balancing act in trying to get them what they need.

Ms SIEJKA - I appreciate the resourcing and that tailored approaches take time.

Mr LUCAS - We have done a lot of work in our voucher system. We used to issue quite a lot of vouchers. I can't remember the numbers now, but it is in the tens of thousands a year. So, it is quite a lot. It hit a point where it was just becoming a real administrative burden for us and the clients. So, we peeled it back a bit and work with our clients to change their behaviours with the vouchers. We worked out that they just were not getting the benefit that was intended. If you issue 10 vouchers to a client so they can go and buy cigarettes.

Ms SIEJKA - I appreciate all of the issues that would feed into it, but I guess the crux of it is, there are concerns that people might be hungry and not getting their needs met. I hope that some of that communication and those issues will be addressed in the next steps of what happens with the review because there are concerning stories.

Mr LUCAS - That's part of what is in the detail in the Bugg report, in getting to know the clients better in the consultation communication piece.

PUBLIC

CHAIR - Each client would have a manager?

Mr LUCAS - Yes.

Ms SIEJKA - They are vulnerable people.

Ms ARCHER - The message from that is taken on board, loud and clear and that is something that will be looked at.

Ms SIEJKA - Thank you.

Ms ARMITAGE - You say you deal with Woolworths. In the area I live there are no Woolworths within a short distance, there are lots of Coles stores. Obviously, you can't have every IGA. Do you do a tender process? Is there a reason that you couldn't have Coles and Woolworths to make it easier for people?

I understand what the member for Pembroke is saying. If I didn't have a car or there was no bus - and as we know buses are not very reliable - it is a fair way to my nearest Woolworths, whereas there are a lot of Coles stores close by. With two of those, is there a reason you don't have vouchers for Coles and Woolworths, depending on who would be the nearest? Is there a tender process? What makes you choose one supermarket over another?

Mr LUCAS - I wasn't involved in the set-up of the Woolworths. It has been with us for a long time. We have pondered putting it out for tender and decided to stick with Woolworths for the time being. With clients where it is not practicable for them to get to Woolworths because of distance, I would expect that we give them the cash so they can do what they need to do.

Ms ARMITAGE - Rather than give cash to vulnerable people, is there any reason that you couldn't have vouchers for Coles and Woolworths?

Mr LUCAS - No.

Ms ARMITAGE - So, why don't you? This is my question.

Mr LUCAS - I have just been handed a sticky note. Coles don't do vouchers. Coles don't take our vouchers. They don't have a voucher system.

Ms ARCHER - We might ask Ms Cunningham to explain that. I don't want that to be misinterpreted.

Ms ARMITAGE - I thought you could get vouchers pretty much from anywhere?

CHAIR - Welcome to the table Gaylene Cunningham. Your role, Gaylene?

Ms CUNNINGHAM - General Manager, Trustee Services. We are talking about Public Trustee vouchers, we are not talking about Coles vouchers or Woolworths' vouchers. Coles don't take Public Trustee vouchers.

Ms ARMITAGE - Have they given you a reason why they don't? Have you asked?

PUBLIC

Ms CUNNINGHAM - Yes, we have. It is the administrative burden at their end. It is quite an administrative process at both ends. Coles have chosen not to take Public Trustee vouchers.

Ms ARCHER - I think that clarifies that question.

Ms ARMITAGE - It does; but even a Coles voucher would be preferable to cash, wouldn't it?

Ms ARCHER - You can't make Coles take a voucher.

Ms ARMITAGE - No.

Mr LUCAS - You are talking about a Coles brand?

Ms ARMITAGE - I am talking about Coles vouchers. It was said that if you give vulnerable people cash, they can spend it on anything; whereas if you have a supermarket voucher you have to spend it at the supermarket. I accept that maybe they can trade it or maybe it can be stolen. Is there a reason that the Public Trustee can't simply purchase Coles vouchers?

Ms ARCHER - Ms Cunningham can address why specific vouchers aren't purchased, why it is done the other way around.

Ms ARMITAGE - For things like Coles?

Ms ARCHER - I think that is what we are getting to the nub of here.

Ms ARMITAGE - We are looking at the vulnerable people being able to access their groceries.

Ms ARCHER - If Ms Cunningham can answer the question.

CHAIR - We have one more answer and then we are moving on, because we have a lot of other questions around Coles and Woolworths.

Ms ARMITAGE - There are vulnerable people who need to be able to eat.

Ms ARCHER - If Ms Cunningham could address the question.

Ms CUNNINGHAM - Are you suggesting that the Public Trustee would be purchasing Coles vouchers and then have them in-house on stock, ready to be given to clients?

Ms ARMITAGE - Yes, in preference to giving cash.

Ms CUNNINGHAM - That is an internal risk for us to be holding those sorts of vouchers. It is like holding cash.

Mr LUCAS - We have considered that and we have decided from a risk point of view that it is not appropriate. We have decided that to buy a whole pack of cards and then send

PUBLIC

them out in the post to our clients, knowing that the vouchers get lost; these are cash now and that is not a good outcome for the client.

Ms ARMITAGE - I understand.

Ms ARCHER - The other way around is more like a reimbursement. The Public Trustee doesn't carry the risk then, which is the difference.

Mr LUCAS - There is increased forward risk with those sorts of cards.

Ms ARMITAGE - It was when you talked about giving people cash. I thought it was preferable.

Ms ARCHER - If they get lost in the post then that is it forever.

Mr LUCAS - When we give people cash it goes to their bank account and can be traced. We don't just give them money.

Ms ARMITAGE - They don't come in?

Mr LUCAS - No, we don't handle cash.

Ms CUNNINGHAM - There are a number of options for clients. It might be that we do put cash into their bank account. It could be that we are giving them a voucher. It could be that goods are purchased by others and then we do it through a reimbursement system.

Ms ARMITAGE - Thank you. I do have other questions on other areas.

Mr WILLIE - A red flag. I heard the comment that this system wasn't practical for the Public Trustee, and that is why it is this way. It is not practical for the clients.

Ms ARCHER - Mr Willie, I think that was explained by risk. That comment about it not being practical related to the financial risk of carrying. It looks like you are carrying cash. If it gets lost in the mail, that is losing that money, whether it is the client's money - and I expect it would be. That is a risk the Public Trustee is not willing to take with someone else's money. That is really important to note.

Mr WILLIE - I would have thought with IGA being a chain, it would be quite reasonable to enter into an agreement with IGAs so it is practical for clients.

Ms ARCHER - I don't think we have addressed IGAs, or whether that has been looked at. It may be something that can be taken on board.

Mr WILLIE - Given Tasmania is a regional place.

Ms ARCHER - It may have been looked at, I am not sure.

Ms CUNNINGHAM - I can confirm that we do use IGA.

PUBLIC

Mr WILLIE - It was mentioned that you looked at putting this out to a tender. What is the total amount of services being procured from supermarkets and how does that work with the Treasurer's Instructions? Is that being complied with?

Ms ARCHER - The question relates to whether it needs to be put out for tender?

Mr LUCAS - We will take that on notice, in terms of the value.

Mr WILLIE - As in the total value of services being procured from supermarkets? The second question is, are the Treasurer's Instructions being complied with, because once you go over a certain amount, it should go out to tender.

CHAIR - We are taking that one on notice.

Mr VALENTINE - I am interested in the processes that you have around people's chattels; if they have to be sold, for instance. There may well be chattels that people hold dear. What process do you have in place to make sure that the client is fully considered in how their chattels are dealt with, especially if some of the chattels seem to disappear and can't be accounted for?

Can you explain the process? We've had different reports on certain circumstances and it is quite alarming that a person can have these chattels - family things that we don't want to lose, pictures of grandparents, as well as larger items. When they are sent out to auction, is there an opportunity for a person who is advocating for that individual to work with the individual to find out whether there is anything in those chattels -

Ms ARCHER - I will ask Ms Cunningham to address the current process. Again, can I stress, if as a result of the Bugg review there are cases that have been identified where these sorts of issues have arisen and they haven't been dealt with appropriately, they are the sorts of things from the findings and recommendations that we will work with the Public Trustee to address.

I know the types of examples you are referring to.

Mr VALENTINE - It is not out of the Bugg review.

Ms ARCHER - Some of the examples will be, on closer reading of the review.

Mr VALENTINE - There could well be others.

Mr WILLIE - You are asking about current processes, aren't you?

Mr VALENTINE - Yes, I am talking about current processes.

Ms ARCHER - I accept that. What I am getting at, is it does relate to issues that have arisen. I can certainly get Ms Cunningham to address the current processes. I wanted to state our intention, in addressing that type of issue.

Mr VALENTINE - I appreciate that entirely. I am interested to know current processes and how those sorts of things are avoided, or attempted to be avoided.

PUBLIC

Ms CUNNINGHAM - We have a current policy and procedure that client account managers should follow. That includes having the items valued; an inventory done; consultation with the client, if they're potentially moving from home into a nursing home, about what items they would like to keep or retain. We would look at the person's will to see if any items have been mentioned there that we may need to put in storage or give out on bailment. We do consult with clients and their support network when we are clearing and cleaning houses.

Mr VALENTINE - Do you use other people that are associated with the client to confirm before sending things out to auction?

Ms CUNNINGHAM - Each individual client will turn on its own facts but yes, if there are support network people that we feel we need to consult with, yes, we do.

CHAIR - And that is on every occasion?

Ms CUNNINGHAM - We have a policy and procedure that should be followed.

CHAIR - Is it a must be followed, or a should?

Ms CUNNINGHAM - It's a must.

Mr WILLIE - The CEO of Advocacy Tasmania has alleged people's houses and personal property are sold by the Public Trustee without their consent. What process allows for this situation to occur, minister?

Ms ARCHER - Ms Cunningham has confirmed that there is a policy in place that must be followed. If it is not being followed for any particular reason, then that is something that should be addressed. If there are examples that have been identified on closer looking or reading of the Bugg review, then that is something I am sure and expect the Public Trustee to look at as part of their procedures to improve.

As I said in relation to the work I will be doing on the principal act of the guardianship and administration act, the wishes of the person involved need to be taken into consideration in relation to these decisions and is going to be entrenched in the legislation.

Certainly, there is a distinct intention that be followed, but if it is not in any particular case then I would need to revert to the Public Trustee officials at the table today to answer that in relation to present day. But, proceeding, I expect that type of issue needs to be resolved.

Mr WILLIE - I have some specific examples and it is about current processes. In *The Advocate* newspaper there was reported a story of a man who had three vintage cars, a plane collection and family heirlooms sold without his consent. The newspaper reported that the Public Trustee had no information on what happened to anything except one of the cars.

In the current process, is the Public Trustee supposed to record what is sold on behalf of the client to keep records?

Ms ARCHER - I think it is important we talk generally about policy here rather than individuals' cases

PUBLIC

Mr WILLIE - I am raising them on behalf of Tasmanians.

Ms ARCHER - I know that, Mr Willie, but there are legislative requirements that need to be followed by the Public Trustee and not talking about individual cases, per se, even if those people have gone public, themselves. I am not quite sure who the best person to address that particular question is, but if you can talk generally about the process that is better than identifying individuals.

Mr WILLIE - They have already identified themselves, minister.

Ms ARCHER - Perhaps if it can be explained why the Public Trustee would not talk individuals' cases because we are talking about all individuals' cases and it means that it opens up for -

Mr WILLIE - I am not identifying anyone that has not identified themselves, minister.

Ms ARCHER - I know, that is your practice to do that. It is not the Public Trustee's practice to do that.

Mr LUCAS - Mr Willie, we're bound to comply with the Personal Information Protection Act. The main principle with that act is we can only use information that is provided to us for the purpose it was provided. Although these people have gone public through *The Advocate* in this case you are talking about, we cannot talk about their particulars because I will be in breach of that act.

What I can do is get Gaylene to talk generally about the process for selling houses.

Mr WILLIE - And other possessions, whether that is recorded and documented?

Ms ARCHER - Yes, that is the point I am getting at, Mr Willie. You can identify practices but, as for individuals, there are laws that can be broken here by the Public Trustee so I would ask that you respect that.

Ms CUNNINGHAM - I will explain the process in relation to clearing and cleaning of chattels. Would you like me to talk about real estate?

Mr WILLIE - I am interested in whether there is documentation on the disposal of goods.

Mr LUCAS - Mr Willie, your question was in terms of sale of houses and how they can be sold without consent. That was what you effectively said.

Mr WILLIE - And other items.

Mr LUCAS - Gaylene, can you talk about our process to sell a house?

Ms CUNNINGHAM - Obviously, we need the authority to begin with. We would obtain a valuation in relation to the realty. We would get a market appraisal from a real estate agent. We would seek instructions from, depending on what service line, if we were doing an estate,

PUBLIC

it could be the estate beneficiaries, if it is a represented person, we would speak to them or their support network.

Again, we take into consideration the terms of the will, if it is a represented person's house we are selling. For a represented person, we get independent financial advice in relation to whether that is an assessed option in that particular client's circumstances.

Mr WILLIE - And the recording of information? We talked about the cars being disposed of, whether you keep those documents and they are available.

Ms CUNNINGHAM - We have inventory in relation to what goods there were and then when they are sold, you would get a receipt that itemises what has been sold.

Mr WILLIE - Right. Where I am going with this, Chair, is, has the Public Trustee had to compensate in the last financial year for making mistakes, whether it is not recording information or selling possessions without consent?

Mr LUCAS - I can answer that, minister.

Ms ARCHER - As long as you know the answer, otherwise we need to take it on notice.

Mr LUCAS - The specific question I will take on notice and come back with a quantified response.

We do make mistakes and we self-identify and fix them, or through a complaints process, we will look at the issue and if we have made a mistake and it cost someone some money, we will fix that, and pay it. We budget for about \$25 000-\$30 000 a year for those sorts of issues. We have not had to compensate the sale of a house, sold in error. They are generally quite small or minor things such as we might have double-insured something if we were not sure if the house was insured, because the client cannot give us the records. We go and insure the house, make sure it is preserved and protected. Find out later, okay, the client has insurance we probably should not insure it, so we fix that.

Each client turns in their own facts, but we do have the process of self-identifying issues and if we have made a mistake, we fix it.

Mr WILLIE - Can the committee have the compensation payments for the last three financial years and maybe a brief description what they were for, without identifying clients?

Ms ARCHER - We can take that on notice.

Mr LUCAS - We can do that easily. We can give to you by specific value, and the nature, without giving away lots of client details. We can desensitise it and give some good information to the committee.

CHAIR - If there was an occasion where somebody's funeral plan was not paid up, and they said, now I do not have a funeral plan in place, the Public Trustee would refund that money, or make sure that funeral plan was in place for that client.

PUBLIC

Is that something that they would do?

Mr LUCAS - I am not going to talk about that particular matter because I know that is a particular client matter.

Ms ARCHER - Nobody has been identified. That is just an issue and general enough.

Mr LUCAS - If we have made a mistake, we will fix it.

CHAIR - That is good. I am sure that will be pleasing to someone.

Mr LUCAS - We have no problem with fixing our mistakes, if they are identified, and we have made the mistake.

CHAIR - To be perfectly honest, Attorney-General, none of us like receiving this sort of information, but we only receive it because we feel this is a forum.

Ms ARCHER - That is why I called the review.

CHAIR - Speaking of the review before I go to others. Do you have some sort of time frame? I know 28 recommendations is significant, albeit that 14 of them are, perhaps, the Public Trustee looking within.

Do you have some sort of time-frame in mind?

Ms ARCHER - In terms of the Government response, I want to, obviously, look at that as quickly as possible because I want to be in a position for the second tranche of the reforms I have discussed this morning.

To take into consideration all of those recommendations, as to their implementation some of them relate to immediate legislative amendments I can make. I expect I could probably do that through an amendment miscellaneous-type of bill, rather than wait for the second tranche to be finished, if that is out of the consultation because it is much broader and quite detailed. I expect those couple of things could probably progressed very quickly.

In relation to all 28 recommendations, I will need to obviously, give that consideration, but I can give my undertaking it is an absolute priority to do that as quickly as possible.

I do note Advocacy Tasmania has called for, in one sense, a complete overhaul, but also immediate change. Those two are diametrically opposed, but I can commit to stakeholders I called this review in June. We said it would be delivered by 30 November, it was. I released it the next day and indicative the Government is acting as quickly as possible within the time-frames we set.

I want to be able to respond to the 28 recommendations early. Earliest possible opportunity in the new year, with a time-line of what that might look like.

For example, as I've indicated, there are a couple of legislative amendments I think I can deal with relatively quickly rather than perhaps wait for the full second tranche, if it might hold that up. I could deal with all of the other matters in needing to liaise with the Public Trustee in

PUBLIC

relation to their response and any internal changes that need to occur and, indeed, any resourcing implications which need to be considered in the context of next year's budget process.

CHAIR - Thank you.

Ms ARCHER - Which is not that far away.

CHAIR - No.

Ms ARCHER - The budget process, if we look at it.

CHAIR - I indicated that I'm interested in the relationship that the Public Trustee has with Advocacy Tasmania. They have been very active in this space, and rightly so, that's their role. I'm interested perhaps in what -

Ms ARCHER - I can indicate that prior to the review being released late on Tuesday, Mr Lucas had already commenced open discussions with the TasCAT stream that deals with guardianship and other stakeholders as to how they can better relate to each other and deal with each other in future. That has already been -

CHAIR - Does that include Advocacy Tasmania?

Ms ARCHER - That has already been initiated.

Mr LUCAS - I have been in contact with them.

CHAIR - They're an important stakeholder here.

Ms CUNNINGHAM - We've got an operational meeting with their second in charge on Monday.

Ms ARCHER - Yes.

CHAIR - That is good news. Thank you.

Ms ARCHER - Yes. There is really goodwill by all parties on all fronts to engage, to look at this review and the findings and recommendations seriously and to move forward and provide a better client service delivery, working with parties. That will go both ways. It can never be a completely one-sided issue. I'm sure it's accepted that that's a two-way street as well and if all parties work together then we can have a much better framework.

CHAIR - And if it needs more funding, to undertake those roles, Attorney-General?

Ms ARCHER - I said I have to look at that and consider that in the context of the review, yes.

CHAIR - Yes, so you will be considering and already given that budget is just around the corner.

PUBLIC

Ms ARMITAGE - I am just looking at the community service obligation and I note that the CSO agreement with the Crown no longer requires the Public Trustee to report on specified performance indicators. I notice that was also a conclusion in the Bugg report. Why was that? I notice that the Public Trustee does -

Ms ARCHER - Sorry, what was the wording, Ms Armitage?

Ms ARMITAGE - On page 26:

The community service obligation agreement with the Crown no longer requires the Public Trustee to report on specified performance indicators.

While I note that they do still themselves but why was that taken that they no longer have to report? I notice it was certainly a recommendation in the Bugg report that they do.

Ms ARCHER - I think that might -

Ms ARMITAGE - Good old KPIs.

Ms ARCHER - I think that might relate to the fact that the Government pays the Public Trustee's costs of administering defined estates and trusts and people's affairs. Glen, is that a question for you?

Mr LUCAS - The prior agreement, two agreements ago, did include KPIs. Then when the next one was negotiated, it was negotiated with Treasury, it was decided to take those KPIs out. They didn't feel it appropriate for those to be in the agreement so that was a drafting feedback from Treasury.

Despite them being taken out, we still maintain those KPIs which are reported in our annual report. We've maintained those. We've kept them because we felt they were important in terms of previously agreed KPIs. Despite there not being an agreement, there was no reason to effectively ignore them because it wasn't in the agreement so we retained them to monitor performance against those.

Ms ARMITAGE - Given the Bugg report and their concern about the KPIs, will consideration be given to reinstating those? Obviously, it was an agreement with Treasury but will the Government -

Ms ARCHER - I would need to - I'm obviously not the Treasurer so I would need to -

Ms ARMITAGE - No, I appreciate that.

Ms ARCHER - No, and I know you know that. I would need to look into that particular issue further. The main objective for community service obligations are to ensure that government's economic, social and other objectives are achieved without impacting on the commercial performance of GBEs and to improve the transparency, equity and efficiency of that CSO service delivery.

That's certainly the intention. I can also say that the actual CSO was being looked at by Treasury pre-COVID-19, then has had to be extended a couple of times now, firstly because of

PUBLIC

COVID-19 and now because of the independent review. I know that the actual CSO itself in its entirety is being looked at by Treasury and in particular, the Treasurer as well.

The CSO is something that is being closely looked at as we speak and has only been delayed, firstly by COVID-19 and now waiting until this independent review was finalised so that we could take into account any of the review's findings and recommendations on the CSO.

Ms ARMITAGE - Still on the CSO, I am looking on the area on page 27, completion of absolute deceased estates, the agreed benchmark 80, final result 45. I note too the reason there and I acknowledge that resource issues also contributed to achieving the benchmark service standard. The resource issues have been rectified. Can you expand on this? What resource issues were identified? What specific measures were taken to address them? What was the cost of addressing the resource issues?

Mr LUCAS - We transferred our deceased estate administration from Hobart to the northern part of the state, Launceston, Devonport and Burnie. There was a bit of a backlog so we had to rectify that. That was rectified internally, so there were no additional out-sourced costs. We fixed it by getting the team up in the north of the state to get the files up to where they needed to be.

Ms ARMITAGE - So statewide, that is all being done in the north now? You are separating out what different areas are doing?

Mr LUCAS - That's a different question, a supplementary. The northern part of our business in regard to location, does deceased estate administrations.

Ms ARMITAGE - Okay. Going back to my other questions.

Ms ARCHER - That was one of the efficiencies created.

Ms ARMITAGE - The resource issues identified were basically putting it all in one spot?

Mr LUCAS - Yes.

Ms ARMITAGE - And the specific measures? What was the cost of addressing the resource issues? Have you got an overall cost?

Mr LUCAS - No, I don't. As I mentioned, it was dealt with internally so there was no additional cost.

Ms ARMITAGE - Right, so it was more moving the deck chairs?

Ms CUNNINGHAM - It was resources, as in people. Getting people to be doing different things.

Ms ARMITAGE - Attorney-General, if I could ask, do you consider that the Public Trustee is under-resourced, trying to do too much with too little?

Ms ARCHER - I have already addressed the resourcing question.

PUBLIC

Ms ARMITAGE - You did part of it, yes.

Ms ARCHER - I have said that in previous years we have resourced the Public Trustee according to Treasury's assessment. As part of what now needs to occur in response to any reform recommendations, that will be assessed and looked at. I have given my absolute commitment today and in my preliminary response to the Bugg review, that the Premier/Treasurer and myself will give that consideration.

Ms ARMITAGE - Or find whatever funding is necessary?

Ms ARCHER - We will consider the report and we will resource what we believe is necessary, but I have given my commitment that the resourcing is being directly looked at, yes.

Ms ARMITAGE - Thank you.

Mr WILLIE - I am interested in the compliance checks in the CSO. In the annual report between July 2020 and June 2021, a number of files reviewed by compliance was 35 and the files with items of non-compliance raised was three. That is a fairly small sample if you extrapolate that out, there are possibly over 100 cases with non-compliance. I am interested in what happens when you do that sampling find those non-compliance files whether that actions anything else?

Mr SCANLON - You can say what you want, I guess, but I am not sure you can extrapolate that information out.

Mr WILLIE - It is a sample. If you go across 1300 clients -

Mr SCANLON - I don't have the specifics, but it would seem to me that it may well have been simply a matter of training the individual staff member, because all the three files relate to budget preparation. The noncompliance was in the preparation of a budget, which we were obliged to do. It may well have been that it was simply a case of ensuring the person who was involved was adequately trained and had the skills to do the work they were asked to do.

Mr WILLIE - They are also working with other clients too so possibly those problems are going to hit.

Mr SCANLON - If you have some way of ensuring that we can always get people to do what they are supposed to do, I am happy to hear that.

Mr WILLIE - No, I am interested in whether taking a sample such as this and then finding three cases where there is noncompliance, whether it triggers any other process.

Mr SCANLON - As I said to you in my previous answer, we would look to see if there was something systemic and ask questions about have we got people who can do the job, and are there people who are willing to the job we want them to do - not the job they think they want to do. We ask those sorts of questions around our board table and if we have issues, we expect training will be implemented.

PUBLIC

Ms CUNNINGHAM - If the Manager Risk and Compliance thought there was a systemic issue, he would investigate that further. If it was a process where he thought there were issues, he would potentially do a whole review into that particular process.

Mr WILLIE - In this instance it was budget preparation. Is that what happened, in terms of budget preparation?

Ms CUNNINGHAM - I don't have the specifics to know whether he went away and did something else. Sorry, I can't answer that.

Mr WILLIE - Minister, could you take on notice whether that triggered a risk assessment around budget preparation and whether more files were looked at?

Ms ARCHER - I don't think anybody is trying to avoid answering the question. They just need to be able to look up what did happen in a particular circumstance.

Mr LUCAS - We will need to have a look and see if it was an isolated incident on one file, can be performance managed if you like; or whether it was a systemic thing. We do provide training, education et cetera. back to our prime account managers in this instance if we identify there is a training need; but we will need to look into the specifics of the files that were reviewed and what was done. There is quite a lot of detailed work behind it; and then there are actions to address whether it is specific; is it isolated; a mistake was made - and, okay, you fix it; or is it an indication that you need to sit down with a team and provide some training and education, reminders et cetera.

Mr WILLIE - Can we have the training activity on those? I have some financial questions on the investment portfolio if you can come back to me?

CHAIR - I think we have a supplementary on the CSO. Thank you, Mr Valentine, and then we will get right into the finances.

Mr VALENTINE - An additional 19 individuals were brought within the administration function and that brings the total to 908, on page 5 of the report. [TBC] Can you let us know whether the CSO is provided by way of a lump sum or as an amount per individual, subject to your administration?

Mr LUCAS - It is a fixed amount.

Mr VALENTINE - It is a fixed amount per individual, is that what you are saying?

Mr LUCAS - No, it is a fixed sum in the agreement.

Mr VALENTINE - Are you required to make a return on your CSO functions?

Mr LUCAS - I would have to clarify the question.

Mr VALENTINE - Is the Public Trustee required to make a return on its CSO functions?

Mr LUCAS - If you mean return it - if we don't need it, we give it back? Yes, that is what is based in the agreement.

PUBLIC

Mr VALENTINE - Is it?

Mr LUCAS - We have never had to do that because we have needed it all.

CHAIR - Nobody returns any money from the government.

Mr VALENTINE - That answers the question. I suppose it comes down to whether or not you are getting enough to do the job you are trying to undertake as a community service obligation. I heard what the Attorney-General said about reviewing that. That might well be the case. Can you state now that it is the case that you don't have enough funding to perform the CSO functions that you are undertaking, or do you get enough at this point? I am not talking about it being reviewed, but I would like to know.

Ms ARCHER - It is in negotiation and I can indicate I expect there to be a positive result of that review of the CSO.

CHAIR - The organisation has asked for more and it looks as though they will be sympathetic to that?

Ms ARCHER - Yes.

Ms SIEJKA - My question is about communication, and I know we briefly touched on that. Allegations have been made in the media that it is very difficult for clients to get in contact or receive responses from the Public Trustee by phone, email or face-to-face, and I know this in the report as well. How is this aspect managed? Does the Public Trustee record any data on average response times? Is there an expectation of a certain response time or similar metrics that we could learn about?

Ms ARCHER - We can certainly answer that.

Ms CUNNINGHAM - We have our standards on what our response time should be, but we don't have active monitoring. We don't record phone calls, if that is what you're asking.

Ms SIEJKA - What is your standard for response?

Ms CUNNINGHAM - They are on the website.

Ms SIEJKA - Okay. We have clients who have claimed they have no idea what's happening with their money or where it is invested and things like that.

Ms ARCHER - This is all addressed by the review, in terms of the recommendation about raising community awareness; and that means client awareness as well. There will be different capabilities of each client, as Glen has identified. Each client needs to be treated individually, and as an individual, in terms of their communication, comprehension and understanding.

Where there can be that education and awareness of things that are located, for example, on a website, I would hope that in future, if information is not already provided to a client, that the client knows what their rights are, in terms of response times; how they can get in touch with their case manager; who their case manager is. I am sure a lot of the information is already

PUBLIC

provided; but if that needs to be further entrenched or it needs to be done in an upfront manner or if there are other process improvements that are assessed a result of this review, then certainly as minister I would expect that that process will be improved.

Mr VALENTINE - Regarding education, you deal with organisations like COTA and Advocacy Tasmania. What specific activities are you undertaking to improve community understanding? What activities are you undertaking with organisations such as those?

Ms ARCHER - I will get the Public Trustee to answer what they are currently doing on education and awareness, because I know they already perform a component. One of the recommendations from the Bugg review is that there be that greater awareness, particularly about the different duties and functions of the Public Trustee, the guardianship stream of the TASCAT and the Public Guardian. There is a lot of confusion out there, even amongst stakeholder groups, including quite peak stakeholder groups, about what the functions of each of these different bodies.. It is going to be important to have that type of training; but within the Public Trustee itself and its client base as well.

I will ask one of you to address what is already provided by way of education.

Mr VALENTINE - Including in the community legal sector.

Ms ARCHER - Yes. We have brushed over all of the functions of the Public Trustee. There is wills and estates and there are legal services. The Public Trustee provides a whole range of services aside from just managing financial affairs.

Mr SCANLON - The Public Trustee continues to assist to educate the community about the importance of estate planning, estate administration, financial administration services by seminars and information videos. In the year 2021, we had 9 seminars, with 203 attendees and we had 11 information videos, via YouTube and the website, with 942 attendees. That is an ongoing process we have, to educate people about what we do. Hopefully that makes it clear, that if they have issues that are outside of what we do, then it is the responsibility of some other organisation.

Mr VALENTINE - The community legal sector, do you engage with them specifically to try and give them a greater understanding of what the powers of the various boards and things are?

Ms CUNNINGHAM - We have been working closely with Legal Aid in relation to providing them with information in relation to our services, in turn that they can assist their clients.

Mr VALENTINE - Do you have forums on that or do you provide them with individual leaflets and things? How do you do that?

Ms CUNNINGHAM - Yes, all of the above. We are expecting to be soon having a training session with their staff. The Public Trustee will go and speak to staff at Legal Aid in relation to informing them of what we do and do not do.

CHAIR - Chair, it is great to see the use of technology, thank you.

PUBLIC

Mr WILLIE - On the other financial assets, in 2020 there was \$12 555 000 invested in managed funds and it has gone up to \$18 127 000 this year. An explanation on the increase and with investment policy what ratings are used as a guide for the investment, what is the profile like where you are investing, the returns and whether that is comparable to the market?

CHAIR - You will enjoy these ones, Glen. Let's get into them.

Mr LUCAS - Hopefully I can answer them.

CHAIR - We are in trouble if you cannot.

Mr LUCAS - Yes. Other financial assets, yes, a big increase there. I will direct you to our cash and cash equivalents which looks like it has had a big drop. What has happened is we had some surplus cash and invested it. There is an investment in our funds under management as part of it, plus also the investment values rebounded significantly at 30 June 2021.

In 2020, there was a big drop of about \$1.4 million drop in the fair value, resulting in that \$12 555 000 figures and then it bounced back. A turnaround of \$3 million or thereabouts - \$3.5 million in total by 30 June, plus the additional capital investment.

Mr WILLIE - Yes, volatile.

Mr LUCAS - We have put more money into it and the investment market was up.

Mr WILLIE - Yes, and with the investment policy, what ratings do you use as a guide and the profile where you are investing the funds and what sort of returns? Obviously, we are seeing good returns and a bounce back.

Mr LUCAS - We have corporate investment policy that is backed up by a set of investment beliefs which mandates what we invest in, which is low risk. We do not take a punt, for better words, we are pretty prudent with our investments. We invest pretty similar to how we invest for our clients, albeit it is a little bit different at a corporate perspective.

We have a target of a 5 per cent income return, that is cash distribution each year and 2 per cent capital growth. That is backed up by advice we get from investment specialists and we invest in reputable organisations in the form of Macquarie Bank and Blackrock.

Mr WILLIE - Is there any communication with other GBEs regarding investments, like MAIB or others?

Mr LUCAS - I have had conversations with the CFO, Derek Thurm, up there at a broad level. We had a lot of discussions when interest rates were plummeting down to the current low of .1 per cent. We were grappling with how the hell we got all this cash. How can we get some money out of it, not just for us but also for our clients, more importantly? We came to similar a conclusion, there is nothing you can do, you have to basically suck it up unless you want to take some real risk and we were not prepared to do that.

We basically stuck to our guns. It is a long-term investment and it was not for us; interest rates are low at the moment. There is noise that they are bouncing back. We are seeing they are bouncing back at the moment, albeit it is still below 1 per cent. It is starting to improve

PUBLIC

which is good news, particularly for our clients if they are relying on cash. That little bit of interest helps.

Mr WILLIE - Do you enter any sort of fixed term arrangements?

Mr LUCAS - With an investment time horizon, there is no end date in terms of the investment. What we do is we review the performance of our investment managers and if we are not happy with them, we will get rid of them and do something else. We do invest in fixed term deposits or fixed interests is one of our investments.

Mr WILLIE - It was Macquarie Bank and places like that, yes.

Mr LUCAS - Yes. We have a look at the performance. There is a benchmark; we measure against the benchmark and if we become unhappy with the performance against a benchmark then we change. We have certainly done that with a couple of our investments where it has gone outside our strategy.

Ms ARMITAGE - A few of my questions really have almost been encapsulated in your answer. The underlying profit of \$533 000 is your lowest of the last five years. You have pretty well answered that was to do with COVID-19 and investment. Even so, I note prior COVID-19 it has still actually gone down significantly in the Auditor-General's report. Any comment or was it really just in regard to the answer you have given already to do with investment?

Mr LUCAS - In terms of our operating result or the -

Ms ARMITAGE - Your underlying profit, yes. I have to find the page now. I had it in the Auditor-General's report.

Mr LUCAS - Yes, that might be useful.

Ms ARMITAGE - I did have it and then it was pretty well answered and I let it -

Mr LUCAS - I will be honest, I did skim-read the report but I did not -

Ms ARMITAGE - I let it go again.

Mr LUCAS - I did not see the problem you have potentially identified.

Ms ARMITAGE - No, it listed the last five years, but once you let the page go it is not easy to find it again.

Mr LUCAS - We might take that one on notice, if you like, so we can move on.

Ms ARMITAGE - That is fine. My other question was regarding the dividends to the Government and obviously I notice this year that it is nil.

Mr LUCAS - That is right.

Ms ARMITAGE - The reason no dividend is being paid and is it likely to continue in future years no dividend will be paid?

PUBLIC

Mr LUCAS - We are forecasting no dividend over the forward Estimates based on our budget. We do budget with no blue sky. We budget effectively to balance the books. We have no incentive to try and present an argument to Government we are going to make a heap of money. That is not the way we operate.

CHAIR - Not when you ask for a CSO.

Mr LUCAS - The funny thing about that is we asked the Government for extra money and there is a lot of nouse sitting behind it, but we do tend to get blue sky. The balancing part of that is there is still a deficit and reported in the annual report. We pay a dividend only once the 90 per cent profit after tax goes beyond the deficit per the agreed model with Government.

Ms ARMITAGE - I have found the page, page 51 of the Auditor-General's report. It was just noted -

CHAIR - Bible.

Ms ARMITAGE - It is certainly one of our bibles. It is always very good to speak with the Auditor-General. It was regarding the underlying profit and I notice in 2016-17 it was \$1 000 012; in 2017-18, \$1.337million; in 2018-19 down to \$838; up again in 2019-20 to \$1.05; and significantly down in 2021 to \$533.

Mr LUCAS - I will take that on notice because I would like to give a fuller response, but a fair contributor to it is the return on our investments. We did get a pretty good kick last year.

Ms ARMITAGE - The return on safe investments.

Mr LUCAS - That is it, yes. Correct. Yes.

Ms ARMITAGE - I thought it probably was.

Mr LUCAS - With the downplay in the interest market, the funds were not paying as much.

Ms ARMITAGE - Unfortunately, it is affecting us all.

Mr LUCAS - Yes. It is indeed.

Ms ARCHER - The chair would like to add to that.

Mr SCANLON - The year 2020-21, our investment income was down \$600 000 on the preceding year and -

Ms ARMITAGE - Significant.

Mr SCANLON - Yes, that flows straight through to the bottom line. That is a function of the markets and also timing. Sometimes, we get payments due in one period and we get them in the next period. That can complicate trying to make comparisons year-on-year.

Ms ARMITAGE - Thank you.

PUBLIC

Mr VALENTINE - When you do your investments, quite clearly some of that money might actually belong to the trustees, it might be client's money. What model do you use in terms of distributing back to the client any gains you make in investments? How do you handle that? Do you take an administration fee as part of the deal or how do you do that?

Mr LUCAS - There are three hats. There is the Public Trustee's own hat, our own investments. That is the Public Trustee's money, not the clients' money. We have the common fund which is our cash account. That is a big bucket of money where our money sits in there, cash, as well as the clients' money. It is reconciled separately.

Mr VALENTINE - Kept separately.

Mr LUCAS - Not intermingled, if you like, but it is in the one fund. We have our group investment fund, which is where we invest clients' money in accordance with our client investment policy.

Mr VALENTINE - You keep your investments totally separate from clients'?

Mr LUCAS - Absolutely.

Mr VALENTINE - So you know exactly what your clients' funds are returning to you and do you take an administration fee from that?

Mr LUCAS - We are allowed, under regulation, to take a management fee.

Mr VALENTINE - What sort of percentage are we talking about?

Mr LUCAS - In the regulations, it is 2 per cent to 2.5 per cent and we take 1 per cent.

Mr VALENTINE - Okay, so you can take more, but you don't?

Mr LUCAS - Correct.

Mr VALENTINE - With respect to superannuation liability, that has increased significantly from \$195 646 in 2020 to the current level of \$566 119. That is basically a 189 per cent increase. Can you explain why that has happened?

CHAIR - Famous words, please explain.

Mr LUCAS - If I was an actuary, I could. Sorry to be cheeky. There is a complex calculation that goes in behind it.

Mr VALENTINE - I appreciate the actuary and that sort of thing, but it seems a huge difference.

Mr LUCAS - There are lot of factors that go into it in the assumptions that underpin the valuation. It is a valuation, an estimate of the liability as at balance date. It does chop and change every year. Every time I get the report I ask, 'What is it going to say now?'. You have no real insight into it. It is based on interest rates, people's life expectancy, what future salaries is going to be, CPI. There are a lot of different factors that go into it. It comes up with a value.

PUBLIC

There is a component in the remeasurement that actually is like a true-up effect. During the year people retire, pass away et cetera, so the liability curtails or the component of it. The liability is made up of a whole lot of people, I can't remember how many, maybe 50 or 100 are in it, with regard to our share of that liability and they are past and current employees. There is an element of when that estimate is done, if someone decides, 'Well I am retired and I would like my money, please' and it is worth \$1 million. We write a cheque and pay it out and the flow-on effect of that is recorded through comprehensive income as a true-up exercise because it is different to the estimate.

You get that cash true-up effect coming through as well, which is difficult to explain in that it is dotted in the detail of the notes but that is one of the reasons why it flips and flops about.

Mr VALENTINE - If someone dies and they have a partner, two-thirds of their superannuation still goes on. You are still paying that, aren't you?

Mr LUCAS - Yes.

Mr VALENTINE - So that is all taken into account in this?

Mr LUCAS - It is, yes.

Mr VALENTINE - On page 10, you touched on it before, total revenue is down by 4.3 per cent. It might have been the chair who touched on it. This reduction occurred despite an increase in fees and commissions and the CSO funding. Can you outline why total revenue has declined despite significantly increased returns from your activities?

CHAIR - A lack of return on investment?

Mr VALENTINE - Is that what it is?

Mr LUCAS - That is the reason, because our trading revenue, if you like, was actually higher than the prior year. That is the dividend.

Mr VALENTINE - As simple as that.

CHAIR - I am helping you out here, Glen.

Mr LUCAS - I appreciate that, thank you.

CHAIR - Page 38, which is about the wages and salaries, a \$202 000 increase. Does that relate to any staff increasing as well?

Mr LUCAS - I don't think so. At 30 June we were hovering about 50 FTEs, 50.1 perhaps and that was pretty consistent throughout the year. We report that every month to State Service Management Office. My recollection is FTEs are pretty consistent.

We have increased our staffing since year-end and that has been predominantly in our personnel services team to arrest the issues that are coming out through the Bugg review. We

PUBLIC

realised we needed to throw some resources at it, so we are doing that. We will talk about that next year, I guess.

The main reason for the increase, there is a consistent staffing level, you get the standard increase coming through wage increases in the State Service agreement and band increments.

CHAIR - So, there is definitely an increase in staff, in that 202?

Mr LUCAS - No. I am saying that post-30 June there will be, but in the current numbers, no. The staffing numbers are consistent. The increase is because of salary increases.

CHAIR - Okay. So, more than CPI?

Mr LUCAS - No, what happens with salary. We budget for about, I think, 3.5 per cent salary increase, which is made up of two things. You have a general increase which is 2.3 per cent, I think it was, plus you also get band increments where people get a higher salary because of their years of service.

CHAIR - To get to the next level 6, level 7.

Mr LUCAS - Yes, in accordance with the State Service Act, going through band increments.

Ms ARCHER - Mark would like to add to that.

Mr SCANLON - The number of staff between 2020 and 2021 went up, and this is a calculation, 0.13 per cent. It went from 52.96 to 53.09 per cent.

Ms ARCHER - That is consistent with what Glen was saying. It is in relation to the band increases.

Mr SCANLON - That is right and the general wage increase, under the State Service Act.

CHAIR - My colleague has some figures. There are significant increases like \$20 000 increase, \$13 000 increase, \$20 000 increase. That is more than five per cent.

Ms ARCHER - I do not think it's any different to how Glen has answered it. By the State Service Act people are entitled to an increase in their salary if they have gone up in band. That is what has happened. Mark has just identified the actual FTE increase.

CHAIR - Okay, we will keep on an eye on it.

Ms ARCHER - That is receiving pay rises and band increases.

CHAIR - Also, other associated personal expenses, there is an increase of \$23 000. I am just interested in what other associated personal expenses might be?

Mr LUCAS - That are other costs like fringe benefits tax. I will have a look into that to see what that is, but predominantly, I think it is fringe benefits tax. I definitely know that much,

PUBLIC

and it is just the other minor costs associated with our employ benefits expense. We can provide a reconciliation on that.

CHAIR - That would be useful. I notice long service leave is down. The allocation of that, and there is a significant decrease in recreational leave. Can we have some explanation?

Ms ARCHER - It's because people like going on holidays, Chair, maybe.

CHAIR - You also cannot just bank up your holidays because you cannot go overseas. People need a break for their health.

Ms ARCHER - It is a difficult discussion to have with staff to actually make them take leave too, I would imagine.

Mr LUCAS - It is. We are bound by the rules of the State Services Act, and the award, and directions from the Department of Premier and Cabinet (DPAC) effectively.

With COVID-19, everyone being in lockdown and not being able to travel was a problem across the State Service, not just for the Public Trustee. It was not people banking up their leave, they just were not able to take it.

CHAIR - You can holiday at home.

Mr LUCAS - You can holiday at home, but we -

CHAIR - It is more about the welfare of the people who are working within the organisation. Just because you cannot take a break elsewhere -

Ms ARCHER - I think the answer to that question is, it certainly would be provided if it is requested. It is that the people that are not requesting it. They are not being denied their leave. It's that they are not requesting to take the leave. I think you are making it seem like it is the other way around, and it is not.

Mr LUCAS - We manage excess leave. If people are approaching the maximum that is allowed under the award, we identify that. It is reviewed monthly or quarterly, or periodically at our management group meetings. We identify the staff who are approaching excess leave and we put leave management plans in place.

Ms ARCHER - That is encouraging them.

Mr LUCAS - We recognise that recreational leave is a way to help with people's -

CHAIR - It will certainly have an impact on next year's budget, Attorney-General, if everyone is finally -

Ms ARCHER - People across the public service are being encouraged to take their leave. The problem has been identified across the public service. It is just people not wanting to take it.

PUBLIC

CHAIR - You can fly overseas from Tasmania. You can go to Flinders Island and King Island.

Ms ARCHER - I know people who are booking it. We have given them a lot of incentives to go to the islands with our flights.

CHAIR - And they are going, so that is good. Thank you.

Ms SIEJKA - Given a lot of what we have heard today I think it is a little worrying. I know the reviews are in place but we have heard things about vouchers, communication, all sorts of things. There are vulnerable people at the core of it, which I am sure you would understand where I am coming from. I know this was touched on earlier but given all this information we have heard, do you continue to have confidence in the board and in the senior management to be able to do the work that needs to be done at this point and with resourcing?

Ms ARCHER - I've answered that question. Mr Willie asked me that question right at the start. I am hoping you can all see today that the board of the Public Trustee is committed to not only considering but also addressing the findings and recommendations of the Bugg review. I must say and it should be highlighted that they fully cooperated with every single request. It was quite resource intensive for the Public Trustee to do so but they did so.

CHAIR - And quite stressful I would expect.

Ms ARCHER - Can I say, it has been stressful for the staff and as minister I regret that that it is a consequence of me needing to call this review. It is a difficult situation for everyone involved, particularly the clients, and I acknowledge that. On the other side of this there are the staff and their welfare as well. I would like to point that out.

I do have confidence in the Public Trustee and the reason I say that is prior to me calling the review, Mr Scanlon today has verified that they had already identified that they needed to put in place a client-centric focused model. That was being implemented at the time. Certainly, the culture was being looked at pre-COVID-19.

COVID-19 interrupted the ability to implement that fully face-to-face in the workplace physically so that type of work can not only be resumed but fully reviewed in light of the Bugg review. I see this as an opportunity for the Public Trustee. I know from my discussions that we have had this week following the release of the Bugg review that the board is committed to addressing those issues as well and taking its own look at it, advice on the recommendations as well and I will do the same. We will do whatever it takes to address those findings and recommendations.

Ms SIEJKA - And that includes resourcing where necessary?

Ms ARCHER - And that includes resources where they are required.

Mr VALENTINE - It goes to what the Attorney-General has pointed out with regard to the staff and when the spotlight does get shone on an organisation like this there are stresses and concerns that might arise in the staff. What has been put in place for them to be cared for or opportunities for them to be able to talk some of these things through?

PUBLIC

Ms ARCHER - Thank you for that question because it does need to be acknowledged that this is difficult. As I said in my opening statement, there were matters raised in this report that are difficult for the Public Trustee and its staff to hear. I know that all staff would be well-meaning in their approach. It may be that they are not aware that their approach is causing distress and it has now come to light as a result of a public airing of these concerns. I am hoping that staff can embrace this as an opportunity in relation to what is currently being provided by way of supports. It is important for the chair to address that.

Mr SCANLON - In respect of work, health and safety responsibilities, internally it is monitored by the manager, Risk and Compliance, and he reports back to the executive management team on a regular basis. If there are any underlying themes that are evolving it can be dealt with by the executive.

Ms ARCHER - In relation to counselling and other services provided?

Mr SCANLON - We do have access to, I can't remember the name.

Ms CUNNINGHAM - An EAP provider.

Mr LUCAS - Employee assistance.

Ms ARCHER - That is within the State Service?

Mr SCANLON - Yes.

CHAIR - Who manages the manager?

Mr SCANLON - Manager, Risk and Compliance?

CHAIR - Who manages that?

Ms ARCHER - Someone needs to manage it.

CHAIR - The acting CEO.

Mr SCANLON - Yes.

Mr VALENTINE - Generally, has that service been called on?

Mr SCANLON - I don't have the information, but I don't think we would be told.

Ms CUNNINGHAM - It's a confidential service.

Mr VALENTINE - I know it is confidential.

Ms ARCHER - I think the only answer that they can provide, Mr Valentine, would be if anybody is currently on leave, stress or otherwise. I can say, yes.

Mr VALENTINE - Okay.

PUBLIC

CHAIR - Can we have a number?

Ms ARCHER - For a number, we may need to take that on notice unless you can answer that?

Mr LUCAS - It's not people who are on stress leave at the moment. I have one who is unwell, but I don't know why they are unwell. That is all I am going to say on that.

CHAIR - It's a genuine concern and that is why I asked about the recreational leave. If you are in a stressful environment, having some leave, whether you can travel or not, is important.

Ms CUNNINGHAM - Regarding looking after our staff in relation to the review, our staff have been kept totally up to date with what is happening, what the next steps are, where we've been within the review. Management have met regularly with the staff who manage representing a person; one on ones. The board has kept the staff up to date and given us messages of encouragement.

CHAIR - Was the review provided before it was publicly released?

Mr SCANLON - As late as yesterday afternoon, on behalf of the board, I issued a statement to the staff. In it we gave them the link to the report. We also informed them if they had any concerns, they could approach their direct managers.

CHAIR - But not prior to the release? I heard it on the radio, coming down at 7 a.m. yesterday.

Ms ARCHER - They didn't receive the report until everyone else had received the report. It was important that it was made public at the same time.

Mr LUCAS - It was released to the staff after the minister announced its public release.

Ms ARCHER - Ms Rattray, I think it is important, because it was an independent review, that the Public Trustee not be given special treatment to the clients. They all had access to the report at the same time. That is why I started today by saying the Public Trustee needs to be given time to consider the findings and recommendations and the report itself.

If I had have given them a sneak peak, I would have been criticised for that, and rightly so, in my view. It is an independent review at arms-length of government and it needed to be treated as such.

Mr VALENTINE - Last question, in relation to the CEO. Have you advertised for that yet and what is the status?

Ms ARCHER - Yes, in relation to the CEO role, it's been put on hold while the review was being undertaken. That can progress to a Cabinet approval now. Basically, the interview has occurred. The recommendation is there. It was put on hold whilst this review was undertaken.

CHAIR - No announcement today?

PUBLIC

Ms ARCHER - No. Mr Lucas will then be able to go back to his substantive role.

CHAIR - I saw his eyes light up when we started asking financial questions.

Ms ARCHER - A big job for the new CEO as well.

CHAIR - Absolutely. I guess our acknowledgement of the work that has been done while you have been waiting for the result of the review, has certainly has not gone unnoticed. As I said, at some stage through my contribution, it doesn't give us any joy to read what we had to read before we came to this inquiry today. It is our responsibility to also raise these matters.

On behalf of the committee, we sincerely thank you for your time and for providing as much information as you can, and did, for us. We also extend our best wishes for a very happy, safe and restful, if possible, festive season. Thank you very much.

Ms ARCHER - Thank you Chair, thank you committee, and thank you secretary and Hansard.

The Committee suspended from 10.59 a.m.



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESS SCRUTINY COMMITTEE B

Sustainable Timber Tasmania

Friday 3 December 2021

MEMBERS

Hon Rosemary Armitage MLC (Deputy Chair)

Hon Jo Palmer MLC

Hon Tania Rattray MLC (Chair)

Hon Jo Siejka MLC

Hon Rob Valentine MLC

Hon Josh Willie MLC

OTHER PARTICIPATING MEMBERS

WITNESSES IN ATTENDANCE

Hon. Guy Barnett MHA, Minister for Energy and Emissions Reduction, Minister for Primary Industries and Water, Minister for Resources, Minister for Trade, and Minister for Veterans Affairs

Steve Whiteley, Chief Executive Officer, Sustainable Timber Tasmania

Suzette Weeding, General Manager Conservation and Land Management, Sustainable Timber Tasmania

Chris Brookwell, General Manager Corporate Services, Sustainable Timber Tasmania

Rob de Fegely AM, Chairman, Sustainable Timber Tasmania (via videolink)

PUBLIC

CHAIR (Ms RATTRAY) - The time being 11. 15 a m., I welcome everyone here to our government business enterprise scrutiny. We have Sustainable Timber Tasmania, formerly much-loved Forestry Tasmania.

Thank you, minister, and would you please introduce your team at the table? We have until 1.15pm for this scrutiny, two hours. We look forward to an engaging process. I feel sure that you will have an opening statement, as brief as you can to allow as much time as possible for questions. It is getting towards the end of the year, so let's hope everyone keeps focused on what we need to be doing here.

Mr BARNETT - Thank you, Chair, for the opportunity to present with Sustainable Timber Tasmania before your committee today. I introduce the Sustainable Timber Tasmania Chair, Rob de Fegely, who is online from New South Wales today.

CHAIR - Hello, Rob, welcome. It is the first time we have had a chair of a government business enterprise on Webex.

Mr de FEGELY - Thank you, and I'm looking forward to returning to the state very soon, as soon as the minister will let me back in, and if we keep New South Wales under control, which will hopefully be the case. Thank you, Chair.

CHAIR - If you're looking to get New South Wales under control, I don't think you'll ever get back here.

Mr BARNETT - Thank you, and likewise, Steve Whiteley, CEO; Suzette Weeding, General Manager Conservation and Land Management; and Chris Brookwell, General Manager Corporate Services. I thank each of them for contributing today. I will share an opening remark, as you've indicated. Firstly - wood is good.

CHAIR - Bingo.

Mr BARNETT - Wood is good. It's sustainable, it's recyclable, it's renewable and it's the ultimate renewable. We're sitting here, enjoying some of the finest Tasmanian timbers in our parliament, in this committee room. This is a carbon sink, right there, as I knock on that wood.

It's a fantastic \$1.2 billion support for our economy, and some 5700 Tasmanians work in this industry. More than half of those are in the primary and secondary processing. As a Government, we have backed the industry with \$11.7 million to support and promote the sector, including the \$10 million for the on-island processing, value-adding downstream processing in Tasmania; \$450 000 investment in skills and diversity in forestry to help deliver a modern, skilled and diverse work force, and \$1.15 million to support the promotion of wood and help build demand for our wood and wood products for the high-end, high value-added uses.

I am also pleased to make very clear and unambiguous, the decision by the full bench of the Federal Court, backed by the High Court of Australia, backing in our Regional Forest Agreement. We are the only state in Australia that has a statewide Regional Forest Agreement. We are delighted with that decision in the last 12 months, backing in our world-class forestry sector in this state.

PUBLIC

Sustainable Timber Tasmania remains a very important part of the industry and its value is reflected in this year's operational and financial results, along with a multitude of positive achievements and highlights. I am very pleased to advise that Sustainable Timber Tasmania has achieved its fourth profit in a row. That's very good, on the back of many years of being in the red.

Sustainable Timber Tasmania paid \$115 million to 673 Tasmanian businesses supporting local communities, including \$53 million to harvest and haulage contractors, helping to keep regional Tasmanians employed during the COVID-19 pandemic. Sustainable Timber Tasmania's value to the community extends beyond the operating profit, supporting fire-fighting activities and protecting communities from our bushfires, particularly with this summer ahead. Lots of good work has already been undertaken.

CHAIR - Which has already started, by the way.

Mr BARNETT - It has already started, indeed, Chair. STT are working collaboratively with our apiarists, our tourism businesses, our recreational users, mountain bikers, operators and events for everybody's mutual benefit. They are managing and maintaining our roads to support and facilitate access to hive sites, attractions and experiences. I take this opportunity to thank the board, the chair, more than 160 staff and, of course, the hundreds of contractors of Sustainable Timber Tasmania and all those involved in the forest industry for their resilience and hard work and together we look forward to growing a sustainable forestry sector. With that, Madam Chair, I will pause and if possible, allow the chair of Sustainable Timber Tasmania to make a few short remarks as an opening for the committee.

CHAIR - Thank you, Rob.

Mr de FEGELY - Thank you very much, Madam Chair, and minister, for the opportunity to make some brief comments which, hopefully, will help you with a bit of background for your questions to us this morning.

This year the strong contribution from more than 1000 employees and contractors enabled Sustainable Timber Tasmania to continue operating at a profit and to support businesses, jobs and communities across Tasmania. The 2020-21 financial year required both the STT board and management to navigate several challenges, including COVID-19 and a volatile international market.

Despite this, I am very pleased, as the minister mentioned, to share the business has reported a total consolidated comprehensive income of \$3.9 million, which is our fourth successive profit result. We thank our customers for their continuing support in a difficult market environment. Throughout the year, the organisation continued to develop its focus on several things including adaptive land management, resource security, customers and our supply chain, and the communities we work in and our workforce.

As an active, adaptive forest manager, STT maintains and enhances the conservation and protection of forest values while maintaining access to our forests for multiple uses. A focus on developing and adapting a sustainable land management approach in a changing climate to meet society and market expectations is essential to our future. There was significant

effort over the year to drive continual improvements, for example, we progressed our forest monitoring utilising technology, new technology and digital forest research.

We revised our seed zone systems to manage future forest health and resilience. We are investigating a natural capital accounting framework to improve our reporting for everyone on all our forest values, not just our financials, and we undertook a range of habitat retention trials to improve our forest management. This year, STT actively participated in over 25 research projects. This was to support sustainable forest management in a diverse range of areas including forest genetics, biodiversity, fire management, natural capital accounting and the Internet of Things.

During the year, a major customer consolidated processing operation at Smithton by closing their southern facility. This change has created the opportunity for new investment in wood manufacturing in the south of the state. Importantly, STT's value to the community extends way beyond operating at a profit. STT paid \$115 million to Tasmanian businesses, as the minister mentioned, including \$53 million to harvest and haulage contractors who then flow on and support local communities.

Importantly, we helped to keep regional Tasmanians employed during the COVID-19 pandemic. We sowed nearly 90 million seeds to regrow forests for future generations of Tasmanians and maintained almost 3000 kilometres of roads to provide access to our permanent timber production zoned land for multiple uses including tourism businesses, bush walking, mountain biking, hunting, and fishing.

Furthermore, STT is committed to protecting communities and the impacts of bushfires and contributed over 1200 hours of firefighting activities while attending 24 bushfires. Despite the disruptions in 2020-21, STT produced a similar volume to the previous year and for this I am very thankful to our staff and our contractors with nearly 1.6 million tons of forest products, including over 115 000 cubic metres of high-quality eucalypt saw logs which were delivered to our customers.

STT understands a successful future relies on developing a capable, diverse and safe workforce. As a statewide team, STT has worked tirelessly to maintain an ongoing commitment to continual improvement to promote safety. We want our employees and contractors to go home safe and well every day. Implementing safety circle training across the state has been a fundamental part of this approach and demonstrated the great importance of investing in the safety of those delivering a wide, tangible impact on the ground.

Finally, Madam Chair, I wanted to say a very warm thank you to our STT employees, the staff, our contractors, our customers, my fellow board directors, and stakeholders, and the wider Tasmanian community for their continuing support and engagement with our activities over the last year. Thank you, Madam Chair.

CHAIR - Thank you Rob. I am not sure the CEO will have anything left to share with us, but we shall see how we go.

Mr VALENTINE - It is noted while production of most wood products is similar to 2019-20, production of solid wood and pulp wood from hardwood plantations was down by around 113 000 cubic meters, that is on page 86 of your report. It is also noted on page 33 and page 87 gross revenue was down from \$50.8 million from \$178.201 million in 2019-20 to just

PUBLIC

\$127.362 million in 2020-21. What proportion of the reduction in volume is associated with each of the wood product categories? What extent does this reduction represent a change in the availability of each of those wood products as compared to market conditions?

Mr BARNETT - Thank you for the question. It is a comprehensive question and in many parts. I will kick it off and then then I will pass it.

Mr VALENTINE - I will give it to you one at a time if you like, minister.

Mr BARNETT - No worries, but I am just acknowledging that and if I could make some opening remarks in response and then I will pass to the CEO to drill down and we will work through those questions to assist the committee.

It has been challenging during the COVID-19 pandemic for all of us in Tasmania, including the forestry sector, but I want to pay a compliment to those at STT and in the forestry sector for doing what they did during that difficult time. It was challenging and they kept going.

CHAIR - Never missed a beat, minister.

Mr BARNETT - Never missed a beat. They had plenty of challenges ahead of them during that time and addressed them. I wanted to commend them on the way through, before I passed to the CEO because it has been difficult for everyone in Tasmania but particularly those in the industry. They employed COVID-19 safe practices. It worked in the social media space, across the industry and did a good job to keep people in jobs and keep operating.

CHAIR - I certainly agree and if you want the member to dissect those questions he can.

Mr WHITELEY - I will give a general answer first and if there are things I have not picked up you can follow that up with specific questions.

Mr VALENTINE - It is just about the volume.

Mr WHITELEY - Broadly, in terms of the nature of the segments of our business, overall volume from native forest is normally the product itself, the saw logs and the peeler logs for our domestic processing customers and then there are residues that arise from that. In aggregate that provides the whole-of-the-tree view of the world. A couple of changes we have made in the last 12 months, we have increased the thinning of native forest. That is in younger forests particularly regenerated in the 1970s and do not yield many sawlogs now, but it is to grow future sawlogs. There is an increase in volume from that activity. The rest of it is the balance of how much sawlog we produce.

In terms of the plantation question, as you know, our state is largely intended for solid wood production and the regime we use is to prune the trees, then when they are ready, to thin them. Over the years we have been running that program. We have almost completed the thinning phase. That is the last phase and the decline in plantation volumes associated with completing our thinning program. We have started doing some trials in plantation to make available some of the older solid wood products. We have been supporting research projects through National Institute for Forest Products Innovation and other research entities, along with customers too for them to trial the wood properties.

Mr VALENTINE - Also UTAS?

Mr WHITELEY - Yes, through UTAS, so they do the work. UTAS in Launceston effectively are one of the main service providers there, combined with industry. There are companies like Britton Timbers, CUSP Building Solutions in Wynyard, Neville Smith Forest Products and others involved actively through those trials. They are really a research partner and we are a partner in regard to supplying the material. They mill them and then they have measurements taken by Greg [inaudible] and others from UTAS. That is a ramp up of some of the activity in the older plantations, along with the decline in the thinning program that has really come to its natural conclusion.

Mr VALENTINE - The reduction of 113 000 cubic metres in that hardwood plantation?

Mr WHITELEY - It is related to -

Mr VALENTINE - harvesting. As the question I have put, what proportion of the reduction in volume, is associated with each wood product?

Mr WHITELEY - The wood product there is thinnings, it is a pulp wood product from thinnings. The volume, in terms of the table you are looking at, is attributed to a decline in the thinning activity because it has been completed.

There had been a slight increase in activity of harvesting some mature plantations at this stage, principally for research purposes.

Mr VALENTINE - There is basically no change in the availability compared to market conditions?

Mr WHITELEY - Some of our customers had to navigate COVID-19, as the minister and the chair have said, so there was a change in demand. There was also the Ta Ann decision, because of the bushfires and COVID-19 and the situation in Malaysia; they made the difficult decision to stop operating in the south and move some of their equipment up to Smithton, to make their operations more efficient.

All of those things in combination changed demand for some of our products. You might see that some of the peeler logs that were previously domestically processed, particularly in the south, went out as log exports and that is really to maintain the contractors segregating those products.

We have gone through a process to reallocate some of that wood. We have put an expression of interest out. There have been some changes for a range of reasons, some of them biological, some of them market, related to COVID-19, bushfires and those sorts of things.

Your other question was about the significant change which is netted off, revenue and cost. That was a role we were playing in being the ultimate aggregator of wood prior to it being loaded onto a ship. We were a trusted party for a number of businesses, simply to be the point of sale. We would pool our wood with others in order to make a shipment, but we were the party that undertook the transaction.

PUBLIC

That has changed a little since Midway Tasmania have started operating directly, and there has been some private sector capability brought to the state. It doesn't relate to the volume of wood coming from ourselves or the private sector; it is simply a change in arrangements because the private sector has been able to take on that role. Effectively, we were filling that role because the government was trusted to be the aggregator that held the contract for a period and that was a pass through. It nets off one for one.

Mr VALENTINE - What proportion of the \$51 million reduction in gross revenue would that drop in hardwood production, make up?

Mr WHITELEY - The bulk of it is simply the commercial transaction component where we were the aggregator and as you will see in there, it is netted off. Chris might have some specific numbers for that?

Mr BROOKWELL - Yes. The volume of total product is flat, that is one and a half million tonnes and the revenue has dropped as you have rightly pointed out, by \$40-ish million. The entirety of that drop is triggered by the cessation of the aggregation role that we were playing. The \$48 million worth of sales that we made in that way in the previous year, we didn't make a margin on.

The change that Steve has identified, impacted revenue significantly, but didn't impact margin on the stable volume.

Mr VALENTINE - Do you charge for that aggregation role?

Mr WHITELEY - No. It was a service.

Mr VALENTINE - Basically, facilitating for the industry?

Mr BROOKWELL - That is correct, yes.

Mr VALENTINE - Okay. I have other questions to go to. If people have other questions on that particular issue.

Mr WILLIE - I have questions on supply.

CHAIR - We will finish this first before we go to specialty timber.

Ms ARMITAGE - Specialty timbers, when we are ready.

Mr WILLIE - I have heard of a few reasons, minister; but why did STT not deliver the legislated 137 000 cubic metres of high quality sawlogs?

Mr BARNETT - Through you, Chair, that is incorrect. The legislative requirement to make available 137 000 cubic metres of high-quality eucalypt saw log per year, has been met and it will continue to be met. Let's make that clear. It is in legislation. It is a requirement. The Government has very expectation that STT will continue to meet those requirements.

The CEO can outline how this operates. It is a matter of making that wood available. It is then a matter for those that wish to seek that wood to take that wood, on terms and conditions

that are then agreed. The legislation requirement has been met and the Government's expectation is that it will continue to be met. To understand that more fully, I would like the CEO to add to the answer.

Mr WHITELEY - Effectively, there are three parts to the way we organise our production. Within legislation we are required, as the minister said, and it is quite clear, that there is a volume of wood for the Tasmanian veneer and sawmilling industry. It's for a particular purpose and to a particular specification. There is a production policy, within the legislation effectively,

What that means for us is that we need to grow trees for that purpose. That is the way that we support the policy. Each year, we prepare a three-year wood production plan that reflects the demand from our customers. Each year we are able to make that available, but it may require customers to source their own contractors to do some other things. It is not a supply question; we need to make sure we have sufficient quantity of the right quality of material. Each year we do a check on that. We check on the standing volume of how much wood we have in the forest across the estate that is able to have a forest practices plan prepared. In other words, it could be made available.

The most recent snapshot showed that there is about 2.4 million cubic metres of sawlog of the prescribed quality, standing in the forest. It is a question about, does the industry seek that wood? This has been a question that has been around for the last few months. We have been asked it on several previous occasions.

Because of the that, I had a look at the history from 1997, the start of the RFA period, and sought to see how many years from 1997 through to now, has the actual supply met or exceeded the production policy. It ended up being for 5 or 6 years in the mid 2000s, and that was in the era where people were seeking land to put plantations on and the industry chose to operate at that level. It has only been in recent times, after the TFA, that STT has got a disproportionate proportion of the contract, that we're contracted to. Prior to that, the production system was managed by the industry itself. Gunns had the majority of the contractors and there were other companies who did that.

Each year we are required to make available that amount of wood - and we do. As another part of the equation, we do a five yearly review in accordance with the Regional Forest Agreement, to review our sustainable yields. That is looking at the same standard of log. We are in the midst of doing this year's five yearly review at the RFA itself. It started in November 1997; on our time table, we need to do the review by June 2002, in order for the state to report by about November 2002. We are doing work towards that at the moment.

It really is a biological statement. We measure the forest. We look at how much it has grown. We look at if there has been fire damage. We look if there have been changes to environmental standards. All of those things get pulled together and it creates what you may be familiar with - a statement of sustainable yield. We are currently doing that. That is a biological calculation - counting how much is out there and spreading it over time. We need to assure ourselves as a state, that we can sustainably manage the forest to continue to be able to biologically make that available.

Then the third party is commercial contracts. We have a number of commercial contracts with large and small businesses. The other important part of the production policy is it's for

one grade of log so it's for the high-quality sawlog and veneer logs. Many of the millers, particularly the small and medium millers, rely on what we call category two and category eight logs. There's quite a volume of those that support many of the mills as well.

It's a mix of what a business requires in log mix, whether it be high-quality sawlog or lower grade logs. They have different equipment, different markets. They value the wood properties of Tasmanian eucalypts, particularly the Tas oak species. It's a great brand that the Government and the industry have been investing in the last two or three years in better marketing of Tas oak. It was one of things where, as the resource is diminishing but also plantation wood is coming on, it's important from a Tasmanian point of view, that we really capture all of the value that's inherent in not just our special timbers, which are other species, but effectively the special timber that we have in the Tas oak species as well.

Mr WILLIE - Minister, I'm trying to work out what this disconnect is because the message coming from Government is very different to the message from industry. We're hearing about huge demand, we have timber shortages, industry is telling us they can process more but their contracts aren't being filled. How do you explain that disconnect between industry and what you're saying? You're saying you are making it available but the industry is not taking it but they're telling us their contracts aren't being filled and the Government's not getting to the legislated requirement.

Mr BARNETT - Let's go back a step, in terms of the 137 000 cubic metres which is a legal obligation to make that available. How did that come into effect? That came into effect as a result -

CHAIR - Through negotiation. It took a whole summer.

Mr BARNETT - Through negotiation as a result of the TFA. Under a Labor-Greens government, it was more than halved from 300 000 cubic metres to 137 000 cubic metres. Of course, what happened? We saw the industry decimated; jobs were lost, two out of three jobs were thrown on the unemployment scrap heap. That was under the previous government.

Mr WILLIE - How long have you been a minister?

Mr BARNETT - You're asking a question and I'm giving you the context. Then you get back to the 137 000 cubic metres which is required to made available. It is a legislative requirement. As the CEO has indicated, and I've indicated, that remains the case. That does have to be made available. The CEO has outlined the arrangements in place for what's called the sustainable yield report which will be available by mid-next year.

We've made it very clear in our policy commitments that resource security is very important for both the smaller sawmillers and the medium and larger sawmillers going through to 2027 and beyond. We've made commitments for that but we have to have that report by mid-next year to make those good decisions that are sustainable decisions for the future.

I'll pass to the CEO to answer the other aspects of your question relating to meeting those requirements for the various sawmills.

PUBLIC

CHAIR - It's a genuine question about the disconnect. We have pre-hearings, pre-briefings before this process and that's not the message that we received. So I'm keen to hear the answer.

Mr WILLIE - A lot of frustration.

Mr WHITELEY - A lot of what we hear and from a national point of view, the chair might be able to comment on this, but a lot of the housing commentary is about softwood. Most of the timber framing now is softwood. Tasmania makes an important contribution to that. We have a mill at Bell Bay that processes the Tasmanian-grown trees, including taking some to the south.

My understanding of the national situation is all of the softwood mills are going flat out at the moment and the shortage, nationally, is because of the lack of imports. That's the story here about housing.

In terms of the local commentary, it's separating -

Mr WILLIE - Let's not confuse the issue. We're talking about the 137 000 cubic metres.

Mr WHITELEY - I think there's a sentiment there about we don't have enough timber for housing but, to make clear, that comment particularly relates to radiata pine and house frames. A lot of the fit-out, whether it be commercial fit-out, housing, timber floors and those sorts of things, does come from hardwood. People select that because it's beautiful timber, it's hard and tough, all of those things. People do use hardwood timber - Tas oak timber - in their building projects but it's not the trusses and the frames. It's the features, it's the kitchens, the furniture and those sorts of things.

We last tested the market broadly via a tender process, probably more than four or five years ago up in the north east. The way that the sustainable yield calculation works, it counts every sawlog. Some of the areas, particularly in the north of the state, have been cut-over in the past. A lot of the sawlogs have been removed. In order to go in and harvest the next crop, you also need to deal with the rising pulpwood residues. We offer that to people who are willing to take the whole stem.

For us, if we are looking to service our contracts, we need forest that is capable of being managed with a high enough proportion of sawlog material. Beyond that we are happy to open up to the private sector, but they then, would need to effectively buy the whole stem.

Within a biological system it is different from plantation, where it is quite uniform. Here there is a whole timber harvesting history. There are quality aspects and those sort of things. So, not every coupe in our world is associated with a high proportion of these sawlogs.

We actually say to the private sector, if you would like that, we will make that available to you, but it is up to the private sector to set up some commercial systems if they wish to acquire that timber.

I am not sure, specifically -

PUBLIC

Mr WILLIE - Are you saying some of the coupes are uneconomic to harvest? Is that what you are saying?

Mr WHITELEY - It depends on the range of products. A couple of years ago we were getting very buoyant prices for pulpwood in those times where all products - people were making a lot of money. The processes, the contractors, where a high proportion of their quotas were able to be filled. As different parts of the market changed then people have to adapt. So we adapt as well as the contractors.

In looking at the customer by customer mix, COVID-19 did change things significantly, particularly our major customers. I will not identify them individually but they requested much lower volumes than they were potentially entitled to under their contract. The bottom line total for the year reflects the decisions of all of our customers in combination. Many of the larger customers that make the most difference to the bottom line sought to have a reduction in deliveries while there was uncertainty about COVID-19 and particularly their distribution channels. They were managing their risk.

It was not to do with a shortage of trees.

Mr WILLIE - Again there is a disconnect because the industry is saying we cannot get our contracts filled and they want more. They want to process more.

Mr WHITELEY - Well, we are delivering what they are asking us to. If they would like more wood, it may be that they need to go and source their own contractor to get it. We are not going to necessarily step up and deliver to them. We are happy to make it available, for sure if they request, as part of the annual cycle of updating our three-year production plan. These things take time as well to get orders in, do the preparation, consult the community about what coupes are being scheduled. We need to build roads to many of them. Some of them have had roads built previously but often at least we will have to build a short spur road into some of these to make it available.

We have this annual cycle where we prepare for that based on our conversation with our customers about what they would like. As I say, in terms of our record in this annual report, that changed because of COVID-19. More was available than was ultimately requested.

Mr WILLIE - Minister, some of these issues being discussed, what does that mean until 2027? Are you going to be able to deliver the legislative requirement each year until 2027, given some of the reasons that have been described, that might prevent that?

Mr BARNETT - It is a legislative requirement. We expect it to be met.

Mr WILLIE - So are you considering negotiating the early end of timber contracts?

Mr BARNETT - No, as I indicated earlier and the CEO indicated, there is a sustainable yield report which is due by mid-next year. That will give a very clear understanding, much clearer than the one of five-years prior.

This has been done consistently over the last many decades now, consistent with the Regional Forest Agreement. That report will be done so what we have made clear in our

PUBLIC

election commitment and we make clear again today, is that we support resource security for the smaller, medium and larger sawmillers and those that are seeking that wood.

Once that report is available we would expect further discussions, negotiations, with STT to commence and then to take place to provide that security in the future. Those discussions will not start until next year once that report's available. Everyone can see the report, it will be made available. We expect those discussions to take place. As I say, resource security to 2027 and beyond would be our expectation.

Mr WILLIE - You are not ruling out, once you receive that report, negotiating early end of contracts?

Mr BARNETT - We are ruling in resource security. That is our policy position.

Mr WILLIE - It is a pretty simple question, you can rule it out now.

Mr BARNETT - You have just asked the question; do we abide by the legislative requirement.

Mr WILLIE - Will you rule out negotiating early end of contracts before 2027?

Mr BARNETT - Let us be very clear, we support resource security. In terms of meeting the legislative requirement, it will be our expectation that would be met. It is a legislative requirement. We are not going to be changing the law, not like under the previous Labor- Greens government.

Mr WILLIE - I am not asking about changing the law, I am asking about contracts.

CHAIR - One speaker at a time.

Mr WILLIE - It is a simple question, Chair. Will you rule out negotiating the early end of contracts by 2027?

Mr BARNETT - That is a matter for the CEO.

Mr WHITELEY - I am happy to give you a direct answer. We have been asked the same question by the TFP. We have said to them we have sufficient wood to meet all contracts to 2027 and beyond. The other one is in terms of the state and you will see that if you look at the sustainable - we have to manage a migration from what sawmills have traditionally used, which is the Tas oak species, into some of them migrating to, effectively, plantation wood. That was set in train in 1997. It has been apparent, we are getting closer to that time.

At the moment, to be clear, the contract holders right are to native forest timber. We have done a snapshot this year and we have 2.4 million cubic metres of high-quality sawlog available. You can do the maths around 137 divided by the number of years to 2027, so very clearly, biologically we have the trees there. There are contracts and no reason why they would not be honoured in full.

PUBLIC

There is a process we will need to go through in the next few years about some businesses that choose to process plantation timber and how that plays out. I cannot answer that as it is something we will need to work through with each of those commercial businesses, based on their wish. Some may wish to supplement their resource, some may wish to exit native forest and focus on plantation, some may wish to continue with native forest.

The resource is there, from what we saw in the last review, it is about 50-50 after 2027, plantation natives. We have the resource there, but there is a structural change. It has been around since it was put in train when the RFA was set. We are doing the trials now, and getting some R&D. People are testing those logs and having a good look and at their markets. It is not just about the ability to cut up the wood and dry it, it is about what it can be used for. It has different wood properties -

Mr WILLIE - Yes, we heard yesterday from the minister.

Mr WHITELEY - There is a stack of potential. This is where innovation, engineered wood products, all sorts of opportunities for the state, to really lead in that. We have a fantastic resource in our nitens plantations on public and private land. We are growing pruned trees that deliver clear wood, but there is a huge private resource. Some of the private growers are becoming more interested in growing their trees for a bit longer. Originally, they were put in to support a pulp mill. Now, with carbon opportunities, with domestic processing opportunities people are having a good rethink. We have CLT products and other really exciting projects there in combination, particularly public and private growers, and a great resource for Tasmania. If you are a processor in Tasmania over the next few years, there will be really good opportunities to invest.

Mr BARNETT - That is one reason we have committed the \$10 million for the on-island processing, value-adding of our timber.

CHAIR - You have already mentioned we have great resource here. We were informed yesterday there is an opportunity to grow some of that resource out for, say, another five to six years and keep it here on island and not send it to Victoria like we are doing now. Can you give me some explanation on doing that and about supporting our local industry, for them to be able to deliver all these wonderful products and not prop-up the likes of Victoria who don't have that same quality resource.

Mr BARNETT - Thank you for the question. I will ask the CEO to respond. There is a balance in getting the mix.

CHAIR - We understand the state trade but you have to look after your own, minister.

Mr BARNETT - We know section 92 of the constitution which states trade between the states must be free and fair. There must be a balance and there is a mix. The point the CEO was making about the growth in plantation estate needs to be taken into account. That is why there is much more work, investigation and research into engineered wood.

There has been a reference to Cusp Building Solutions on the north-west coast, to Britton Timbers and others that are working in this space because we have to be able to use the wood more effectively and wisely wherever possible with on island processing. We are all about promoting jobs, growth and opportunity in Tasmania. The CEO can add to that.

PUBLIC

CHAIR - Can we have the quantum of resource that has been let go to Victoria? Is that available?

Mr WHITELEY - I am happy to answer your question fully. Perhaps I could start in terms of what STT are doing. It flows on from the work we are doing about R&D. Last October, we put out an expression of interest. We had commissioned a third party to do some more intense measurement of our plantations. We have grown them over many years. We have been pruning and thinning them. We have been doing monitoring level assessment of them but what we really do need to do to help underpin investment is to know a lot more about character of the stems, what their diameter is, how much of the wood is in the pruned section, how much is in the larger section above that.

These wood properties we have are older trees so they tend to be 25-plus, a bit different to the 15-20 that is on a lot of the private estate. We put out an expression of interest prior to engaging consultants because we wanted to make sure we knew what to measure. We had good support from Tasmanian processing businesses. Both have just put up their hand to flag we are interested. Some others were specific about seeking resource for them to test various products. It was a broad range of types of response. We had responses from three or four interstate businesses who made it clear that to the extent they were interested, this was about processing material in Tasmania unequivocally.

In answer to your strategic question, the resource in Tasmania is for processing in Tasmania. Some of those businesses have manufacturing facilities elsewhere and we offered small quantities for them to test. There are no contracts. It is not commercial quantities. It is very small quantities for them simply to test. I was about to do some maths to give you a percent. I would rather not give you numbers. I will answer the question by giving you a percentage.

Mr de FEGELY - I think the interesting point at the moment is that Australia has run out of wood, whether it be softwood for housing and hardwood for the raft of products we use hardwood for. In simple terms, power poles and hardwood pallets that are used by all the major supermarket chains to transport goods, as well as our manufacturing. Most people have taken them for granted until they weren't there. We are importing about 70 000 cubic metres of hardwood a year from overseas. A lot of that comes from South East Asia where we have no idea about the sustainable management of those forests.

I appreciate the members' questions this morning about supply and sustainability and it is an ongoing challenge for us to balance our harvesting operations to get wood at the cost that our customers want it for, plus the volatility of the export market. Domestically the challenge for us, and Australia, is a moral one: to become self-sufficient, and to get the right sort of processing in Tasmania. The more security that investors can feel about wood supply long term, the greater attractiveness we will see.

I am personally aware of a number of companies who are looking much harder at Tasmania about investing in wood processing where they weren't looking at this before. That is a great reflection on the state and the opportunities for Tasmania because you grow trees really well and it is a competitive advantage for the state. I can see more investment coming in the future and the challenge for STT and the private growers is to meet those new investments with the products they need.

PUBLIC

CHAIR - The percentage?

Mr WHITELEY - It is less than 3 per cent.

CHAIR - Less than per cent.

Mr WHITELEY - Again, it was part of a response to an expression of interest that went out via a third-party consultant and some people interstate requested that. It is less than 200.

Mr WILLIE - Moving forward, we have a strong commitment that that plantation will be available to Tasmanian processors first?

Mr WHITELEY - For processing in Tasmania.

Mr WILLIE - For processing in Tasmania.

Ms ARMITAGE - We were told that the smaller multi-generational mills in northern Tasmania have been short supplied.

Mr WHITELEY - Sorry. This is about plantation material?

Mr BARNETT - What is your source?

CHAIR - We are not at liberty to provide our sources.

Ms ARMITAGE - This is about the high quality nitens that have been going to Victoria.

Mr BARNETT - So, you have had a briefing?

CHAIR - We invite key stakeholders.

Mr VALENTINE - We always have stakeholder briefings.

CHAIR - To be perfectly frank, those key stakeholders indicated they are having discussions, so it is not something that you will be new to.

Mr BARNETT - It came out of the blue and I appreciate the context in which you are now sharing.

Ms ARMITAGE - They asked whether the smaller country sawmillers could be given the opportunity to tender.

Mr WHITELEY - They have been and many of them have responded. That was an early part. What we were asking there was, put up your hand if you might be interested and tell us, or tell the consultant in this case. We wanted a third party so they could reveal their commercial information but not to us, so maintain that degree of separation with a view to us designing an inventory to work out what we should and that is simply where we are at the moment.

PUBLIC

Ms ARMITAGE - You don't agree that some of the northern Tasmanian mills are being short supplied?

Mr WHITELEY - This is a research phase. None of this wood is contracted. We have simply gone out to customers to help inform us about what we should be measuring. We have some older plantations that were established in the early 1990s, the Helsham plantations. We said we are happy to make that available for you to test. It is not a contract and that is open to any of the millers. We have made that available to all of the small millers as well. If they wish to come and get a load of logs, test it and see what it looks like, see whether they're interested, we are very happy to do that. We are all in this development and learning phase at the moment.

Mr VALENTINE - That's pruned product, is it?

Mr WHITELEY - Pruned and unpruned. A small sample of the feedback we have is that people are seeing value in the older age class. A lot of the wood we have supplied has been to Cusp (CLTP) and they certainly value the wood properties of the older wood even though they are looking to run their business predominantly on younger wood. They are doing engineering testing.

Sawmillers we have worked through with NIFPI projects, there are a couple of sawmills that have been long-term research partners but, in this case, it was an all-comers. You put up your hand, let us know and we will look to arrange one coupe and we will distribute that to people who put up their hand.

Again, small quantities, not contracted, simply to do some product testing, give us feedback so when we do our inventory, we can work out what form these trees are in, how much volume is in the pruned bit and how much volume is in the larger sections above that. Part of what we are all trying to figure out is whether it is age affecting wood properties, whether the clear wood from pruning is the most important or whether it is the dimension that is most important. We have a number of factors there that we know theoretically and we really only want to get feedback from a range of customers.

There is a lot of wood going out of the state, but that is coming from private land and that is both plantation and native forest wood. There is a lot of wood going out and I notice, in terms of local businesses, they see logs disappear out of the state and that is simply the right of any private grower to go to the market and choose to sell to whoever they would like to.

CHAIR - Those heavy haulage vehicles don't say STT or private owner?

Mr WHITELEY - No. That is correct. We unequivocally do not sell native forest sawlogs out of the state. That is absolutely clear. It is part of the state's policy written in legislation. There are some plantation logs, but it is very small quantities for the purpose of having a look at the logs.

CHAIR - Less than three per cent.

Mr WHITELEY - Less than three per cent.

Mr WILLIE - On that expression of interest, Chair, supplementary?

PUBLIC

CHAIR - The last question because then I need to go elsewhere.

Mr WILLIE - Were we selling plantation timber out of the state before that expression of interest?

Mr WHITELEY - I do not believe so because I do not think we were harvesting then. I think we were just still in the phase of doing thinning and NIFPI trials. Really, this is one where we are looking at some of the older plantations for a more commercial purpose, rather than a research purpose. It is not tied into the customers having to be formally part of NIFPI or something like that; it is simply for them to get a couple of truckloads of logs and run through their process and see what it looks like.

Mr BARNETT - To be very clear on what the CEO has said, we are talking about STP so we cannot talk on behalf of private operators that may or may not have done that.

CHAIR - Hence my comment around that we do not -

Mr BARNETT - Yes, that is right.

CHAIR - The community does not see who the wood belongs to -

Mr WHITELEY - No.

CHAIR - - when it is going out on those heavy vehicles.

Mr WHITELEY - But it is and I am aware it is both not very nice native forest logs and some plantation logs, but they are from private land.

CHAIR - Thank you, Ms Armitage, a really important area we would like to drill down into and know you will be ready for it.

Ms ARMITAGE - Speciality timber. In 2015, Forestry Tasmania was tasked by the Department of State Growth to conduct a Huon pine volumes assessment of the Teepookana Plateau. My understanding is the assessment showed there was 21 years worth of sawlog supply remaining at 168-ton cubic metres per year but in December 2020, a mere five years into the 21-year period, STT advised there was only one year of supply remaining from identified accessible areas at Teepookana. Can you advise when STT became aware that their 2015 assessment of Huon pine volumes was so inaccurate, minister?

Mr BARNETT - Thanks very much.

Ms ARMITAGE - That is my first question. I have a few.

Mr BARNETT - I understand; a very important area.

CHAIR - Let us take them one at a time.

Ms ARMITAGE - I thought one at a time.

CHAIR - And let us try and make the answers as brief and to the point as we can.

PUBLIC

Mr BARNETT - Special species timber is a very important area and we are sitting around some of it today. We are surrounded by it in this room and in the parliament.

Ms ARMITAGE - The last you are likely to see by what we were hearing.

CHAIR - And if we do not find a way of getting it to those people who produce these wonderful products, we will never sit around one again.

Mr BARNETT - I will pass to the CEO in a moment, it is a very important part of our industry, we appreciate that, particularly for furniture, wooden boats, a whole range of wood craft products.

Ms ARMITAGE - When did STT become aware of that, minister?

Mr BARNETT - We have a Special Species Management Plan put in place in 2017 and long-term sustainability is very important. The special species timber harvesting is also available through the Future Potential Production Forest Land and that must be carried out in accordance with that land. To date there has been no formal attempt to make access to that land in line with the plan. With respect to the details around the question, I will pass to the CEO.

Ms ARMITAGE - Thank you. Twenty-one years worth of sawlogs remaining but in 2020 you were told there was only one year.

Mr WHITELEY - Really that is a distinction between access and resource. The Special Species Management Plan was a view of the resource. It was coast-to-coast. It was the whole of the landbase in Tasmania. That is what it looked at - what is the biological capability. The second component is how much of it is roaded, effectively.

You may recall in about 2004 under the TCFA there was significant money put into special timbers, including roading. We have benefited on the Teepookana Plateau since then, so there was a significant access investment made. I'm not sure how many years it ran to build the roads, but think it was something like 10 kilometres of access roads built on the Teepookana.

Ms ARMITAGE - I can probably ask my second question while you are answering this. When will you recommence the Huon pine salvage at Teepookana?

Mr WHITELEY - No. As you say, we have come to the end of that scheme, where we have got one coupe left roaded under the current arrangements. That is absolutely correct. We have wood in stockpiles. We also salvage wood that has been accumulated and looking to have an orderly market, not flood the market, so there are a couple of stockpiles of sawlogs on the west coast.

The resource that is accessible is in two parts at the moment. The logs that have already been pulled out are in one of two stockpiles. We have a forest practices plan associated with the last remaining area accessible under the investment that was made in the early 2000s. In order to access the further potential Huon pine, there will need to be some further investment in access.

PUBLIC

Ms ARMITAGE - So you are looking at future salvage operations then, on your active account?

Mr WHITELEY - Yes.

Ms ARMITAGE - Has that work commenced already?

Mr WHITELEY - We are doing some work towards that. We are looking to do some work, but Suzette might like to add on what our intention is around the resource.

Ms ARMITAGE - And when the volume assessments will be completed?

CHAIR - And bigger pieces of timber than you can make a bowl out of.

Mr WHITELEY - We have got a lot, we are not going to run out of craft wood.

Ms ARMITAGE - How about boats, the big stuff?

Mr WHITELEY - Boats broadly is the challenge because the recovery of boat boards, they are very specialised products. They do need to come from category 4 grade of saw log, and it is a relatively small proportion of many of those logs. So, we do rely on the high quality logs for things like boat boards, furniture boards and those sorts of things. There is a lot of other Huon pine out there. The history of harvesting on the plateau was all of the best material was taken out, decades ago. We are simply coming back and picking up the logs left on the ground. The bits of tops of trees. People would pick out the very best logs. These are pretty good logs and we know there are more there, as you have said, through the special timbers resource statement. The issue we are facing is access.

Ms WEEDING - To add to your earlier question around the management plans. The management plan was an estimate. It was based on a range of things, on a combination of what we understood from our ground assessment to date, but also some extrapolation across the land base.

CHAIR - It was not an accurate thing?

Ms WEEDING - No it was not. It was clearly said within the management plan it was not an accurate estimate, that it was a view of what was available at that point in time that is consistent with a salvaged resource. It is not standing trees, it is resource on the ground, covered by debris. So, in terms of what you are actually picking up, it is really what is there and what you can pick up at that point in time.

In terms of the further assessments, since then we have undertaken some detailed further assessment across the plateau. It is quite challenging to access, you can imagine. We go in by train and it is a lot of walking around for our people to determine what is there. That process is still entrained. We have people up in the last 12 months and early in the new year to look out for the volumes potentially available in additional areas, that should we have available resource to be able to do further roading we would be able to access to get more product in.

In terms of the makeup, it is really what is there. As the CEO said, it is the pieces left behind from the previous harvesting activities on the ground. We do not harvest live point

Huon pine, it is the material on the ground and we pull out what is available at that point in time.

Ms ARMITAGE - This timber has been recovered years ago. But we were told the price for a cubic metre of Huon pine was around \$13 000. The cost apparently has grown considerably.

Is there a reason that STT is significantly increasing the price? Is it because of the shortage? But then you are saying there is plenty, but there is no access.

Mr WHITELEY - Unfortunately, we do not receive \$13 000. That is probably the retail price. One of the things we do through old specialty timbers and other means, is to test the market from time to time. Offer small quantities of logs to see what the market price is. It is very difficult to price special timbers. It does come back to where the market is at the time. As you would expect, there is both the perception and a reality of scarcity. We have found black heart sassafras is probably the one that has really increased in value in the last few years. Huon pine used to be the leader. It used to be the logs that commanded the highest price. At the moment it has been overtaken by black heart sassafras. Nevertheless, any of these quality logs that are scarce. There's a lot of material out there that's craft grade, but the high quality logs for these specific purposes are scarcer and difficult, and with Huon pine, particularly, we can't provide an accurate estimate of the quality of the material simply because it's been cut over in the past and we're going in to discover the quality of the logs that have been left.

Ms ARMITAGE - In the past few years, the Government spent, I believe, \$1 million matched by industry in advertising Tasmanian timbers and according to the Tasmanian Timber website, five of the seven species listed are specialty timbers.

Why is the Government advertising these timbers and generating demand when there's no plan to supply; or is there a plan to supply?

Mr BARNETT - First of all, there's no stronger supporter of the industry than our majority Liberal Government and that's why we've put \$11.7 million to back it in over the next forward years and, of course, half of that funding has been provided through Sustainable Timber Tasmania.

We're backing in the Tasmanian Timber Promotion Board, we're backing in wood encouragement, we have policies across government to encourage the use of timber wherever possible because of its sustainability uses.

Ms ARMITAGE - But we don't have specialty timbers.

Mr BARNETT - In terms of specialty timbers, it's best for the CEO to respond on behalf of STT because most of that product, or nearly all of it, goes through the permanent timber production's own land. Individual stakeholders who you have contact with and others, always have the opportunity to make an application to gain access to specialty timber on future potential production zone land, and that remains the case.

Ms ARMITAGE - If it's available, I guess - things like Huon.

PUBLIC

Mr BARNETT - It's legally available, subject to a plan and subject to the application being approved.

Ms ARMITAGE - Provided it's there.

Mr WHITELEY - My comment's going to be general because it's not really an STT matter, directly; but my observation of the website, the other collateral and the promotion, a lot of it's been proportionately allocated to availability. The original Tas oak campaign is probably the main area. There's also blackwood in there so really blackwood and Tas oak are the premier species that could be available for architects and fit-out people to get volume.

Some of the others, even though the volume is small, don't underestimate things like veneer. We're looking for these scarcer, more decorative timbers as a really important role in the veneer that's being produced up on the north-west coast.

Ms SIEJKA - Minister, I'm interested in finding out where the FSC accreditation process is at, if you could give us an update to start.

Mr BARNETT - We can provide an update on that, no problem at all. As a Government, we've supported STT in its ambitions to support FSC accreditation. I will pass to the CEO and/or Suzette to speak on that.

Mr WHITELEY - You may recall we've had a couple of audits. The last audit that we had was just after the first time that the FSC Australian standard had been released. We knew generally what was likely to be in the standard but there were a few nuances in the new standard.

Coming out of that review, there were some major areas that we needed to do more work on and that's what we're doing. Suzette can talk about broadly where we're at with that process.

Ms WEEDING - As the minister and the CEO have said, we are fully committed to continuing on the FSC certification process. The audit in 2019 identified a number of non-conformances or major non-conformances which are required to be closed in order to achieve FSC certification.

Since that time, we've been setting up a plan and working through a process of addressing those non-conformances. One of the key areas of activity, which is essentially a time constraint in terms of how long it takes, is undertaking a number of operational trials.

A couple of the non-conformances were quite specific to the retention of older, larger trees in regrowth areas - looking within a particular operational area and looking at how we might retain those larger trees for the values that they contain, as in habitat or for the habitat of the swift parrot, for instance.

In the interim, we've been looking at implementing these operational trials, looking at a range of aspects of harvesting methodology -

CHAIR - Like heli-harvesting?

PUBLIC

Ms WEEDING - No, looking at more how we might manage those trees and the landscape, using our conventional harvesting and our methods, by looking at how we can harvest the regrowth forest from in and around those large trees. As you can imagine, that's a considerable process to work our way through. There are a number of aspects we have to look at. A key one is safety. We don't compromise on safety. Is it safe for people to be operating in and around these large trees in retaining those within your harvest area and being able to take out the regrowth forest from underneath? Is it commercial? There are a few questions we are still working our way through. Importantly, are we able to regenerate those coupes? So, can -

CHAIR - Isn't it up to the market to decide whether it's economical or not?

Ms WEEDING - It's economical in terms of the cost. What's the wood production cost? If you can't -

CHAIR - Again, isn't that up to the market?

Ms WEEDING - Correct. However, from a trial perspective, if we end up having to leave a number of smaller trees around that larger tree in order to retain it, what's the cost from an economic perspective? Can we still afford to, or is it still economical for us to harvest that coupe? What's the cost in terms of wood production from those particular areas? Those are the things we're weighing up at the moment from a decision-making perspective.

Ms SIEJKA - In a follow-up to the accreditation process, one of the concerns we heard yesterday was around the special species. I want a clarification on whether the majority of special species harvesting on public land will need to end in order to achieve the FSC. If you're talking about protecting particular trees, are the two goals at odds?

Ms WEEDING - No, that's incorrect. We wouldn't be looking at -

CHAIR - It won't have to end.

Ms WEEDING - It won't have to end, no. The FSC certification process enables harvesting of special timbers; enables harvesting of forest products in general. There are specific constraints around areas considered high-conservation value, and those areas which contain special species timber that are high-conservation value are not available for harvesting under the FSC certification system. The areas that contain special timbers that aren't, and we've undertaken high-conservation values assessments that identifies some of these areas, they are certainly still available for special species harvesting. Huon pine is certainly one of those areas that is still available for salvage harvesting, as well as other specialty species.

Ms PALMER - Can you outline for the committee how the Government and STT are supporting the apiary sector's infrastructure needs.

Mr BARNETT - They have worked together very well over a long time, with an MOU with STT and the Beekeepers Association in Australia and at a national level. I'm delighted with that work in terms of the Australian Honey Bee Industry Council, Tasmanian Beekeepers Association and that memorandum of understanding, which was signed in 2019. It proves that the forest and the apiary industries can and should continue to coexist.

PUBLIC

It's very important in Tasmania. The beekeepers do a great job. We want to build on that and provide further support. I can advise the committee today that we are committing \$500 000 for infrastructure development to allow beekeepers to continue to access their floral resources, such as leatherwood, manuka and blue gum. The first round of those grants to support the apiary sector will total \$100 000 for remedial work on six roads. This will provide access for the beekeepers to those parts of various forests around Tasmania, to get to an estimate of more than 1200 beehives. That is in mostly leatherwood areas around Tasmania.

We are very pleased with that commitment and it's based on feedback from the apiary industry, the Beekeepers Association. Most of those hives are then rotated to various sites around Tasmania and they are also rotated into farming landscapes, which is good for agriculture in terms of pollination purposes. It is obviously good for forestry, good for agriculture and good for the beekeepers. It's a win-win-win outcome.

We understand the importance of honey and the pollination sector and we believe that is important to improve to some of those remote locations, as has been referred to earlier in the committee hearing. The chair referred to some 3000 kilometres of roads that have been maintained around Tasmania, thanks to Sustainable Timber Tasmania providing that maintenance and access in to different parts of Tasmania.

We are pleased with that commitment, which is based on feedback and the benefits it provides for beekeepers, the honey industry, agriculture and pollination services. Thanks to our beautiful bees here in Tasmania and thanks to the good work of Sustainable Timber Tasmania in helping to provide that access.

CHAIR - I'm interested in table 21 on page 84 of the annual report: 'Stakeholder engagement activity'. You had 50 environmental ENGO events in 2020-21 and two each for suppliers and customers. I am interested in how you value your customers and your suppliers compared to others. There were 80 events for neighbours - they are important; 101 events for community; 13 for recreational; 9 for industry; and 2 each for good old customers and suppliers. They didn't get much attention in my view - or their view. If I was a supplier or a customer I probably wouldn't be that happy, minister.

Mr BARNETT - I can assure you there is a very strong engagement with suppliers and customers; but it is best for the CEO and his team to share that information with the committee.

Mr WHITELEY - I might clarify through Suzette the source. This is our consultation manager. It is a database that is used for people who contact us. We have a stakeholder email and people contact us through that means. What we do in addition to that -

CHAIR - This is these people engaging with STT, not the other way around?

Mr WHITELEY - This is a subset, is the start of my answer. We have a whole range of people in the field in our commercial area. We have customer service managers who daily talk to customers. This is a particular lens through which people have approached us and it is a record of that. This is a database called consultation manager, where people approach us because have invited them to. Each year, as you know, we publish our three-year plan. We also put up an interactive map. It is really for the community to approach us about a range of things. When it comes to be commercial operations, our service providers, we have a whole lot of contractors, as the chair said. There are 1000 staff and contractors together, who conduct

PUBLIC

all the work. We work closely with a whole lot of customers and service providers. That is not picked up by this means. It is through a different channel.

CHAIR - I suggest that needs a note to it.

Mr WHITELEY - Perhaps the feedback we get for the annual report is it is not clear this is a limited data set. You are absolutely right, if you were to interpret this as being the full story around the way we do our business, I can assure you it is not.

Mr BARNETT - To clarify, the consultation with suppliers and customers is comprehensive, and ongoing throughout the year.

CHAIR - It would need to be better than two events.

Mr BARNETT - That is right. There is an assurance that the engagement is very strong and ongoing and comprehensive. The CEO might want to clarify that for the record.

Mr WHITELEY - I can give you that assurance and I also take on board the inadequacy of the way the table has been presented.

Mr VALENTINE - Back to beekeeping. I am interested to know when you do your selective logging - you do that by coupe in a mosaic fashion, is that still practised?

Mr WHITELEY - Yes.

Mr VALENTINE - When you assess something for selective logging, do you assess the amount of leatherwood that is in that coupe and how do you approach that? It is a dwindling resource for beekeepers and leatherwood is a very desirable product. How do you handle that side of it?

Mr BARNETT - It is an important matter. It is taken seriously by Sustainable Timber Tasmania and that is why, as a Government, we are pleased that they have signed the memorandum of understanding and comply with it. They meet with the Beekeepers Association and have feedback from the honeybee industry at a national level. That has all been signed and agreed, so there are terms and conditions in that MOU about collaboration and consultation and that is a priority for Sustainable Timber Tasmania.

Mr VALENTINE - What do they do when they find leatherwood in a coupe that they have earmarked for selective logging. Do they still go ahead and take that tree out if there are two, three or 10 trees in there?

Mr WHITELEY - I can give you a brief answer. We seek to map the leatherwood and we know where the leatherwood is, in fact. Like all those things, it needs to be field checked. If we find leatherwood in commercial quantities, it is excluded from any type of harvest, let alone commercial harvest. We look to give that priority.

We agree - apiary is very important to Tasmania for a whole range of reasons. Leatherwood is special. If we find leatherwood in commercial quantities, we would simply exclude that from harvest.

PUBLIC

From time to time we find there are scattered leatherwood and there needs to be a judgment call around that. Anything that is assessed as being commercial, as the minister referred to, we have consulted with the beekeepers about how to interpret that prior to doing the field work. We would seek to exclude all commercial leatherwood.

Mr VALENTINE - My other question was about special species. You talk about roading in to be able to get access to certain things. That is reasonably destructive in its own right, but have you seriously looked at helicopter recovery for special species? We are talking about the Teepookana Plateau and what is on the ground there, and sometimes it can be under all sorts of rubbish.

Do you look at that? It has been put to us that it could be cheaper, to helicopter harvest some of that rather than driving roads in, which might be more destructive.

CHAIR - There was some money put aside for exploring that, about \$400 000? Is that right?

Mr BARNETT - The 3000 kilometres of maintenance and funding for this year, is part of about 10 000 kilometres of roads that STT maintains to support the local community, tourists, visitors, beekeepers and the like. This is a community service that is available to members of the public. With respect to the helicopters and access, I will pass to the CEO.

Mr WHITELEY - Not in recent years. We are aware that people have looked at heli-harvesting. My perception, coming out of the special timbers management plan, was that some of that wasn't Permanent Timber Production Zone (PTPZ) land.

In regard to our land and the nature of Huon pine, for example, because it isn't the whole tree, it is less likely to be economic. Some of the parties who are interested in Huon pine think that heli-logging could be an appropriate way to do it, but it more likely to be in those areas that haven't been cut over.

Mr VALENTINE - We were made aware that people are purchasing special species timber as an investment, which means our artisans can't get to that unless they pay a premium price for it. Is there anything that can be done to stop that from happening?

It seems to me to be a bit perverse, that our own artisans can't use special species timber and in fact, quite a lot of it gets sold interstate. Do you have comment on that and what can be done to make sure that artisans in this state get to use what are dwindling quantities of special species in this state?

Mr BARNETT - I think you have made a very good point about the importance of speciality timber in Tasmania, and the artisanship that is demonstrated, not just in Hobart, but across the state. We are proud of it and that is why we try to support it. I do a shout-out to Hydrowood at Lake Pieman where they harvest the timber under the water in the lake, and then make it available domestically but also in Melbourne and Sydney because it is an iconic -

Mr VALENTINE - There is not much Huon in that though is there?

PUBLIC

Mr BARNETT - They do get some Huon but they have certainly eucalypt, hardwood, blackwood. They get some Huon. I am not sure of the exact volumes but, of course, that is privately done. They do a good job. I have been out there assessing it myself.

I think it is best that the CEO tries to respond to your question, but I have to say the law of supply and demand, we cannot stop people doing what they want to do with whatever product they own.

Mr VALENTINE - And you are not the one selling it?

Mr BARNETT - No. You cannot tell somebody what they must do. It is the law of supply and demand in the price they pay. We value it greatly in Tasmania, the speciality timber and the artisanship. I think you raised a good point about intervening in the market and telling somebody exactly what they do with the wood.

Mr VALENTINE - I suppose what I am getting at is that you are supplying a third party with these products. The third party is then selling to others. Is there some other way of making supply of this product available to Tasmanians without being able to say, we do give it to a third party? A third party can do with it as they wish.

CHAIR - We just passed a law in this state to say that Tasmanians cannot gamble at a high-roller facility. So, we can make laws.

Mr BARNETT - I think the point the CEO made earlier, is there is no issue with artisans, the timber like at Salamanca Place -

CHAIR - We are not talking bowls here, though. We are not talking beautiful bowls. We are talking about decent sized pieces of wood. We know wood is good.

Mr VALENTINE - He has converted her.

Mr WHITELEY - There are two dimensions to your question. What we deliberately do, particularly through old speciality timbers, is seek to supply the local trade, if you call it that. We look to do that.

They tend to be non-sawlog growth. We do get some sawlog grade in the south. We do not have a miller down here. We will normally offer those on a tender system but we also have other stock. We tender a small proportion of it ready to understand the market. We are also very sensitive to loyal, local customers who run businesses.

We endeavour to do that from a policy point of view and practise through old specialty timbers. When it comes to some of the - Huon pine and those sort of things, we are aware of some of the research that has been done for various special timber studies.

A lot of people still have Huon pine in their garages and sheds with the intention of probably using it and we see from time to time an advertisement in the paper where people are disposing of those things and it may well be going interstate to investors. So I think it is probably a legacy of past supply in large part for that type of wood. People have significant collections of Huon pine because decades ago they recognised that it was a good investment or they had the intention of using it themselves. I think that is a lot of where the sawn material,

PUBLIC

the big attractive slabs and those sort of things, are coming from. We only sell the logs to our Tasmanian sawmilling customers.

Mr VALENTINE - How much goes interstate, do you know?

Mr WHITELEY - I don't know. It's only anecdotal. A bit like Huon, and as the minister mentioned, Hydrowood, I'm aware that a large part of their market is probably the Melbourne market. Really that is high-end. It's furniture makers, fit-out and those sorts of things.

Mr WILLIE - It's this table, isn't it?

Mr WHITELEY - I agree it's a complex set of questions but we certainly endorse the policy of seeking to make it available to Tasmanian businesses.

CHAIR - Minister, before we leave this area of speciality timbers, which is so important, this is a really important question: can old growth forest, including old growth speciality timbers such as celery top pine, be harvested under the Australian FSC standard?

Mr WHITELEY - That's a quite specific question, I might refer to - this is getting into the details so I think Suzette is best placed to provide whatever comment we're able to make there.

Mr WILLIE - It's my line of questioning too, Chair.

Ms WEEDING - The FSC Standard has -

CHAIR - Has been recently updated, March 2021.

Ms WEEDING - It has, yes. It has provisions for management and protection of old growth forests within it where they are considered high conservation value. If you've got an area of old growth forest that, through an assessment process, is determined to be high conservation value - and that goes on rarity and its prevalence in the landscape so there's an assessment process you work your way through.

If it meets the requirements and becomes essentially a high conservation value old growth forest area then it is not available for harvest under an FSC certification system. If you've got an old growth forest area, including those that contain speciality timbers that does not meet those requirements, so, it's either quite prevalent in the landscape, it's a well-represented community in the reserve system, then it doesn't fall into that high conservation value, old growth community and, therefore, under an FSC certification system can be harvested.

CHAIR - Mr Willie, a supplementary.

Mr WILLIE - I'm interested in the Government's interpretation of FSC. FSC has been talked about since I've been in this place for nearly longer than six years. Minister, there are conflicting interpretations of the guidance language amongst stakeholders and members of the Australian Standards Development Group.

PUBLIC

One interpretation is that harvesting of old growth forest is allowed provided that it can be demonstrated by the forest management entity that such harvesting of old growth tree stands does not threaten the viability of old growth as an ecological component at the landscape level.

The opposing interpretation is quite different: that harvesting within the management unit is allowed but the harvesting of individual old growth trees or stands within the management unit is not permitted. I've heard explanations for both of those today where you're talking about harvesting around old growth -

Ms WEEDING - Around mature elements, yes.

Mr WILLIE - Yes, mature elements. Then I'm hearing that you could potentially harvest speciality timbers if it's not going to threaten the ecological component of an area. Which one is it?

Mr BARNETT - Can I indicate that as a government we have supported the board's decision and, chair, Rob de Fegley, sitting there, to seek FSC.

CHAIR - I'm getting older by the day, minister, waiting for this to occur.

Mr BARNETT - Yes. They have put a lot of time and effort into this over a long period of time.

CHAIR - I know they have. It has been an exceptional effort.

Mr BARNETT - One of the experts with respect to FSC is sitting on my right - Suzette Weeding. I will ask Suzette to respond to the question.

Ms WEEDING - It's two different issues, one of which is old growth forest. An old growth forest has quite a distinct definition. It's areas of ecologically mature forest which is no longer - there's no evidence of disturbance. It's an area-based assessment. It's a patch of forest, if you like, generally greater than a hectare.

What we're talking about from an FSC trial perspective is individual large trees. They could be - you know, have old growth characteristics within a regrowth forest area. That doesn't constitute old growth forest. There are two different aspects of management. In terms of the retention provisions and the guidance provided by FSC and the more recent guidance, it's quite clear in there that it is permissible.

There are various interpretations which you can put forward and I guess will be subject to the interpretations of the auditor at the end of the day. But, having been involved in the processes of the standard development and the development of that guidance document, it's clear that provided you can demonstrate that that old growth community isn't high conservation value and doesn't meet those specific requirements, it is available for harvest.

That said, STT does have internal policies about management of old growth forest and how we harvest that forest. We have provisions about not clearfelling old growth forest, or coupes containing old growth, which operate on the 25 per cent by area. We take it very seriously managing these areas that are special even if they don't meet that requirement of being high conservation value.

PUBLIC

From our perspective, we understand the intrinsic value and intrinsic value that's placed on those communities and we put in place specific management prescriptions around those.

Mr WILLIE - Minister, you're saying you can achieve FSC and still harvest old growth?

Mr BARNETT - Suzette Weeding has outlined the answer, I think, twice now very comprehensively and very well. As a government - and the question was to me and the position of the government - the Government supports the board's position, which is the chair is on the line if you want to seek the view of the chair. But, the board's position has been very clear they have the objective of seeking Forest Stewardship Council certification and as a government, we have supported that for a good number of years now. One of the experts on FFC is sitting in the room and has provided this answer twice now to all members. We have had the same question coming back from the member for Elwick. More than happy to answer the question again.

CHAIR - No, we have to move on. Another question.

Mr WILLIE - What has the FFC process cost to date?

Mr BARNETT - It has cost a lot of time and effort by not just the board, but the members and staff of STT. I will ask the CEO and/or the chair to respond.

CHAIR - And then I have a question that you may need to take on notice and I need to get it in before we finish.

Mr WHITELEY - The main additional cost is simply the cost of the audit, getting the auditors here. A lot of the work we do towards FFC is really strengthening our forest management system. A lot of the silvicultural trials, habitat and those sorts of things.

CHAIR - And the work Suzette does.

Mr WHITELEY - We need to do that anyway. We do need to comply with the standard in order to have a third party accreditation of our forest management system. Many of those things we view as simply good practice.

The cost of the auditor coming in includes if they have to come from an international destination. They come across, spend a couple of weeks here. I am not sure if we have a contemporary estimate of what an audit would cost.

Ms WEEDING - Our last audit was in the order of \$120 000.

Mr WILLIE - My question is, how much does it cost when the Government decided to try and achieve FFC? I am happy for you to take it on notice.

Mr BARNETT - We have had two audits. And an estimate has been provided of the cost. I think that is the best answer. You have to look at not just the cost, but the benefit. That opens up markets, not just in Japan, but on the mainland and other markets.

CHAIR - We have not got it yet though.

PUBLIC

Mr BARNETT - That is another key point. You have to look at the cost and the benefits.

CHAIR - My question is, how much in area of the specialty timber areas on PTPZ land are designated high conservation value 3.3 forest? If that is available, I would be very much appreciated.

Mr BARNETT - Thanks for the question. It is obviously a very detailed question. I will get the CEO to answer that.

Mr WHITELEY - I do not think we would have that at hand. We would need to take that one on notice.

Ms ARMITAGE - I wondered if you could expand on the \$5.5 million transfer of capital to TasRail in the annual report? Could you advise any quantifiable benefits for the transfer of the capital?

Mr BARNETT - There are many benefits. The funding came through STT to TasRail. For the benefits, the question is for TasRail.

Ms ARMITAGE - For log transport, I am assuming.

Mr BARNETT - Yes. In terms of providing efficiencies. Log trailers, which are specially designed on the rail system and being manufactured at Triabunna.

Ms ARMITAGE - I am very pleased to see.

Mr BARNETT - There were some 40 log trailers, I understand. I am not sure if they have all been manufactured to date, by Graeme Elphinstone and his team at Elphinstones. I know the chair would know Elphinstones very well. They employ a lot of people in Triabunna, a lot of young people, including apprentices. They do a fantastic job. They provide the Antarctic also. They are very innovative and are big supports of the forest industry. Those log trailers are very useful and are more efficient. It is about providing efficiencies for transport of timber from the south to the north and north to the south, both ways.

Ms ARMITAGE - Keeping them off the roads?

Mr BARNETT - Keeping them off the roads which Tasmanian motorists appreciate. We are pleased and grateful to STT because they are financially viable after four years of being in the black, after many years of being in the red.

Ms ARMITAGE - \$2 million to the Government did I notice?

Mr BARNETT - Yes, a dividend there. We are pleased with the financial viability but it has taken a lot of hard work and the chair would back me in there.

CHAIR - Which chair?

Mr BARNETT - The chair of Sustainable Timber Tasmania would back us in in terms of the challenges to maintain the position in the black.

PUBLIC

Ms ARMITAGE - Will there be any more payments to do with maintenance or upkeep of the facilities or amenities to do with the logs? Will STT have to provide any more funding?

Mr BARNETT - Those decisions are made from time to time as and when required. We will monitor the situation. We are pleased with the financial performance of Sustainable Timber Tasmania and have regular meetings with the board and management. We will take on board their advice and feedback and make more decisions available to advise the committee accordingly into the future.

Ms ARMITAGE - While you mention the board, can I just a question because it is something I generally ask the Premier every year?

CHAIR - Very astute when it comes to boards.

Ms ARMITAGE - In the annual report it says when people took their positions on the board. but it does not say how long their positions are for. Could you advise how long the board positions are for and the regions or areas? I am not asking for addresses, I would like to know north, south, west, interstate, where the board members are based.

CHAIR - We know the chair resides in New South Wales.

Mr BARNETT - Yes, the chair does and we have one of Australia's leading forestry experts and he has been an adviser to the federal government as a co-chair of the Forest Advisory Council to the Australian government and we are honoured and delighted to have him as our Chair for Sustainable Timber Tasmania. It is best answered by the chair and he might want to provide, as in Chair Rob de Fegely, a response in addition to what I have said, Rob.

Mr de FEGELY - We have six people on the board and the gender balance is four female and two males.

CHAIR - How do you get a majority?

Mr de FEGELY - It works very well and Professor Mark Hunt who is based in Hobart in the southern area, UTAS. Kathy Schaefer is in Ulverstone, Kathryn Westwood is in Hobart, some of you would know here as the Chair of RACT, Sue Baker who was in Hobart but is in the process of transferring closer to her family in the further north.

CHAIR - We do not mean Launceston?

Mr de FEGELY - No, warmer climes than Launceston, to somewhere in Queensland or northern New South Wales. You made a comment before about timing on the board. Essentially, director positions are appointed for three years, as is the chair. Normal non-executive directors are allowed two terms of three, so six years, and the chair are three terms, so up to nine years. There are extensions allowable. We did extend director Baker's by 12 months through the COVID-19 period and we will have a number of people that will expire shortly.

Ms ARMITAGE - The people are not going to expire?

PUBLIC

Mr de FEGELY - Sorry, their term has expired. They are all fit. Therese Ryan is based in Melbourne but her family has strong family roots in Tasmania. Her father had a business with the late Andy Padgett, who many of you would know as a trucking business and her grandmother grew up in Derby, strong connections to Tasmania.

Terms of a number of directors will come to an end next year so we will be looking again for some board renewal.

I would like to make a comment, minister, if I may and thank the minister but also my fellow directors. The board has worked extremely well. It's been a challenging board. The gender base has been pretty much the same since I joined the board in 2016 and I would commend many other boards who are looking that it has worked very well. Possibly the male board members don't challenge the team as hard as the female members do and there's a lesson in that for all of us.

CHAIR - You might notice the makeup of this committee, chair.

Mr de FEGELY - I sit here in trepidation, Madam Chair. It has been a very successful board. The skills balance has worked well from both finance and legal to forest knowledge and background. I think it has provided the background for check and challenge of the management team over the time. I thank them for the effort they've all put in to getting the results and helping the management team to get to the financial results we have but also our successes in the business as well.

CHAIR - Thank you very much.

Ms ARMITAGE - I might just make the suggestion though on page 32 in future reports, within term NA, you're never sure whether it's not available, not applicable. A comment that maybe you could point out.

Mr VALENTINE - Having four women on the board and two men but we have nine women and six men, I have to tell you. That's why you see so many women in the Legislative Council. It's probably the most progressive in the world or any House of parliament.

There you go, I have put on the record.

The executive team though has only one woman represented within the five-person team. Can you outline the diversity and equal opportunity policy? Can you also provide the average income and income range for those groups identified within that policy?

Mr BARNETT - Thanks for that. Our Government supports the diversity and we've funded a \$300 000 diversity action plan for the forest industry - I draw that to your attention - to increase, not just gender, but cultural diversity in the forestry sector. That's being delivered by the Tasmanian Forest and Forest Products Network.

We're providing support for the mining industry as well in that regard. Regarding the management arrangements, I'll pass to the CEO.

CHAIR - Not enough females applying, CEO?

PUBLIC

Mr WHITELEY - Probably we're like a lot of industries where you have to work really hard to get people across the board so there's a lot of competition for good people and we work really hard to have a great culture. We look to be an employer of choice. We have a whole range of interesting and challenging roles. It isn't just about the male forester that could be a type that's sometimes viewed.

The organisation itself has certainly evolved in the last five years and probably the five years before that, particularly with the restructure, having more a role in management, monitoring, supervision and those sorts of things. It does open up roles where it provides an opportunity when we're recruiting to make the roles attractive to a range of applicants, particularly women.

CHAIR - I'm happy if you table any additional information. You talked about policies, member, weren't you?

Mr VALENTINE - Yes, I was wanting to have an outline of the diversity and equal opportunity policy and also provide the average income and income range for those groups identified within that policy.

CHAIR - Is that something you'd like to take on notice?

Mr BARNETT - No, the CEO can respond to that.

Mr WHITELEY - In terms of the organisation, about a quarter of our employees are women now from a gender point of view. The other one, like a lot of organisations -

Mr VALENTINE - I'm talking about the executive team, not the whole organisation.

Mr WHITELEY - The executive team is - assuming my reports, if you like - one-quarter (Suzette) is female. It reflects broadly the rest of the organisation. At the moment, about a quarter of all of our employees are women. Like many organisations, we're actively seeking to promote diversity, as I say, actively.

Mr VALENTINE - Do you have a policy associated with that?

Mr WHITELEY - Yes, that is correct, and beyond a policy, we have a diversity and inclusion action plan.

Mr VALENTINE - Can we see that or have that tabled?

Mr WHITELEY - That should be fine. Again, we are focusing on gender, diversity and there are a whole lot of things about mental health that we are picking up on, cultural diversity. We are looking broadly at doing that. We have done some specific things, supporting women to succeed. Whether it be unconscious bias or other things, there are important steps that we can take to make promotion and recruitment more accessible to women and we are actively pursuing those things.

We support cadetships and traineeships, actively seeking to go out into schools-based programs. Our trainees are coming in now, so we are seeking to get that balance with new people coming in. We don't have a big churn, we have a pretty stable workforce but we do

PUBLIC

recruit maybe eight to 12 people per year, all the way through the organisation. We think very carefully about opportunities to implement our diversity action plan in all the transactions that are available to us.

Mr VALENTINE - What of the income and income range of those groups identified within the policy?

Mr WHITELEY - We would have some statistics. If we could get a record of precisely what you would like, we are happy, through the secretary, to make that available to you.

Ms PALMER - I want to ask about fire management work that STT undertakes to support our community.

CHAIR - And that is funded through the CSO?

Mr BARNETT - Yes, it is funded directly to STT for fire management but they actually do a whole lot more than that in regard to fire management and I will respond to that question. They have been working at it year in, year out in advance of the fire season and during the fire season. It is amazing the amount of work they do to protect our communities, working with the TFS and the Parks and Wildlife Service. Last year, they contributed 1200 hours of firefighting activities whilst attending 24 bushfires. That is really protecting Tasmanians in a time of need.

During the 2021-21 bushfire season ahead that we are about to approach, STT has maintained and increased the capability that was deployed during the 2020-21 bushfire season. That includes 137 of the 162 staff who are trained and ready for deployment for firefighting control and management operations. I have been out there and I've seen what they have done and it is amazing the amount of training and work that they have to put in to then be out in the field, doing that work.

They have more than 100 contractors who are trained, ready for deployment in firefighting control and management operations. I put on record my thanks to those contractors for their support for the Tasmanian community. They have 16 dedicated fire trucks, 12 dedicated fire tankers and 92 slip-on tankers. The community members may have heard Tuesday morning's interview of STT staff on duty at the Mt Hobbs fire tower, another example of the contribution being made by Sustainable Timber Tasmania.

With regard to production forest, there is a vast array of not only production forest, but environmental, natural, social and other values that need to be protected, not to mention people's lives and livestock as well in the agricultural space.

Managing those forest values is very important and that is why this is really at the heart of what they do. They go above and beyond to support our local communities in delivering on that. It supports the industry, but so much more than that.

CHAIR - Thank you. Is there something else that we need to have?

Mr WHITELEY - The other one, capability is very important. The minister has given you some numbers, I won't repeat those. The way we deploy our people is both through the

statewide fuel program, which is a really important program for the state, not only about keeping communities safe but building capability and having people work together.

A bit of a call-out for the work the state has done, not only to go firefighting and be prepared to keep communities safe when there is a bushfire, but also the effort that is going into reducing fuel as well as building capability that really gets in early so we are not responding after the fact.

The minister mentioned detection, the towers and those sorts of things. We do the pre-emptive work through the fuel reduction program. We have a detection role and then we have a firefighting role, along with the Parks and Wildlife Service and the TFS.

CHAIR - Thank you. Supplementary, Mr Valentine.

Mr VALENTINE - Can you outline the extent of your engagement with traditional landowners in the management of the forest estate and whether or not you are investigating undertaking fire management programs based on the principles of cultural burning?

Mr BARNETT - So the interaction with those people?

Mr VALENTINE - Yes. How you are engaging with them and is that part of your future program to deal with fire management from a traditional perspective?

Mr WHITELEY - Nationally and locally, we are starting to rethink how land and forest have been managed. We know, as in other parts of Australia, that coming back to our traditional roots, knowledge and methods, used by Indigenous people has been not as active in the last few decades as it could have been. From a policy point of view, an activity point of view, we are actively pursuing that. Suzette might be able to give an account of something we have done in the last 12 months with what is generally known as cool burning. Part of it is about the fire and part of it is about the cultural engagement as well.

It is a different way of us thinking about a range of land management tools. Like a lot of places, we rely on science, we've built up practices. We need technology, we need skills. Stepping out and back and having a look and a listen to some of the skills that are inherent in the indigenous communities is very important. Suzette can add what we have been doing in that area.

Ms WEEDING - We see it as an important toolkit and something that we are looking to develop further on some timber production zone land. In the last 12 months, we undertook a workshop with an Indigenous fire practitioner down at Garden Island Creek. We had a fantastic day out with him looking at how they manage the land and the principles which they are applying to the cultural burning activities that they undertake.

We had a few of our management team along on that field trip as well as our fire management people. Over the next 12 months we are looking at what areas on permanent timber production zoned land we could apply such an activity. We are looking at having a broader workshop with a broader range of our staff in order to ingrain those activities within our people. We see it as an important part of the toolkit in terms of how we manage permanent timber production zone land.

PUBLIC

Mr WILLIE - I am interested whether the fuel reduction burns are done to protect the timber resource as well, given some of the supply issues we have discussed today, as well as protecting settlements and other areas.

Mr BARNETT - There is a broad range of objectives about not just the fire mitigation but the work they do in fire management and I will pass to the CEO.

Mr WHITELEY - The statewide fuel reduction program, it is unequivocally about managing risk for community settlements. The funds are deployed in that way. We conduct burns under that program. It is part of an integrated selection of managing risk. In addition to that, we do both mechanical and other burning to create gaps in the landscape. This is stepping back from community.

We are probably most interested in is mechanical fuel reduction. It has been used within the landscape and it can be both burning and a hybrid of burning and removing fuels, removing the ladder fuels. Some of the activity we have done on the east coast around thinning, we have done for a commercial purpose but it could tie in with creating breaks in the landscape. It is one of those things where there can be multiple purposes there, not just protecting communities. In terms of the funds provided, it is for that specific purpose. We do some other work which is funded by ourselves, not by the -

CHAIR - Minister, I was surprised to see that the valuation of the current stand of the forest that we have in Tasmania, given that it is so important, was only recently revalued at \$168 million. Were you surprised that it wasn't higher than that, given that last year it was \$165 million?

Mr BARNETT - This is for the Manager of Corporate Services and the CEO. That figure does go up and down, depending on market prices and depending on the volume as well. It is best that the CEO and/or Chris responds.

Mr WHITELEY - It is done by a third party. It is an independent audit. It is based on a discounted cashflow.

CHAIR - Did they get it wrong, Chris?

Mr WHITELEY - Chris can talk about some of the method and why it ends up like that, and why you do not end up with, what intuitively you might see as, if there is a price, why doesn't that would flow through.

CHAIR - There's been a 26 percent increase in property values around Tasmania.

Mr BROOKWELL - A number of things are taken into account by the independent valuers. It is a valuation based on the standing crop, and only the standing crop, and it is a discounted cashflow to come back to the present value. It actually went up by a couple of million dollars, to about \$186 million. There is a non-current and a current portion.

In terms of the reasons - the valuers provided a sort of table for us. You have the effluxion of time, so the wood is closer to being harvested and that increases the value.

PUBLIC

The improvement in prices increases the value; but we also suffered an increase in costs which reduces the value. The valuers, also, take into account some of the challenges of COVID-19.

CHAIR - My next question is around new markets. We know that there is a bit of a China effect, not necessarily wanting our product - wine, wood, fish. I am interested in what that has done for new markets. What have you been doing? You have not been travelling, but you have been on the phone, Skyping?

Mr BARNETT - Our focus as a Government has been on value-adding, down-stream processing in Tasmania to deliver more jobs here.

CHAIR - So we are not looking for new markets?

Mr BARNETT - We certainly are in the trade space, and the export space. I can speak about that too.

CHAIR - No. We are just focusing on wood.

Mr BARNETT - Certainly, in terms of wood, we are doing quite a bit in the trade space in terms of diversifying our markets.

We have just hit record exports. We have a trade strategy which is to diversify and grow our exports and to grow the market. We are looking at other markets in Asia, and other parts of the world. The Department of State Growth and the department of trade have interacted with STT and the industry in terms of providing opportunities and new markets.

That takes time. There is a lot of work that goes into that sort of research and consultation to get that feedback but we hope that over time we can keep working together to support the industry to create new markets.

CHAIR -You are not selling in Australian dollars. Does foreign currency affect the bottom-line for the business?

Mr BARNETT - Again, I think that is best for the CEO as an operational matter.

Mr WHITELEY - Coming back to your first question. We have principally been impacted by one of our major log exporters stopping business. They were selling export logs into the China market. The one that is still in business sells its logs to Malaysia.

That has had a direct impact on private growers and ourselves who are looking to dispose of logs that cannot be commercially processed at the moment in Tasmania.

CHAIR - One business has had people off for three weeks.

Mr WHITELEY - We talked about FSC earlier, and that's really about growing our customer base.

People talk about China; but in the end, like any country, China is made up of a number of businesses. We currently sell, particularly export chips, whether public or private, to a

relatively limited number of customers. We are aware that there are some others out there. We have a new customer through a third party that we will be selling to early in the new year.

As the minister said, it is on-going in terms of approaching potential new customers, understanding what their needs are. Because it is an internationally traded commodity, pricing both relates to the price of pulp, because we are selling woodchips to people who make the pulp and that is a tradeable item.

Yes, the exchange rate does affect our returns. If the Aussie dollar goes up then that clearly affects our margin.

In terms of international markets, yes, we are aware of new customers, new products. China has changed some things for us. Really our ambition has always been, this is where we started taking about the high-quality sawlog, to supply Tasmanian businesses. We are working towards value-adding in Tasmania across all products to the extent that there is an international demand for other products that can't effectively be processed here or people aren't willing to invest in manufacturing here. For those then, simply we would seek to diversify, make the system as efficient as possible. Importantly, we rely on third party businesses. We don't sell directly to those international customers. We make it available to five or six businesses that engage in trade with China, Japan, Malaysian customers and we provide resource to them, as does the private sector.

CHAIR - My final question is about the superannuation liability. Minister, have you addressed your mind to the superannuation liability of this organisation?

Mr BARNETT - Yes, we have in past years, particularly with the restructure. Many years ago we provided support in that regard and it was a very successful restructure and is now in the black, as they say, profit for four years. I will pass onto the CEO.

CHAIR - According to my assessment, 32 active members. I have taken good advice.

Mr WHITELEY - I would expect nothing less.

It is one of those non cash things. Your questions are about valuation and defined benefit schemes. They are a couple of things that we keep a very close eye on.

CHAIR - Or Chris does.

Mr WHITELEY - No, I can assure you it is not just Chris. Chris can give you the detail and the board equally. It is one of those non-cash things that we are acutely aware of because it can cruel our reported profit performance from a non-cash activity.

CHAIR - If everybody waves goodbye at the same time.

Mr WHITELEY - That's a different question. That's really about succession planning and in our workforce. That is a different issue. From a financial point of view, we are acutely aware of changes in the defined benefit liability as it flows through the accounts and affects our reported profit as a non-cash change.

PUBLIC

Mr VALENTINE - It could equal a loss, couldn't it, if you took that into account and you had to provide it yourself?

Mr WHITELEY - Those two non-cash items can cruel our profit performance and its largely outside of our control.

Mr VALENTINE - I have a number of questions but I would like to put them on notice if I can.

Mr BARNETT - We would like to answer the questions.

CHAIR - We have gone over time.

Mr BARNETT - That is the purpose of the committee, to answer the questions. I am happy to provide more time to answer the questions.

CHAIR - I am not at liberty to speak on behalf of all my committee members. Do we have another five minutes of members' time? We have five minutes, so pick your best.

Mr VALENTINE - I think it might take longer.

Can you outline what actions you might be taking to access carbon markets to generate ongoing income streams from forest operations and associated with the natural processes of carbon capture and storage?

Mr BARNETT - Yes, we can. As minister for Energy and Emissions Reduction this is a very important part of government policy going forward. We have provided funding support of \$250 000 in the agriculture sector but this is very much taken on board by STT as well.

Mr VALENTINE - And any values you can share in terms of what you might expect?

CHAIR - There is always an opportunity in the House.

Mr VALENTINE - That is true.

Mr WHITELEY - Broadly speaking, we are very interested and keenly working with Climate Change Office here as well as the national bodies who are looking at some of the standards. We've put our toe in the water at getting some ACCUs, so we are still working through that. Really, that is about interpreting - effectively it is growing some trees at a longer rotation, meeting the criteria of one of the schemes, but we need to understand as a manager of Crown assets, exactly how that works from a legal perspective.

Like anybody who grows trees, interested in carbon or in agriculture, we're very interested and actively involved in exploring things but also testing things at a small scale.

Mr VALENTINE - You would be aware - and it goes to the Chair's area - while it is recognised that the Derby master plan may not yet be complete, can you let us know how it is being developed and the key issues that it will address? Also, perhaps outline some possible

actions that it will deliver, given the protests that have been happening up there with the tension between tourism and forestry?

It would be interesting to get some picture of that, as to what is in that master plan and basically how you are going to deal with that in the future? Clearly, it is of interest to a lot of people up there.

Mr BARNETT - Thank you. I will pass to the CEO and perhaps Suzette who has done a lot of work in Derby. But for STT, much of the Derby mountain bike trails would not be there. STT have worked very closely with the mountain biking community and the local community, and have worked with the council. They have collaborated extensively -

CHAIR - I can support that statement.

Mr BARNETT - Thank you. The mayor more recently, has been very grateful for the work of STT working with the tourism industry. With regard to the master plan, it is best to pass to the CEO or Suzette. A lot of work has been going on and it continues to progress.

Mr WHITELEY - In the interests of time, there is a lot of detail there but we engaged with the mountain bike community specifically about Derby. It is one of those things where it has been successful beyond everybody's wildest expectations. We are really proud of -

Mr VALENTINE - Including the accidents, I believe.

Mr WHITELEY - In terms of where it is at now, we consulted with some of the representatives from the mountain biking community to lay out unequivocally - and our question was that we are all seeking, how do we make sure that Derby remains world class to 2035 and beyond? That is our premise for the plan and then it goes down to particular aspects.

The stage we are at the moment is effectively that the tracks are on both Parks managed land and our land and the council is the operator. A lot of it is bringing together - and you can imagine there is a whole lot of detail within that. The plan is looking to explore what we need to do collectively. Our collective ambition is to make sure that Derby remains world class to 2035 and beyond.

Ms WEEDING - Part of the process is getting the area out there, getting an understanding of what it actually looks like with regard to the master plan area. One of the things we are currently working on with the Parks and Wildlife Service and the council is a concept plan, which we are looking to get out before the end of the year. That will be an opportunity for stakeholders to see.

Mr VALENTINE - Tourism operators will have every opportunity?

Ms WEEDING - Sure, yes. We will be broadly circulating it in order to get some feedback on the concept plan area. It is really identifying the area. The individual management arrangement or the specific management arrangement we still have to work through. That is an area of discussion still with Parks and the council. In getting something out there so that the community can see what is going on, what it looks like, it is an area of about 900 hectares so it is not small by any stretch of the imagination. It captures all of the tracks at Derby and provides for the maintenance of those tracks into the long term.

PUBLIC

Mr VALENTINE - Thank you, Madam Chair and I appreciate the members allowing those extra questions.

CHAIR - And we appreciate the minister offering to answer those questions and not taking them on notice. I am always mindful, it is not only about members, we have staff as well that we have to look out for.

Mr BARNETT - Always happy to help.

CHAIR - On behalf of the committee, I sincerely thank everyone who has been part of this hearing process and scrutiny. We very much appreciate it and we know a lot of work goes into these things. We thank you. Thank you, Rob for being with us.

Mr de FEGELY - Thank you, Chair.

CHAIR - Try and keep that state under control if you can as we are doing our best down here. We certainly look forward to future opportunities and we are always interested. It is important and if you can keep that focus on getting some access for our special species timber people who do the boat building and the like, that is very much appreciated.

Thank you, Merry Christmas, Happy New Year, stay safe and try to have a break.

The committee suspended at 1.25 p.m.



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESS SCRUTINY COMMITTEE B

Tasmanian Ports Corporation Pty Ltd

Friday 3 December 2021

MEMBERS

Hon Rosemary Armitage MLC (Deputy Chair)

Hon Jo Palmer MLC

Hon Tania Rattray MLC (Chair)

Hon Jo Siejka MLC

Hon Rob Valentine MLC

Hon Josh Willie MLC

OTHER PARTICIPATING MEMBERS

WITNESSES IN ATTENDANCE

Hon. Michael Ferguson MP, Minister for State Development, Construction and Housing
Minister for Infrastructure and Transport Minister for Finance Minister for Science and
Technology

Mr Stephen Bradford, Chairman, Tasmanian Ports Corporation (via video conference)

Mr Anthony Donald, Chief Executive Officer, Tasmanian Ports Corporation

Mr Geoff Duggan, Chief Financial Officer Tasmanian Ports Corporation

Ms Kate Dean, Executive General Manager, Governance and Corporate Affairs, Tasmanian
Ports Corporation

Ms Candice Terhell, Acting General Counsel/Company Secretary, Tasmanian Ports
Corporation

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The committee resumed at 2.14 p.m.

CHAIR - Welcome, minister and thank you very much for joining us here today for our Legislative Council Committee B with the duty of providing scrutiny for TasPorts. And we know we have the chair, Stephen Bradford on the Webex. Thank you very much for joining us Stephen, we know you are not able to be here in person, which I am sure disappoints you somewhat, a beautiful day in Tasmania today.

I will introduce my committee. At the table Jo Siejka, Jo Palmer, myself Tania Rattray, Rosemary Armitage, Josh Willie and Rob Valentine and we have committee secretary Julie Thompson and our wonderful Hansard.

Thank you very much and we will invite you to make an opening statement minister, in regard to TasPorts and then please introduce your team at the table before you start and then we will get underway with questioning.

Mr FERGUSON - Thank you and good afternoon to you, Chair and to your committee. I am pleased to introduce to you, Mr Stephen Bradford, via video, as Chairman of TasPorts, unable to travel to Tasmania. He is joining us from Melbourne. Mr Anthony Donald, CEO, and Mr Geoff Duggan, Chief Financial Officer.

As an island state, TasPorts plays a vital role in keeping Tasmania's communities, and economy moving. I wish to convey my thanks to the TasPorts Board and the management and employees for their commitment to keeping our port system operating effectively and to ensuring vital freight keeps flowing into and out of the state during the pandemic. It has been a great effort all round.

Freight volumes, I am pleased to report, remain buoyant through 2020-21 with 14.5 million tonnes transiting TasPort's multi-port system. That is up three percent on the previous year. Container freight was up seven percent to a record 594 581 twenty-foot equivalent units through our ports. Increases in retail trade, agricultural exports and large-scale manufacturing are key to the increased demand for containerised freight. These volumes are a credit to the hard-working men and women of TasPorts and shows the resilience of our economy through what has been a challenging period.

In the annual result, TasPorts delivered a trading profit of \$2.2 million. However, of course, overall TasPorts has reported a consolidated nett loss for 2020-21 of \$2.2 million due to the full cost of Bass Island Line which the Government and TasPorts introduced following the withdrawal of SeaRoad from the King Island run.

As TasPorts progresses work on its port master plan, I am pleased, as minister, to report to the committee, the Government's approval of the \$240 million East Devonport Project. This will be the largest port infrastructure project Tasmania has seen in a generation. The TasPorts master plan also includes very significant infrastructure developments at the Port of Burnie. That is the Burnie Export Gateway initiative. The Port of Hobart, the Macquarie Wharf redevelopment, and of course, the Port of Bell Bay, the hydrogen export initiative.

In December 2019, the Australian Competition and Consumer Commission announced it had instituted federal court proceedings against TasPorts. Those proceedings were resolved in May 2021, with the court making orders by consent, dismissing all allegations that TasPorts

conduct had the 'purpose' or 'actual effect of substantially lessening competition' (tbc). Importantly, the ACCC and TasPorts settled the matter with no financial penalties against TasPorts.

Key business areas that continue to be impacted by COVID-19 include cruise ships, and the Devonport airport. However, TasPorts continues to respond with strength and resilience to the many challenges being posed. Since early February last year, TasPorts have been working closely with state and federal agencies to ensure appropriate protective measures are in place at Tasmanian ports. These measures have been subject to continuous review and progressively strengthened. In addition to government measures implemented at both the national and state level, on 18 March 2020, TasPorts introduced more stringent requirements for vessels and crew calling into Tasmanian ports.

In preparation for borders reopening, in just a few days, TasPorts Crisis Management Team and Incident Management Team, have both been stood up again to ensure ongoing business and operational preparedness to respond to living with COVID-19. We would look forward to further discussion on that.

Chair, there is much to look forward to in the years ahead with new ships to be introduced into service at northern Tasmanian ports, as we expand the port capacity with major investments. We know with the growth trajectory of Tasmania's economy; the freight task will continue to grow. The development of our port infrastructure will keep pace with the economic growth being predicted, to enable the efficient movement of freight, which will in turn create jobs throughout Tasmania.

I am not sure if the chair would like to add, or if you would welcome him to add to my comments. We look forward to your questions and will do our best to answer all of those.

CHAIR - Thank you. I will invite the chair if you have anything to add, Stephen, to what the minister has already presented to the committee.

Mr BRADFORD - No, chair. I will await questions.

Ms ARMITAGE - A good question to start with is my understanding is that TasPorts has embarked on a study to determine what is the right size, functionality, given the contemporary needs of today's and tomorrow's freight task.

What savings are expected and which ones will see a lower cost passed on to the users of TasPorts services?

Mr FERGUSON - Chair, wherever there's operational-type questions, I'll nearly always defer to our CEO. I'll invite Mr Donald to respond.

Mr DONALD - I'll ask the clarifying question about the studies. You were referring to a study relating to freight?

Ms ARMITAGE - I believe it was freight, yes.

Mr DONALD - We regularly review freight forecasts. There are not many days of the year that we aren't having active engagement with our customers to understand both current

PUBLIC

buying forecasts and future buying forecasts. We appreciate that those exercises are quite challenging, particular in the current economic climate with trade tensions and, of course, COVID-19.

Particularly over the last twelve to eighteen months, we've become very good at accurately forecasting the freight forecasts and demand from a short-term perspective and that has come as a result of better relationships with our customers, which we've been overt about in our objectives.

Ms ARMITAGE - Are any savings expected? Is there another recent study that you're doing, apart from the freight?

Mr DONALD - In terms of savings, we're a volume-based business. The greater the volume that moves through our ports, the economies of scale suggest that efficiencies are derived through that, whether that's through the collection of our revenue from wharfage, tonnage or marine services fees. We have fixed asset costs and, relatively speaking, low asset utilisation across eleven ports.

We have approximately 24 per cent berth utilisation across those eleven ports which, from a national perspective, is quite low compared to other ports around the country.

Ms ARMITAGE - So you're not expecting or you are expecting to see any savings?

Mr DONALD - Certainly, our objective is to deliver better outcomes for the state of Tasmania and our customers. We appreciate the more we can work with our customers to grow freight volumes, the economies of scale that flow through that will provide opportunities for those customers to improve the efficiency of their supply chain movement. Whether that extends to a reduction in the rate per tonne of export, whether that's through larger ships that we can bring in or greater utilisation of assets, that is essentially our objective.

We are incentivised, we are motivated to grow volumes for our customers and to grow volumes for the state of Tasmania.

Ms ARMITAGE - I believe many customers were blind-sided by the notification that all fees and charges were increasing, and they considered that there was an absence of effective consultation. Do you have a comment about the increase of fees and charges and lack of consultation?

Mr DONALD - I will oppose the point with respect to saying 'blind-sided'.

Ms ARMITAGE - I can only use the information that's provided to me.

Mr DONALD - There was a lot of verbal communication with each of our customers. The written communication went out four or five weeks prior to the actual increase in prices and we've had lots of feedback from customers and industry groups with that regard.

The timing that we implemented was not different to notification over the last four to five years. We've committed to our customers and industry groups, moving forward, that we will have regular communication and a no surprises approach. We genuinely felt that we had achieved that, but we acknowledge we can always do better so we continue to have improved -

PUBLIC

Ms ARMITAGE - The percentage increase and the justification? How much were they increased?

Mr DONALD - Broadly speaking, it was a 2.9 per cent rate increase at 30 June. Interestingly, there's often a comparison to CPI when people look at rate increases. CPI for TasPorts is interesting. Perhaps it's not as relevant as some may suspect.

As I said, we're a volume-based business with fixed costs. Some of our costs are associated with our labour costs, and we had commitments within our enterprise agreement for an increase in employment with 2.7 per cent increase. We are an infrastructure-based business, so a lot of our costs are linked to material supply. I am sure anyone in Tasmania or across Australia that's currently renovating a property would appreciate the cost escalation in materials and labour associated with infrastructure development; it's probably around 20 per cent. Those are some of the costs and challenges we face as a business. We selected to pass on a 2.9 per cent rate increase. We believe that was very appropriate and was determined via a rigorous assessment.

Ms ARMITAGE - Is it a fact that TasPorts gifted land at Burnie to an external company?

Mr DONALD - Not to my knowledge.

CHAIR - I am sure you would have known.

Ms ARMITAGE - Perhaps it might have been the option agreement.

CHAIR - Has there been some land exchanged?

Mr DONALD - Not that I am aware of. I would be happy to examine that further.

Ms ARMITAGE - I will make some further enquiries.

CHAIR - Was that Bell Bay, not Burnie?

Ms ARMITAGE - I thought it was Burnie.

CHAIR - Was any land exchange at Bell Bay?

Mr DONALD - No, not that I am aware of.

Ms ARMITAGE - My understanding was it was Burnie. I shall make some further enquiries while this committee goes on.

Mr FERGUSON - I am happy to pick that up if you would like to clarify further, name a parcel, a property or a business interest, that might help us.

Ms ARMITAGE - I shall, yes, that would be good.

Mr VALENTINE - Regarding freight - it's 5 per cent below the record of 5.44 million tonnes - that's page 15. You say you are a volume-based business, yet your consolidated net

profit has fallen by \$7.3 million. Your freight is up but your consolidated net profit is down, can you explain why that is the case?

Mr DONALD - Certainly. The three key areas where we've experienced some challenges have been the cessation of cruises, number one, and I think everyone would agree we haven't seen a cruise ship for quite some time. Our costs associated with supporting that industry remain. The second one would be some significant challenges associated with the Devonport Airport. We had a significant reduction in flights and passenger movements through that airport. The third one is probably the forestry sector, where there's been a softening of volumes being exported from Tasmania. Of course, there's a lot of movement within all the others. I'd probably suggest there's both up and down movements with some of the other commodities, heavily influenced by trade tensions, the value of the Australian dollar and seasonal impacts.

Mr VALENTINE - I am interested in the port of Devonport. You're looking at a \$240 million upgrade to the port of Devonport, which has just been announced. To what extent is the capability of the port of Devonport constrained by the depth and width of the channel through the Mersey River heads? Has that ever been brought up as an issue?

Mr DONALD - It certainly has. You would appreciate, in the delivery in of an infrastructure project but, just as importantly, in the ongoing role we have in ensuring marine safety, we need to make sure that all risks are appropriately managed. Part of our business and role is not to completely remove risks; we are a business that essentially manages risk. It's about making sure those risks are appropriately managed. The vessels that will be coming into Devonport, from a design perspective, are vessels that will be the maximum size I would expect will visit Devonport for the next 50 years. The only thing that would change that would be significant advancements in technology.

Mr WILLIE - I am interested in how it is going to be paid for. Will TasPorts borrow the full amount with a guarantee from the Government, and if so, do you have to increase your loan facility? It is \$45 million now, through you, minister. It is a sizeable project. Whether TasPorts has the capacity to fund it, is the big question.

Mr FERGUSON - The chair will want to respond as well; but the business case that has been provided has been reviewed by Government and also reviewed by Treasury which provides advice to shareholder ministers. I won't be discussing the contents of the advice but I can say that the Government is very enthusiastic about what is a game-changing investment for one of our key assets, being the port of Devonport. I invite the chair and the CEO to respond in that detail.

Mr BRADFORD - Thank you minister. Am I coming through double sound? I will let Anthony in and I will come back in.

CHAIR - Sorry, Stephen, we are losing you.

Mr BRADFORD - I will come back in.

Mr DONALD - It is very important that we deliver infrastructure that is supported by sound commercial business cases with a positive return on investment, so you can expect that there will be appropriate commercial arrangements in place to support that level of investment.

PUBLIC

Historically, the level of debt that TasPorts has held has been quite small in terms of national infrastructure businesses. Debt is not scary; debt is only scary if it is not appropriately managed and if there is no commercial basis for taking out that debt.

There are risks associated with infrastructure delivery and the delivery of large infrastructure projects. Our role is to ensure that we manage and deliver those projects well. Our plan, optimistically, is that we will continue to look for further debt for large infrastructure investments that support growth of freight volumes for the benefit of Tasmania.

Mr WILLIE - How much debt can the business carry, minister, in regard to this project? Are you borrowing the full amount?

Mr DUGGAN - Yes, we are borrowing the full amount. You were correct with your \$45 million. We have a general debt facility of \$45 million and we have had that for some time.

CHAIR - We take good advice.

Mr DUGGAN - We manage our recurrent capital, including fleet and infrastructure program within that. Our debt at June 2021 was \$22 million of that \$45 million and we have got a repayment program in place for that debt to be retired by 2025.

Devonport East, as has been referenced, is a \$240 million project. That is supported by a very strong business case with strong commercial aspects to it. That has been through review by government, by Treasury and also by TASCORP. TASCORP approved the full borrowing of \$241 million in addition to the existing \$45 million facility, but that was conditional on Government providing a guarantee for that amount. Government, through Treasury, has subsequently agreed to that guarantee and the appropriate guarantee documentation is currently being prepared.

Mr WILLIE - What are the terms around that borrowing? How long until it is paid off?

Mr DUGGAN - The discussions we have had with TASCORP, because it is a large infrastructure project, it's long-life infrastructure, therefore it's long-life debt and we have got an outer parameter on that of 2051; but we will commence repayment and retirement of that debt much earlier than that.

Mr BRADFORD - You would expect, as a port infrastructure provider, that we would have large amounts of debt on our balance sheet. We haven't had historically, because there hasn't been a recent port infrastructure project of this size that has come towards us. What is driving it, is the increase in the size of vessels visiting Tasmania, and both the major tenants at East Devonport have ordered and are receiving larger vessels. That requires a complete realignment of East Devonport and as Anthony mentioned, the dredging and widening of the Mersey. It effectively takes it to the widest and longest capacity available for the river. What underpins East Devonport is commercial agreements with the two tenants who will repay us and we will repay the debt. Being a government body, we pay income tax and we repay debt to TASCORP. You would expect this amount of debt will reduce as the user pays it off, but then will increase as we undertake other infrastructure projects, particularly in places like Burnie and Hobart.

PUBLIC

CHAIR - TasPorts will be the post box. The tenants will pay off the debt, it will not come out of any of the TasPorts' funds. Is that what you are telling us?

Mr BRADFORD - More than the post box. We developed the critical infrastructure that is required to the port and then we lease it back to the tenants to use. It is our expertise that drives the development, the dredging and the completion of the project and then the tenant, being a shipping company and the container users pay for it over a period of time.

CHAIR - Are telling us there will be no cost to TasPorts in upgrading this infrastructure. It will all be paid by the tenants?

Mr BRADFORD - It will all over a 30 year period be paid for by the tenants. Yes.

CHAIR - I do not think will be around here to check, but I will leave a note for someone.

Mr WILLIE - What impact is that going to have to the business with any future projects? Are you going to have a guarantee from government? Are you going to have an increased debt profile if another project comes along it is going to be reliant on government to fund it, isn't it?

Mr BRADFORD - I would not think so. I would think we would raise further debt based on the commercial viability of the project before us. The most likely ones are in Burnie and Hobart, which would have paying tenants. If of course, a project comes up that is community based, one of our community ports, that is a different matter, but that is not currently before us.

We are effective like a toll road. We build major infrastructure to last for a generation and we keep building it based on sound commercial contracts with reliable users.

In East Devonport, you would call TTTLine and SeaRoad bankable tenants in the highest order, quality companies.

Mr WILLIE - I understand that, I am just asking the questions.

Mr BRADFORD - I hope I am not sounding aggressive. I wish I was there with you.

CHAIR - Thank you. It would make it a lot easier if you were.

Ms PALMER - Minister, I wanted to ask you about the impacts of COVID-19 on TasPorts operations. You did touch on cruise ships in your opening comments. Wondering what the initiatives that the company may have taken to mitigate the impacts here?

Mr FERGUSON - They have been very considerable. It would be fair to say TasPorts was one of the first phone calls the Premier made in those early days in March. An island state with 99 per cent of the state's freight tasks moving through the multi-port system. We are so reliant on shipping and the very fact the virus moves through ports, whether they are air or seaports with people and potentially, freight. It was a primary phone call to ensure TasPorts were on the job and the response was phenomenal.

I do have a brief on this and in addition to government measures implemented at national and state level, the business introduced stringent requirements for vessels and importantly, for crew calling to Tasmanian ports.

PUBLIC

These measures are still in place and they include prior to entering port, all ships are required to provide full information about crew health with focus on COVID-19 symptoms and confirmation of their monitoring practices on board those vessels, along with the biosecurity health declaration.

Any vessel arriving in Tasmania with crew on board that has come from outside Australia or has been in the last 14 days from the planned vessel arrival date into Tasmania, is restricted from entering Tasmanian port limits. This has been quite a challenge for the business and some of the crewed ships, as they have struggled but, nonetheless, have complied with those rules. It is very testing for the people on board. However, it is necessary to keep the state safe.

In addition to all of the above, all crew arriving in Tasmanian regulated ports are required to remain on board while in port. If required to disembark for critical vessel duties alongside, they can do so, but they are required to wear PPE and minimise contact with port staff. Any crew that disembarked a vessel to travel home to their place of residence must be approved and it be undertaken in line with the State Controller's rules.

Briefly on freight, TasPorts has not seen a material impact on freight movements. If anything, we have seen out of a strong Tasmanian economy an increase in demand, so that has been positive. The freight volumes overall increased by three per cent on the previous financial year, even though we have been through the pandemic.

Briefly on cruise ships, not only have we not seen the cruise ships in this period, but we have not wanted to. Cruise ships were deliberately suspended to Tasmania on 15 March last year. The federal government also announced a human biosecurity emergency declaration period 12 days later on 27 March. This declaration provides restrictions on cruise ships entering the country as well and that has been extended until coming 17 December. A further direction beyond this time has not been announced. There are no Tasmanian cruise ships booking prior to that date. There remains a high level of uncertainty regarding the ongoing impact of COVID-19 on the cruise ship segment, which Mr Donald has already referred to and when cruising in Australia will resume. Cruise lines are providing rolling updates on cancellations of calls in line with ongoing developments.

Briefly, in employee management and looking after our staff, TasPorts is supportive of the state and federal governments' positions regarding strongly encouraging vaccinations. It is also providing regular communications to employees that encourages the vaccine uptake. I joined those calls because our staff were largely in phase 1A and phase 1B of the first round of the vaccination rollouts, being critical freight sector staff. At this point in time the TasPorts business is continuing to monitor industry and government developments in this area.

It has also been undertaking appropriate risk assessments, noting from a whole of government point of view, taking government agencies and GBEs, which does include TasPorts, there is work being supported and it will be part of the announcement the Premier will make, presumably next week in response to those risk assessments. I do not know if you have anything to add to that.

Mr DONALD - I would just like to take the opportunity to thank our staff for what has been a very challenging period. There was a period, of course, where we asked them to work from home and office-based staff to work from their kitchen tables.

PUBLIC

My assessment is we saw an increase in productivity associated with that and that is not because people do not work hard when they are working in the office; I think the business hours were stretched for a lot of people. What I continue to see in our team is pride with respect to their role to facilitate freight movements and keep our ports open. We have men and women out in the middle of the night in extreme weather conditions getting wet, bringing in ships.

CHAIR - A supplementary, Ms Siejka.

Ms SIEJKA - On related matters of staffing, minister, as I imagine COVID-19 would be stressful for some working in the industry on the frontline and things like that, what strategies have been put in place to manage staff retention and turnover and do you have any figures on staff turnover since COVID-19 came along?

Mr DONALD - I might ask where I get that figure. I have seen that. I know that it is relatively low. In terms of retention of staff, our objective over the last number of years has been to improve the culture and performance of the business and pre-COVID-19, we invested heavily in creating a stronger foundation around our values. One of our particular values is care.

That, in itself, was quite positive and relied upon by the workforce with respect to dealing with some of the challenges. Some of those challenges were, perhaps, more critical for those who felt a little bit isolated working from home.

Ms SIEJKA - Do you have any numbers?

CHAIR - They're on their way.

Mr DONALD - I will ask if they can be provided to me.

Ms SIEJKA - I am also interested in stress leave numbers, EAP, workers compensation claim numbers, that sort of thing.

Mr WILLIE - Redundancies.

Ms SIEJKA - Yes.

CHAIR - The full suite of general employee questions. Employee costs were up. What were the drivers? You talked about people working from home and you also have some incentive payments as well. You might like to speak to those as well, minister.

Mr FERGUSON - There's a lot in that. During the course of the hearing we're going to obtain all of that information, as best we can provide.

Mr DONALD - Regarding incentive payments for the financial year, there were no incentive payments made.

CHAIR - Short-term incentive payments, it says here on page 72 of the annual report, note 21, key management personnel. Even though I have my glasses on, it's still difficult to read your annual report when it's printed for us like this. It definitely provides for short-term incentive payments. Not everyone was fortunate.

PUBLIC

Mr DUGGAN - To clarify, they were incentive payments paid during that financial year in relation to performance for the prior financial year.

CHAIR - That's what we're looking at here. We only have this annual report, thank you, though. I guess, the next question is, who determines the incentive payments provided?

Mr DONALD - That process is very rigorous. There's a government guideline with respect to executive payments and incentive payments. There's a requirement to deliver on all of the key performance objectives. In addition to that, there's a requirement to deliver on stretch targets. That's almost a pre-condition to be considered for an incentive payment, which would reflect delivery of something which is above and beyond the delivery of the performance objective and the stretch target. All of these are considered robustly by our board and approved or otherwise accordingly.

CHAIR - The chair might like to make a comment in regard to short-term incentive payments for key management personnel?

Mr BRADFORD - It's a very good question. At my page 69, note 21, for 2021 has no short-term incentive payments, but when I turn the page to the previous year there was \$113 000 paid based on performance in that year.

Mr DONALD - The previous financial year.

CHAIR - As I have stated, I have page 72 in front of me. I will check and make sure I have the right year. This is the annual report of TasPorts, Connecting Tasmania to the World, 2020-21. This is the scrutiny the committee is providing to this annual report. I thought you might like to make some sort of comment but if you're not, that's fine, we'll move on.

Mr BRADFORD - I will check that. I am wondering why my bound volume is different to yours. That's my problem, I guess, not yours.

Mr DONALD - As Geoff indicated, it relates to payments made for performance incentives that were following the previous year.

CHAIR - It's still part of this annual report. This is where the money comes from in this period. It doesn't matter when it was judged, if you like. We'll watch that with interest.

I also noticed that admin costs are up \$1 million. Is that because everyone had to have a new laptop because they were working from home? Could you give us some indication of what that relates to?

Mr DONALD - Geoff, are you able to talk to that one?

Mr DUGGAN - The admin costs picks up a whole range of costs during the year. There's consulting fees, legal fees and property occupancy costs.

CHAIR - We have a separate page for consultancy fees.

PUBLIC

Mr DUGGAN - I assume you are picking your number off your financial statements. The disclosure in the annual report provides further detail about consultancy spend during the year.

Mr VALENTINE - Can I ask a supplementary on that, Chair?

CHAIR - If you'd like to ask your supplementary, member for Hobart, I'll find the consultancy fees paid.

Mr VALENTINE - I was interested in the legal fees that you might have paid out during the major case. How much would that have cost the organisation, all aspects of that case? There might have been several payments to different bodies but can you give us a wrap-up on that?

CHAIR - Given that we know that the \$200 000 payment hasn't been paid as yet.

Mr DONALD - No, it has. The \$200 000 payment of legal fees for the ACCC has been paid.

CHAIR - Yes, but it's not in this financial year. It's not covered here.

Mr DONALD - Right, but it has been paid. If I may, and correct me if I'm wrong, Geoff, I think it's in the order of \$4 million of total legal costs. That, of course, doesn't include costs associated with TasPorts' staff and management time.

Mr VALENTINE - No, I'm sure it doesn't. Do you have an overall impact dollar-wise of this case on the organisation?

CHAIR - I'm sure the chair of the board will know that.

Mr BRADFORD - The total cost would generally be gauged by the legal fees we paid which Anthony said is in the order of \$4 million.

Mr VALENTINE - But incorporating staff time and all of those other aspects, do you have a total impact on the organisation with regard to this case?

Mr BRADFORD - I don't but being \$4 million of external legal fees, it was a significant case.

Mr VALENTINE - I think everyone appreciates that.

Mr DONALD - I might clarify that the total legal costs were \$4.6 million.

Mr WILLIE - Part of the agreement, did that include \$1 million-dollar capital upgrade for inspection -?

Mr DONALD - A minimum of \$1 million was spent over, I think, it's a 15-year period.

Mr WILLIE - That's an added cost as well because that was part of the agreement.

PUBLIC

Mr DONALD - That's part of an undertaking, a conditional undertaking that was part of a settlement agreement.

Mr VALENTINE - That's pushing it up there, isn't it, really, when you look at all of the costs.

Mr FERGUSON - That's an asset.

Mr VALENTINE - Yes, I know it's an asset. I'm saying the overall impact of this case is really quite high overall, isn't it? I have other questions.

CHAIR - I guess the question is, have there been any lessons learnt from this? That's the question, minister. No organisation can cost that sort of money.

Mr VALENTINE - \$4.6-plus, plus the infrastructure.

Mr DONALD - A significant cost was incurred on the organisation in the defence of some really serious allegations. We took them very seriously. TasPorts wears multiple hats; I wear multiple hats. We are the port infrastructure owner. We are the owner and operator of a marine pilotage business. We are the owner and operator of a towage business. On behalf of MAST, we are also the marine safety regulator. We own and operate a shipping line that runs to King Island.

As I said, we wear multiple hats. The law changed a number of years ago, recently I would say, and there was an introduction associated with a likely effects test. The allegations that we were confronting related to whether or not TasPorts had an anti-competitive purpose and they were all dismissed. There were allegations associated with TasPorts having an anti-competitive effect on the market and they were also dismissed.

Where we agreed during the settlement, that there was a contravention to TasPorts having a likely effect on a towage service operator in Tasmania. That came into effect as a result of TasPorts attempting to recover tonnage fees off vessels calling at Port Latta. Those tonnage fees are paid by every ship calling into Tasmanian waters and is a very standard practice globally. All we attempted to do was recover tonnage fees from ships calling at Port Latta.

The legal view on that matter was that there was an omission in TasPorts' pricing tariff schedule, where the words 'Port Latta', were not included within the pricing tariff schedule. That gave rise to a legal argument that suggested that there be a likely effect on a towage service provider should TasPorts collect tonnage fees off ships calling at Port Latta. It is a very complex argument and it is challenging to understand; even from my perspective, it has been challenging to understand and unwind. I completely understand it now.

There were also significant learnings associated with the legacy commercial arrangements that were in place. There was a long-standing dispute between the Marine Board of Hobart - that became the Port of Hobart Corporation - and Australian Bulk Minerals. The ABM business went through a number of iterations and ultimately became known as Goldemier and then referred to or known now today, as Grange Resources, for the operation of the Savage River Mine and Port Latta.

PUBLIC

That long-standing dispute that occurred back in the 1990s was associated with the collection of tonnage fees. The organisation, Marine Board of Hobart, went through a change to the Port of Hobart Corporation. There were a number of iterations of the regulatory environment, including the establishment of new MAST legislation back in the 1990s, that was largely centred on encouraging competition of all of the ports around the state of Tasmania. This is before the formation of the TasPorts organisation, which is reflective of the amalgamation of the ports.

In 1 January 2006, TasPorts was formed through the amalgamation of all the ports around the state. However, we still had the MAST legislation of the 1990s. There were some further updates of commercial arrangements between TasPorts and Grange Resources and what was ultimately agreed to was, if I can describe it as an 'all-encompassing contract' for all services associated with pilotage, with towage, with maintenance and operations at Port Latta.

Grange Resources elected to contract an alternative service provider, and that was fine. TasPorts was open to facilitating the transition of services to that alternative service provider. During that transition, we elected, appropriately, to recover tonnage fees from the ships calling at Port Latta. Where we stumbled, was that we didn't appreciate the legal argument of the 'likely effects' test around the omission of the words 'Port Latta' in our pricing tariff schedule.

CHAIR - So that was an almost a \$5 million or more stumble, effectively?

Mr WILLIE - What is the minister's view on this?

Mr FERGUSON - My view is clear. It was a complex legal test that was brought to bear in the Federal Court by the ACCC. The issue has already been raised by the CEO that the matters were very complex. And, I will remind you and the committee and others that the charge of deliberately acting with a purpose to lessen competition was dismissed. This was a significant matter that TasPorts was within its role to defend and naturally the enforceable undertaking which was entered into voluntarily by TasPorts is supported by government. It is important to note that the financial penalties haven't been awarded against TasPorts but naturally there have been legal fees along the way.

I was earlier asked about what lessons have been learned. I think it was you, Chair, who asked me that question. We are totally supportive of the ACCC enforcing the competition law and the consumer laws that relate to our own businesses as well. It is a matter that I've made clear to the board that we don't expect to see this happen again. I have been firm about that.

Furthermore, it is worth pointing out that the regulatory regime in which this matter has arisen, is a very murky one. The legislation that supports, for example, port safety in Tasmania, is more than 25 years old and in a very small jurisdiction. The provider is expected not just to provide the commercial services to facilitate the trade of goods across ports, TasPorts is also required to make sure that all of those are provided in a safe way, including with emergency provision, for example, of pilotage and towage services.

I will draw the attention of the committee to the annual report which does - in fact, the board itself has stated that there is a need for a root and branch regulatory review. Because of the arrangements that the Deed with MAST and the EPA, we didn't mention environmental considerations, but that is a further role that TasPorts are responsible for. As a government,

PUBLIC

we are prepared to do that regulatory review. I have some detail here that I am prepared to share.

CHAIR - Is there a time frame for that?

Mr FERGUSON - We are working through that. The regulatory framework is complex. It's probably out of date and it is different to what is in place in most other Australian ports, which are open to competition in towage and other services.

To ensure that the regulatory functions of Tasmanian ports meets contemporary standards, in October I announced that the Government would conduct a root and branch regulatory review of port services in Tasmania. I can tell the committee that while the Government currently is taking advice on the best way in which to pursue that review and the terms of reference that will support it, we will ensure that the regulatory framework for Tasmanian port services operates in the state's best interests. We will ensure that it provides for safe, contemporary, fair and cost competitive functions. We expect that this review will be conducted with the support of the Department of State Growth, with the assistance of the Department of Treasury and Finance, and we also expect to engage expert advice as required.

I mentioned that the terms of reference are under development currently. The review will actually go as far as to also examine the existing arrangements between TasPorts, Marine and Safety Tasmania (MAST) and the Environment Protection Authority (EPA).

Lessons learned? Absolutely, we do not want to see a repeat of this again. There is no suggestion by me nor the ACCC any longer, nor the Federal Court, that anybody has deliberately set out to lessen competition. This matter needed to be settled and TasPorts needed to - and did succeed in large part - defend its good name. Nonetheless, there have been lessons all around here and we don't expect to see this happen again. Furthermore, I look forward to having more to say publicly about the regulatory review which I believe will underpin confidence going forward.

CHAIR - Thank you, I'm glad we have that cleared up.

Ms ARMITAGE - If I could just ask about the two new large tugs for Bell Bay - the *RT Force* and the *RT Sensation*. My understanding is these tugs are much more substantial and, presumably, much higher operational in purchase or lease costs than the historic tugs, that have been perfectly adequate size-wise for the ship size that can physically access Bell Bay Port.

Given the limitation of the port determines ship size and legacy small tugs have a history of safe delivery to and from berths, why are we being provided larger tugs? If you could answer that first and I will move down the questions.

Mr FERGUSON - Mr Donald is -

Ms ARMITAGE - First of all, why are we going larger tugs rather than the smaller ones that seemed adequate in the past?

Mr FERGUSON - I will certainly ask Mr Donald to answer it and I will ask him to emphasise the importance of safety as well.

PUBLIC

Ms ARMITAGE - Yes.

Mr DONALD - The two tugs, the *RT Force* and *RT Sensation*, have an 80-tonne bollard pull. The two tugs they replaced were akin to an historic car in terms of age. They were both over 40 years old with diminishing bollard pull - the strength they exhibit on the force of on the line. Our investment via a lease arrangement was required in order to maintain minimum levels of safety.

We continue to work with our harbour master who is continuing to revise the organisation's understanding of improvements to safety, including for the provision of towage services in the Tamar River. The currents in the Tamar River are particularly strong and we have been working with the Australian Maritime College to understand better the strength of those currents.

The Tamar River, of course, is quite tidal in nature and our shipping movements generally occur at two periods of the day, obviously, subject to the tidal movements. These two new tugs are a significant improvement to safety.

Ms ARMITAGE - Thank you. I do not think the question was so much why you have bought new tugs if the others were 40 years old, but why they're so much bigger than the previous ones. I am assuming you could buy new tugs that were smaller for the waterways they were going in that would still have adequate tonnage for the size of the ships.

Mr DONALD - Yes, but actually in length they are actually smaller than the previous ones. They have a significant bollard pull because of their propulsion. It is a rotor tug, a sort of a triangular propulsion at three different points on the hull of the vessel which means it can move essentially in 360 degrees very rapidly as opposed to an older, more conventional tug.

Ms ARMITAGE - Even though the ports are physically constrained, the size of these means they can manage quite well because the navigable channel is quite difficult?

Mr DONALD - Yes. When you say physically constrained, do you -

Ms ARMITAGE - I guess size-wise the channel is constrained, isn't it?

Mr DONALD - Yes, that affects the length of vessels that can call.

Ms ARMITAGE - Right.

Mr DONALD - Into all of our ports, essentially and Bell Bay is certainly not immune to that. Globally, tugs are hard to get and it was fortuitous we were able to get these two new tugs.

Ms ARMITAGE - What did we do with the old tugs? Were we able to onsell them to someone?

Mr DONALD - That is the plan. The market for tugs 40 to 46 years old is a challenging one and I do not think there are too many places around the world looking for those sorts of tugs, but there are some, yes.

PUBLIC

Ms ARMITAGE - If you haven't got anything, it is probably better than nothing.

Mr DONALD - One of the things I would like to share with the committee is it is really important we manage our marine fleet appropriately. The investment in marine fleet is not small licks of capital; it does require ongoing investment.

I, personally, as does the whole organisation supported by the board, want to always ensure marine safety and to have tugs so old and have questionable bollard pull, when we are bringing in large vessels. The nature of tugs is they exist to help the masters of vessels safely navigate our waters and we do have some very challenging waters, with over 1000 shipwrecks dotted around the coastline. It is not a hit-and-hope exercise when you select a tug and I feel far more comfortable knowing we have appropriate-sized tugs in the port of Bell Bay.

Mr FERGUSON - And to respond to vessels in distress.

Mr DONALD - Yes, one of our roles is to respond to emergency situations, 24/7, with the provision of tugs.

Ms ARMITAGE - Are extra costs being placed on users to make up for the cost of the new tugs, so there will not be any extra cost?

Mr DONALD - No, there has not been any price adjustment associated with arrival, as part of the 2.9 per cent increase.

Ms ARMITAGE - You can assure customers they will not experience any increased shipping costs as a result of the acquisition of the new tugs?

Mr DONALD - That is something that we would contemplate on revision of our next pricing arrangements. If we were to select to do that, I would expect we would have a very compelling position that would articulate to our customers.

Ms ARMITAGE - They would cost more to run if they are heavier and bigger.

Mr DONALD - They would be far more cost-effective in terms of efficiency, a reduction in maintenance costs. Our tugs, as with all commercial marine vessels, need to go through a regular survey process, which costs significant amounts of money. As marine assets get older, those regular upgrades or maintenance activities become more and more expensive. We get to a position with some of our old tugs where the five-year survey cost estimate is greater than the expected sale price of the tug. That are some of the challenges we have but, again, marine safety is our number one priority. Tugs are designed, by nature, to effect the safe movement of vessels.

Ms ARMITAGE - Will we be looking at more new tugs for other ports?

Mr DONALD - The committee can expect TasPorts will adopt a very appropriate and mature approach to fleet replacement and it is something we are currently looking at around the state. Our two tugs in Hobart were recently purchased, three years ago, Geoff? They were a fantastic addition to our fleet. Certainly, with the role they play in assisting ships to navigate the Derwent River and importantly, the Tasman Bridge transit, making sure we have appropriately-sized tugs.

PUBLIC

Ms ARMITAGE - They would be 80 tonnage also?

Mr DONALD - Not in Hobart, no.

Mr VALENTINE - With regard to third-party tug services, do you engage them or do you provide all of your tug services now?

Mr DONALD - TasPorts is the owner and operator of a towage business, but we also have a competitor in Tasmania. That is something openly facilitated.

Mr VALENTINE - Do you ever engage them for services you need because you do not have tugs in the right spot at the right time?

Mr DONALD - No, I do not believe we have.

Mr BRADFORD - I think the reverse applies. In Port Latta, we provide the backup tug to the competitor's towage business. Without that strong support from us, they may struggle to provide an effective service on days when the Bass Strait can get a bit rough. Towage is there to aid the vessels that visit Tasmania. The owners of those vessels are investing US\$50- to \$60 million each. In my experience, it is unusual for a vessel owner to complain about bollard pull of tugs if it is over capacity, rather than under. They want their vessels protected and we want the environment in which they sail to be protected. That is why the board has, since 2015, embarked on an upgrade of towage capacity and of the vessels that take our marine pilots out to meet those vessels.

Mr VALENTINE - I am sure the people of Hobart are very happy you have the ships that go under the bridge under control.

Mr BRADFORD - It is always at the forefront of my mind.

CHAIR - I am going to declare that we suspend the sitting for a short break, as it is 3.15 p.m. We will come back at 3.30 p.m. and we will need to make our questions and answers very concise, otherwise we are not going to get through this.

It is important. It is Friday afternoon and everyone has had a lot of long weeks in this place.

Sitting suspended from 3.15 pm to 3.30 pm

CHAIR - Welcome back to the table. As I have indicated, we need to sharpen up questions and answers and we will be finishing at 5 p.m.

Stephen has a response to my question about incentive payments, thank you.

Mr BRADFORD - The incentive payments relate to performance in 2018-19, well before COVID-19, and they were paid 2019-20 year. The board certainly approved those incentive payments and we thought they were well merited. It was a very successful year.

CHAIR - Thank you for that. We will be looking at that, ongoing.

PUBLIC

Ms ARMITAGE - I have had further clarification about an earlier question. It was regarding the one that I thought it might have been, which was Bell Bay, so there were a few wires crossed there.

Could you advise me with regard to the option agreement, the exclusive negotiation of the land to Fortescue Future Industries. It wasn't a public process. Is it normal for it to be a public process or is it normal to exclusively deal in this instance rather than being a transparent process and giving others the option? As far as I can read, it was a prize piece of land at George Town/Bell Bay. I have the media from 23 June.

Mr DONALD - Thank you for the question. The industrial park at Bell Bay is a large expanse of land, it is heavily under-utilised and has been for a long period of time. Following the Government's announcement of the expression of interest process, our organisation has been heavily involved with quite a number of parties associated with hydrogen energy opportunities.

We have had quite extensive engagement with quite a number of those proponents. There was only one proponent who expressed a desire to export green ammonia out of the port of Bell Bay. Our role is to facilitate trade and it is very important that our land, particularly around Bell Bay, was associated with export. Our interactions with other proponents and their level of interest was more around retail opportunities at that point in time.

Our role is to facilitate trade and the movement of freight, so we have entered into an exclusive arrangement for an options agreement on a piece of land.

Ms ARMITAGE - So there wasn't other interest in that land?

Mr DONALD - Not at that point in time.

Ms ARMITAGE - Are you able to tell me the value of the land?

Mr DONALD - I don't have that figure with me, but I can provide it.

Ms ARMITAGE - You can provide it?

CHAIR - The value of the land at Bell Bay.

Ms ARMITAGE - Yes, the value of the land that was the exclusive agreement.

Mr DONALD - If I may ask a question about your question. The value in regard to the asset or the value in regard to the commercial discussions we are having with the proponent?

Ms ARMITAGE - It would be interesting to know both. I am not sure whether you would be able to tell me the second.

Mr DONALD - I was going to say, I can't tell you about the second.

Ms ARMITAGE - We might read it in the annual report next year, included in land sold, perhaps. Is it a lease or is it a sale?

PUBLIC

Mr DONALD - I am happy to confirm that you won't read that it will be sold.

Ms ARMITAGE - That it will be sold?

Mr DONALD - I am happy to confirm that you will not read in future annual reports that we will be selling that land.

Ms ARMITAGE - So, it's a lease?

Mr DONALD - A lease. An option for a lease.

Ms ARMITAGE - An option for a lease? I wasn't sure whether it was an option for a lease, an option for sale or lease.

Mr DONALD - Yes, an option for a lease.

Ms ARMITAGE - Can you tell me the length of the lease?

Mr DONALD - That is still subject to discussion and negotiation.

Mr VALENTINE - On that question, a supplementary first before I go to my other questions.

Are you able to outline the investments that TasPorts will be required to undertake to ensure the potential of hydrogen exports from Tasmania are realised? Apart from the land issue, what other investments are you envisaging making?

Mr DONALD - My response is quite generic in nature. Of course, our role is to facilitate the movement of freight with vessels. We have been really clear in our strategy with this industry that we will deliver common-user infrastructure and again, as a volume based business, the economies of scale that flow as a result of that. Whilst we have entered into an options agreement for an exclusive piece of land in our industrial estate, any of the infrastructure within our port, including the wharf and/or gantries, pipe manifold arrangements, would be designed in a manner where they are common user facilities. A lot of the discussions with all of the proponents are quite dynamic in nature and over the next period - it could be weeks, it could be months, it could be years - we will come to understand the requirements of those proponents. That will enable us to firm up on the costs associated with any infrastructure upgrades that we will need to deliver to support that investment.

Coming back to an earlier question, our role is to facilitate trade that is supported by sound commercial agreements. As we put in place with the Devonport East project, the committee and the community can expect that TasPorts will put in place sound, positive commercial agreements with these proponents that underpin any investment required in our port infrastructure for common user arrangements.

CHAIR - Mr Valentine, one question and then I am going to Ms Palmer.

Mr VALENTINE - The second highest commodity handled by TasPorts - empty containers. It is one of the top 20 commodities - TEUs, page 13 of your report. With respect to the 151 438 empty TEU containers handled by TasPorts, are those containers imports into

PUBLIC

Tasmania or empty containers being exported back to the mainland and overseas? There must be some opportunities there with all of these empty containers flowing around.

Have you explored how you might be able to capitalise on that by offering empty space for freight out of Tasmania as opposed to just sending back an empty container? You are a volume-based business, it is not by weight. There is a lot of empty space being exported backwards and forwards. Can you paint us a picture as to what that all looks like and whether or not we are getting the best opportunities?

Mr DONALD - I certainly can and thank you for the question. The significant majority of those empty containers are shipped by our three customers, TT-Line, SeaRoad and Toll and the arrangements that are in place with those businesses for the provision of containers for their customers is a matter for them.

Our understanding and one of our strategies over the last number of years is to examine initiatives outside the port gate. What do I mean by that? What does a supply chain need within Tasmania to improve the efficiency or the availability of equipment, including containers? Should TasPorts look at investments in intermodal terminals? Should we look at an empty container park? We don't have an empty container park within our operation but our terminal operators and domestic container movers in TT-Line, SeaRoad and Toll manage their containers very well to suit their own commercial interests. There is a container park in the north-west of the state and I have been there and I have observed that it does appear to operate extremely well.

Empty container parks are perhaps something that, hopefully one day, Tasmania will need more. The availability of containers is a challenge globally at the moment and it is not just Tasmania that is challenged by the availability of equipment with containers. It is a global issue and the detail associated with the economic or the commercial incentives or objectives of moving empty containers across Bass Strait is a matter for our customers. We just facilitate their movements.

Mr VALENTINE - You don't own the containers, quite clearly.

Mr DONALD - No.

Ms PALMER - There has already been some discussion about freight but this is a specific question. Minister, I was wondering if you could provide more detail on the trajectory of freight volumes by commodity type?

Mr FERGUSON - Thank you, Ms Palmer and Chair. We might jump into this question together, Anthony.

CHAIR - As long as there is no repetition of the answer.

Mr FERGUSON - In my introduction earlier today, I mentioned that total throughput achieved an incredible 14.5 million tonnes, a 3 per cent increase on 2019-20 trade volumes, which, in the context of the COVID-19 pandemic, is a great outcome. It shows that demand within Tasmania for goods to come into the state was very high, and I will shortly come to the containerised freight. It also shows that a demand for our product to be exported was also very high. We are very pleased about that and I think it is a demonstration that not only is the

Tasmanian economy thundering along, but also TasPorts is in a position to facilitate that trade, as Mr Donald has repeatedly stated.

Containerised freight has increased more than 7 per cent on the previous financial year. When you are comparing your reports, you will see that for 2020-21 more than 594 000 TEUs, 20-foot equivalent units have transited our ports. We see that as a very strong result, given the global shipping supply chain continues to experience massive issues, some significant disruptions and delays, along with significant cost escalations.

Increases in retail trade, agricultural exports and large-scale manufacturing are key to increasing demand for this containerised freight. Key transit points are at Devonport, Burnie, Bell Bay. More than 594 000 TEUs, which I have mentioned.

To move to forestry, which this Government is a strong supporter of, we are really pleased that, despite more issues in some of our trading arrangements being challenged, nonetheless more than three-and-a-half million tonnes of forestry products have transited through Bell Bay, Burnie and Hobart. That is a high number. Despite those ongoing challenges, it does represent a decrease of 4 per cent on the previous year's volumes.

Increased volumes out of Bell Bay were off-set by reduced exports at Burnie and Hobart. Those escalating international trade tensions are something that government and members of this committee will be keen to watch.

In the bulk commodities and minerals segment, key transit points are Bell Bay, Burnie, Devonport and Hobart. Mineral export volumes remain very robust. Throughout 2020-21, despite market volatility, it has finished at 0.68 million tonnes. That is a 20 per cent increase, compared to the previous reporting period, with exports of mineral concentrate from the port of Burnie being the key contributing factor.

Time will not permit, but we have a very exciting project up there being run by TasRail, to bring on a new ship-loader which will double the volume loading rates per minute. Key bulk commodities include cement, zinc, concentrate and alumina.

Finally, I will mention fuel. Tasmania's essential fuel and gas suppliers are transiting through all major ports prior to being distributed across the state to our fuel stations. During 2021, more than 1 million kilolitres of fuel and gas products were brought into our state. This volume was consistent with fuel import levels from the previous reporting period. Very strong volumes.

It does help to demonstrate the strong showing that we have seen for our customers, if you like, TasPorts' customers, providing that key service. But importantly, ultimately, providing a service to Tasmanians and Tasmanian businesses.

Mr VALENTINE - With regard to the TEUs, which, by the way, are 20-foot equivalent units, for those who might not understand what that means. Do you have any figures on the number of those units that are actually being delivered through your sites by rail and by road transport? Do you have any understanding of that, out of interest?

Mr DONALD - Yes, we do, broadly speaking. I do not have that in front of me, but we will try to get it in the next few minutes. I think the vast majority are via road.

PUBLIC

Mr VALENTINE - Is the trend more and more by road?

Mr DONALD - With the 7 per cent increase in domestic container movements, I would expect that there is perhaps a comparable increase in road transport movements. When you look at the bulk minerals movements and the movements of forestry, that is where there is a tendency of customers to use rail, predominantly. That is a generalisation, as opposed to a specific statement. There has certainly been an increase in both rail share and road, but the statistics on the increase in domestic container movements, I would expect, the majority of those flow to movements on road.

Mr VALENTINE - Not that it is within your control, but by rail means there is less road maintenance.

Mr FERGUSON - There is a heavy reliance on road by, for example, even a road-based operator, like Toll, to use rail to get containers in and out of Burnie. I certainly support the other comments of Mr Donald.

CHAIR - A question about consultancies in this particular annual report, \$2.626 million, could we have a general overview of what those consultancies consisted of? Obviously, they are named and that is okay, I do not need details around that. What sort of activities do you use that significant amount of consultancy work for?

Mr DONALD - Generally speaking, they are associated with the acquisition of specialist services, services that cannot either, by capacity or capability, be provided by our internal staff. The figure reflects prudent management of consultant spend during the year. If the committee looked through previous annual reports, you would see some significantly larger numbers associated with consultant spend. It was incredibly challenging to get it down to that figure. I would go as far as saying I would expect it will be larger in future years.

Mr FERGUSON - The question, if I can assist to outline the purpose.

CHAIR - For instance, Mark Cooper Coaching and it says, 'Engineering services', so is coaching engineering services?

Mr DONALD - That's the title of the business. That service is associated with -

CHAIR - It sounds like a pep talk, to me.

Mr DONALD - That is the name of the business, as opposed to the nature of the consulting service.

CHAIR - It is not encouragement for the work force, no.

Mr DONALD - No, that service is associated with the uplift in maturity of our project management capability and making sure the systems at work reflect that required to deliver large-scale infrastructure projects.

CHAIR - It is not really engineering services, providing some welding and maintenance.

PUBLIC

Mr DONALD - It is engineering and project management, in terms of the sophistication or maturity of the processes of project delivery.

CHAIR - It is just giving some encouragement to the work force.

Mr DONALD - No, it is certainly not a motivational consultant. That is something that, perhaps, management would be very capable of doing. This is associated with the technical aspects of project management. There is an international maturity scale of project management and we have gone to great lengths over the last five years to improve the project management capability of the TasPorts organisation. I am very proud of the maturity we have reached, but there is still work to be done.

Ms ARMITAGE - I was looking at the total work force has gone down somewhat. Could you give me the reason, is that to do with COVID-19?

Ms SIEJKA - If we could have those figures we were promised earlier, which relate to that also, that would be good.

Ms ARMITAGE - It is comparing the two annual reports, the 2019-20 report and the 2020-21 report, 294, as opposed to 305, previously. Operations in 2019, 92, 85 now in services. I am going by the reports I have here.

Mr DONALD - I think it is a different number in mine. During COVID-19, one of our management actions was to put a freeze on recruitment. That included a critical review of replacement roles. There has been a considered effort to challenge or reallocate resources across the organisation when we have seen turnover.

Ms ARMITAGE - And natural attrition as well?

Mr DONALD - Yes, natural attrition. Picking up on the earlier question regarding retention and turnover - the turnover during the financial year was 9 per cent with 42 separations across the business, 3 of which were in management roles.

Ms SIEJKA - How many staff did you say there were?

Mr DONALD - As at the 30 June, 227 full time employees, 34 part timers, and 33 casuals.

Ms SIEJKA - There were some other questions, when we were talking about COVID-19, around stress leave and how many people were on workers compensation of some form and stress leave.

Mr DONALD - As a result of COVID-19?

Ms SIEJKA - No. Just general data. I thought it would have been a stressful period of time.

Mr DONALD - Three individuals have had a period of stress leave from TasPorts during the last 12-18 months. Some of them may have had a corresponding workers compensation claim.

PUBLIC

Ms SIEJKA - Of the 42 that have left the organisation, what sort of profile is it? Is it across the business evenly or is it heavier in senior management, for example?

Mr DONALD - It certainly hasn't been heavier in senior management, in terms of numbers. I think it is generally spread across the organisation. There is not a particular trend, that I am aware of. It is more associated with natural attrition. We have seen quite a bit of turnover with engineers and project managers. I think that is a reflection on Tasmania's infrastructure pipeline and I think that is something that the nation is challenged by. Our ambition and objective in that regard is to continue to foster a culture where people want to work for TasPorts, because you get an opportunity to be involved in the delivery of some very interesting, challenging and rewarding work, and be part of a really positive culture.

CHAIR - Thank you. We have noticed today through our scrutiny that less annual leave seems to have been taken, given that people don't appear to be able to travel or don't want to go to the islands as their overseas trip. Minister, is TasPorts experiencing the same sort of trend with annual leave?

Mr FERGUSON - I will just add to the answer to Ms Siejka's earlier question. I think Mr Donald is going to answer the on annual leave trend. .

To give you a full view, total FTE staff in fact, increased by 7 staff through the year as well.

Ms SIEJKA - A lot of different areas of government have seen change during COVID-19 and given that the work continued fairly steadily in this area I was interested in it.

Mr DONALD - Annual leave continues to be a focus for the organisation. We want to ensure that there is an appropriate work-life balance and that people get their opportunities to have their breaks with their friends and family away from the busy work environment. We track the annual leave balances of all staff in ongoing manner, and they tend to trend between 16-20 days per person. During COVID-19, globally, there was a tendency for people to resist or bank their leave when overseas trips were cancelled or interstate trips weren't available to them. We encourage staff to continue to take their leave, and we ensure that our staff take their minimum of 20 days leave per annum. We did achieve that target. However, it is an ongoing challenge for us and whilst we currently sit at 20 days, we are moving into a period of the season where we expect a lot of people to take some annual leave. Perhaps, by the end of February and March I would hope we are back down to a number of around 16 days per person. Our ambition is to get that lower, because we understand the financial implications associated with it.

CHAIR - But it is important for their own wellbeing.

Mr DONALD - Yes. With that regard, Chair, we are very good at making sure people take their 20 days of annual leave. We can always continue to be better in that regard. Where we have some challenges with legacy annual leave balances of some of the workforce which are quite large in number and we need to make sure we continue to address those large leave balances.

On average I would say I am very confident our staff take their 20 days of annual leave per year. It is the ongoing reduction in some of those larger leave balances which are historical

PUBLIC

in nature. Some of our staff have been employees for 10, 15, 30, 35 years and we continue to work with those individuals to prepare annual leave plans. Some of their roles are conducive to that, some of them not. If we looked at their roles and their resilience of the function in support of the movement of freight, that is a really important consideration.

CHAIR - Is there an intention to perhaps pay out that leave rather than have it still sitting around?

Mr DONALD - That is certainly part of our ongoing negotiation with enterprise agreements. That is certainly something we have on the table on a regular basis. There is a tendency of individuals to resist that.

CHAIR - Thank you. Ms Armitage, and then I am going back up the table.

Ms ARMITAGE - I have some more questions on boards but will come to that later. Going back to the number of consultancies and the Tasmanian versus interstate, the ones over 50 000 there are eight interstate and seven Tasmanian. With regard to the Buy Local and the question with regard to some of the interstate - project advisory services, project design services, engineering services and commercial advisory services - these, obviously, are for the last financial year of which a lot was during COVID-19.

I would like to know what the percentage should be of Buy Local and whether we have actually met that with eight of these being interstate. I am not adding any amount up and looking at that, obviously, tenders come into it but you have to compare a tender with an interstate company as opposed to giving work to locals. Would a lot of those employees then become essential workers that had to come in the state from other states such as New South Wales or Victoria, particularly in COVID-19 times?

Can you advise what a lot of those actually were for? It just says project advisory services. Are they people coming into the state? Are they coming in as essential workers? Do they have workers here in Tasmania actually doing the work, even though they are an interstate firm and do you consider you have actually met the Buy Local?

Mr FERGUSON - I will answer the last part for Mr Donald.

Ms ARMITAGE - Sorry, minister, I should be looking at you.

Mr FERGUSON - No, no, it is fine. I am very comfortable with the way you are asking questions of all of my guests in the chair, but I just want to leap in. The last part of the question, the answer is yes, TasPorts does abide by the procurement guidelines and the Buy Local policy. That is important. As you would be aware, we have ramped up that Buy Local policy such that the greater portion of points are awarded for Tasmanian social and economic impact in the Tasmanian communities. An important point to make as it has not always been the case.

Ms ARMITAGE - I notice some is capital expenditure and some is operational expenditure.

Mr FERGUSON - Yes.

Ms ARMITAGE - In the consultancies.

PUBLIC

CHAIR - As succinct as we can be; thank you.

Mr DONALD - The majority of those consultancies are associated with infrastructure planning, preparation or delivery. In contemplating large infrastructure delivery with the Devonport East project, we have sought to understand what our market is. We do provide opportunities for Tasmanian-based consultancies to tender for work and we reflect that in our weighting of tenders accordingly. The reality is we are finding there is a shortage of capacity within project management and engineering within the state of Tasmania.

Frankly we are tracking an infrastructure pipeline that is in excess of \$35 billion over the next five years, we need to ensure the delivery of our important infrastructure projects, whether that be for the upgrade of a wharf at Bell Bay or for the delivery of the Devonport East project. We need to know that we have the capability and the capacity to deliver those infrastructure projects.

Ms ARMITAGE - A further question with that, because it sounds almost word for word the answer I get when I ask TasWater about why they are using interstate firms. They always come back to capacity. What I am hearing from a lot of our Tasmanian firms and I am wondering if it is the same with TasPorts, is that the local firms used to put tenders in but it would inevitably go to a mainland company which would then employ those very people that put the tenders in, to do the work. The Tasmanian people were doing the work, but the cream was going off to a mainland company. They found it wasn't worth it and, in the end, they were teeing up with a mainland company knowing somebody else was going to get extra money out of it. Who is doing the work?

Mr DONALD - We do have Tasmanian consultants that work for us as well and we do not allow situations where a mainland consultancy would subcontract to a Tasmanian-based consultancy. We wouldn't prevent it, but we would flush that out during a tender process. We have appropriate weighting associated with local content and we have quite a number of established relationships and great service from our Tasmanian-based consultancies.

Ms ARMITAGE - We try to get Tasmanians first; even though if a tender is slightly higher, we are employing Tasmanians which is bringing money back to the economy. We look at that?

Mr DONALD - Yes, and if we can say one more thing about our Devonport East project, we have structured our procurement strategy around maximising local content, both from a consultant perspective but also a contractor perspective. We have broken our work packages up into bite sized chunks that matches the capability and capacity of contractors in the Tasmanian market. That will come with some additional risk for TasPorts in the management of a number of interfaces and complexities. Instead of engaging a managing contractor of sorts and having one party to manage, we are going to have multiple parties to manage because we want to maximise the local content impact. The only package which we expect won't go to a Tasmanian-based firm is our dredging because the reality is we don't have a Tasmanian-based dredging company.

Ms ARMITAGE - A question on notice, if I could leave it with you, minister, could we have a list of the 93 consultants individually less than \$50 000? I don't need it now but if you would be able to provide it would be useful to see how they work.

PUBLIC

Mr FERGUSON - I believe that we can; and if it is not available today, we can provide it to the committee within a few working days.

Ms ARMITAGE - It is a considerable amount of money - \$845 809 capital and \$1 543 799 in operational.

Mr DONALD - I expect that number will grow, over time.

CHAIR - Something for somebody else to look forward to.

Mr WILLIE - It is my understanding that TasPorts fell victim to a scam. What was the outcome of the payment of over \$300 000 of taxpayer money to a fraudulent payee?

Mr DONALD - That might have been a previous year, Mr Willie.

Mr BRADFORD - I think Mr Willie is referring to the accounts payable issue about two years ago, where a sophisticated off-shore entity changed the bank account details of one of our suppliers to an alternative bank account which was then promptly emptied after we transferred money to it. It was fully reported in the annual report of that year, including the insurance recovery and what we also received from the bank. It was a sizeable fraud perpetuated on a Tasmanian business and we publicised it quite widely, mainly for lessons learnt to others.

Mr FERGUSON - We are quite practised in this one because it is an issue that happened quite some time ago, was publicly disclosed and was publicly reported in an annual report. I am fairly sure it was discussed at this scrutiny but may not have been this particular committee but Mr Donald has more to say on that.

CHAIR - We only get TasPorts every second year, as you are aware.

Mr FERGUSON - It's been publicly reported and it has been in the annual report. Annual reports are put before both Houses so there has been open and transparent disclosure on that. There's more to say because it some legitimate questions have been raised. I would like you to bring the committee up to date.

Mr DONALD - I can add that the disclosure was within the chairman's section of the annual report. The chairman wanted to enhance the transparency that others could learn from the experience. It was a sophisticated offshore consortia or scam, not mainland Australia.

CHAIR - Pretty sneaky, aren't they, some of them?

Mr DONALD - When we looked through some of the details, it was highly sophisticated. It prompted us to strengthen our IT security provisions and we are very - touch wood - robust now. However, it's an area of life where you can't rest on your laurels. It's something you have to continue to work at and we've got an exceptional team who test us every other week. All employees of TasPorts get test emails sent to us to see whether or not we identify them as scam and report them appropriately. Scam emails, not spam - we get those too.

Mr WILLIE - We know what that's like.

PUBLIC

Mr DONALD - In terms of the financial loss, we did receive some recovery. It was \$99 000.

Mr FERGUSON - I would like to supplement that, because it's of public interest. It was reported three years ago and it was reported in the 2018-19 financial year, I'm advised, just to bring us all up to memory. Additionally, to follow that matter up, as a matter of best practice, an internal audit report was commissioned by Wise Lord & Ferguson - no relation - an internal IT report by TasPorts security administrator and an external IT report were completed after the event.

The Wise Lord & Ferguson report confirmed that there was a control framework in place at the time of the incident to prevent and detect fraud and that the processes to approved purchase orders and pay suppliers was sound. In this instance, the controls were not carried out effectively. The report made a number of findings and recommendations that detail improvements to policies and procedures and ongoing staff fraud training awareness which have been implemented, I'm advised. Importantly, the IT investigations -

Mr VALENTINE - That was going to be my question.

Mr FERGUSON - Yes. Examined email activity of staff directly involved and then widened its investigation to include staff not directly involved including finance and operations. The IT investigations have not identified any breach of TasPorts' IT system. The external IT investigation also found that TasPorts' own IT investigation's initial actions, findings and recommendations were appropriate.

TasPorts has implemented several control improvement initiatives identified in the internal audit and IT investigations. Again, I emphasise that was covered in the annual report three years ago.

Mr WILLIE - Some other questions on computer systems. Two new shipping and reporting systems - PortMate and Calumo [TBC] I think have recently been introduced. How much was invested in those systems?

Mr DUGGAN - PortMate is a company-wide system that interfaces across a range of activities within TasPorts and also directly with our customers and their agents. It was implemented during the course of the year and is working well. Calumo [TBC] is a business intelligence tool that we've implemented during the back half of last year and this year. It's an internal tool that we use, which interfaces with our PortMate system for statistical and financial reporting.

Mr WILLIE - Shipping reports were readily available from the previous systems, I understand, without any issue. Twelve months since implementation of these new systems it's my understanding that not a single report can be produced in the required detail for stakeholders. Has that impacted productivity, minister?

Mr DUGGAN - Reports are being produced. We produce the same reports that we produced out of the old system. They have been up and running and available to users within the company for some time.

Mr WILLIE - They're being produced in the required detail for stakeholders?

PUBLIC

Mr DUGGAN - Yes.

Mr FERGUSON - Perhaps somebody has a different opinion about that, I'm not sure. I have not heard that issue raised. If there was a concern, I would be happy to receive a letter from you.

Mr WILLIE - Okay, I can follow up where this has come from.

The last question, TasPorts has always been prompt in responding to urgent information requests relating to shipping information. What assurances can be given that urgent requests for shipping information can be delivered promptly?

Mr DUGGAN - We continue to meet that need and we will continue to meet that need.

Mr WILLIE - Is there a guaranteed turnaround time?

Mr DUGGAN - Most of our requests are internal. We deal with them internally. To the extent there are external requests for information, whether it be through shareholders or other stakeholders, we meet the time frame negotiated with whoever is requesting that data. Most of our requests are internal.

Mr VALENTINE - Radio stations and the likes sometimes need to know, don't they?

Mr DUGGAN - A lot of our information interactions with customers is now digital, online, as opposed to being a manual process. So, any information that our customers would need they have got it live.

I do have a follow up answer, a correction that I would like to make on the HR metrics.

Mr FERGUSON - On this previous matter from Mr Willie, I would just again welcome any correspondence. If you would like me to follow it up, more than happy to do so.

CHAIR - The correction?

Mr DUGGAN - I mentioned earlier 42 separations. It was actually 26 for the financial year. I point out that 10 per cent of our employees during the year used out EAP program, which is a significant number. The reasons associated with that are family personal issues, grief and bereavement, health issues, depression and anxiety. We have rolled out a mental wellness training program to all staff and management.

Ms PALMER - Minister, the port of Stanley has been identified for works, including a floating pontoon. Can you describe the funding commitment to this project and any other works that are committed to this historic port?

Mr FERGUSON - Do you love Stanley as much as I do? I have ancestry from Stanley, so I am very passionate about this particular one. One of your colleagues who is not at this table has raised this with me on a number of occasions as well.

There has been some local concern expressed and I can say that Mr Donald and his team have responded really smartly to it.

PUBLIC

There are issues at Stanley. TasPorts and the Government is committed to ensuring the safety of all port users. In recent years, the outcomes of some assessments in service life and structural integrity have resulted in some restrictions that needed to be put in place at the port of Stanley. Minor works have been undertaken in recent years to improve the amenity of the community assets.

However, TasPorts' priority is the recreational floating pontoon project for the port of Stanley. Project handover from Marine and Safety Tasmania was recently completed in August and TasPorts is continuing with its appropriate due diligence and project planning. I think this is a clear demonstration of our shared commitment to the port of Stanley, the port users and the wider community.

I have been contacted by the Stanley chamber of commerce, and recognising that that body is a key voice in the region, we have engaged with them and they do a great job. They represent a range of interests, including tourism operators right through to commercial and recreational fishers.

So, TasPorts in fact joined the chamber as an associate member in October 2019. I was a rookie Ports minister at that time and we enjoyed a good visit and I think that was a deepening of the bond.

This means now that there is a more direct contact to the chamber to be able to raise concerns regarding port assets, infrastructure and operations. Since March 2020, I am pleased to tell you that TasPorts has undertaken works to improve safety infrastructure, including fender timbers and new ladders at the old wharf jetty, Fisherman's Dock, the RORO wharf and the Breakwater Wharf as well as the replacement of navigation lights. A replacement of area lighting and the installation of new piles at the entrance to Fisherman's Dock.

The current priority is the recreational floating pontoon project for the port of Stanley. That has arisen as a result of a range of commitments that have been made through MAST and it was determined that it would be better for TasPorts to take a stronger role with that.

TasPorts has worked hard with MAST to support the project and has identified a funding solution because there was a gap. That has meant that TasPorts and the gentleman to my left, has seen total responsibility for the project, which included the project management and full funding.

We are pleased now that it is being handed over. The delivery schedule for the project will be confirmed in coming weeks, with anticipated project completion by mid-2022.

Do you have anything further to add there?

Mr DONALD - No, I think that covers it very well, minister. We expect that it will be very well received by the community in Stanley, and there will be further investments in Stanley in the future. There is old infrastructure. It is a really important community port in our multi-port system.

Mr FERGUSON - It is a very large precinct as well which has significant legacy issues, but it is very important for those range of users. We have been working together to ensure that

PUBLIC

we can get the best response and deal with the more pressing risks and enable people to keep using that very historic infrastructure.

CHAIR - I am interested in any changes in the relationship with the Furneaux Islands in regard to their delivery service, given that there is a new operator in town. I have sat down and had a conversation with the new operator and how that might work, and if there is an expectation that there will need to be any upgrades or whatever.

I know the minister will be all over this. It is his patch as well.

Mr FERGUSON - We are, and it was an unexpected development in terms of the sale, but it is one that has gone through seamlessly. We are committed to maintaining strong relations with the new operator and the continuing support of the infrastructure at Lady Barron.

Mr DONALD - One of the members of our executive team has had regular contact with the new operator, developing what I think is the start of a really good relationship. We maintain a close relationship with the council too, who run the shipping committee on the island, where we are represented from a port perspective.

CHAIR - I have recently been over there and certainly the upgrades are significant and well received.

On Page 17, there are freight volumes, and it talks about ports and other. I always find it interesting that Flinders Island gets 'other', or the Furneaux Group gets bulked into 'other'. Is that Stanley? What is other? King Island gets its own gig, but not. I am interested.

Mr DUGGAN - That would be Flinders Island, Stanley.

CHAIR - Why don't we separate them out?

Mr DONALD - I think it is more of a formatting issue than anything else.

CHAIR - It is not the first time I have asked.

Mr FERGUSON - It's the first time you have asked me. I think we will review your suggestion.

CHAIR - I think it is only fair. If there are only two other 'others', that it is not that hard to separate them out, and it gives everyone an understanding of the value of what is required in infrastructure to service our island's communities.

Mr FERGUSON - Ms Rattray, I will undertake to press the case with the board and have it separated out for future annual reports. I will be compelling.

CHAIR - I can see the chair nodding.

Mr FERGUSON - *Hansard* does not pick up wit, but we will do that for future annual reports.

Mr BRADFORD - Yes.

CHAIR - Thank you. I appreciate that.

The member for Hobart, who has a large port with a lot of logs sitting on it.

Mr VALENTINE - We do. I was particularly interested in the Antarctic precinct and any interaction that TasPorts is having in that regard. I note on Page 8 of your report you talk about strengthening of Macquarie Wharf, berth 6 to be fit-for-purpose to berth the Australian Antarctic Division (AAD) vessel *RSV Nuyina*.

I am interested to know what else is in the wings in that regard. Where are you at if you can share? What negotiations are taking place in regard to the Antarctic precinct?

CHAIR - A mix of questions there, minister.

Mr FERGUSON - We can manage that quite well and I will ask Mr Donald to give an update on the process of getting on to the priority list for Infrastructure Australia. I will say this something where we as a government have been working closely with a range of partners with a combined and committed interest in the success of the Antarctic sector here in Hobart as the gateway to Antarctica. We can proudly and honestly claim to be a key access point and we are investing in this area. Unrelated to this committee or this scrutiny, but we are pursuing an Antarctic and science precinct as part of the Hobart City Deal. Our key partner there is the federal government, together with potentially, CSIRO, the Australian Antarctic Division and the University of Tasmania. That work is underway and we are excited about it.

At Macquarie Point it is so proximate to the port so, Mr Donald can outline the role of the Port Master Plan at Macquarie Wharf together with how we are going to ensure it articulates well to the Antarctic and science precinct.

Mr VALENTINE - Possibly, you could touch on why the *RSV Nuyina* is now around the corner and a bit out of site from the tourists, because that used to be a really good tourist attraction, the old vessel and the French ship. Is there a reasoning behind putting it out of the way as opposed to having it in full view?

CHAIR - Will she be coming back?

Mr DONALD - I might start with the last question first. The previous vessel was significantly smaller and the new vessel is significantly longer. For the first few weeks of its time in Hobart we had it at Mac 2. Our arrangements and agreements with AAD were to provide a dedicated layup berth at Macquarie 6. The reference the minister made to the work we are doing with the City Deal and the overall integration of the delivery of an Antarctic precinct aligns with the provision of the layup berth at Macquarie 6. The layup berth is essentially enabling the vessel to come and tie up. The wharf in that particular location requires significant strengthening and upgrading in order to be more effective or efficient in the ongoing needs of AAD. We continue to talk to AAD about that and it is the genesis for our Infrastructure Australia project submission for the development of Macquarie, 4, 5, and 6 realignment which would see a continuous berth delivered across the front of Macquarie Wharf, 4, 5, and 6. At the moment, it has a saw tooth profile which is not efficient or effective with multiple configurations of vessels. Working with AAD it is clearly important they end up with a dedicated facility.

PUBLIC

Mr VALENTINE - What sort of dollars are we talking about for that to Infrastructure Australia?

Mr DONALD - That is circa \$220 million investment.

Mr VALENTINE - Not small.

Mr DONALD - Not small.

Mr WILLIE - When will the plan be lodged?

Mr DONALD - We have already been working through the Infrastructure Australia process and it was perhaps around six-months ago we were recognised by Infrastructure Australia as having two nationally significant projects within the pipeline, which was a great achievement for our organisation and for Tasmania. It is the first two port-related projects to be nominated successfully in the Infrastructure Australia process.

Mr FERGUSON - Burnie and Hobart.

Mr VALENTINE - You have had to do some demolition of buildings on the site to cater for log exports, is that right?

Mr DONALD - We have pulled down one of the old sheds and realigned some fencing a number of years ago. We improved some carparking arrangements and that was around the establishment of the Southern Export Terminal for the export of logs which is delivered through a joint venture company we have.

Mr VALENTINE - You own 50 per cent of that?

Mr DONALD - Yes.

Mr WILLIE - How urgent are the infrastructure upgrades to the Antarctic Division? What sort of time frame?

Mr DONALD - We have invested successfully in time \$3 million to enable the safe layup berth, the provision of the layup berth for the *RSV Nuyina*. In order to invest further, that will improve what I will describe as the level of service for AAD in the management of their vessel. From a practical perspective, if they need to load or unload very heavy equipment or materials, they simply need to relocate their vessel around to Mac 3 or Mac 4, where the wharf is significantly stronger and suitable to facilitate the loading. They, of course, want a dedicated facility and would welcome the support of investment in a wharf upgrade that means they do not need to relocate the vessel to load or unload it.

Mr FERGUSON - I would like to pick up Mr Willie's question as well as the last part of your earlier question, Chair. The port of Hobart is the home port for *RSV Nuyina*. It should not be questioned or put in doubt by people who might be wondering if this is its home port as confirmed by Sussan Ley, the federal minister. The \$3 million investment made is a direct result of the five-year agreement struck at the request of AAD. Noting TasPorts is a customer-oriented businesses, it provides the services and the infrastructure that is requested

by clients, customers. That is exactly what has happened in this case. I would not describe it as interim, because I see it as the securing of the vessel for Hobart.

In terms of providing a higher level of service and a more dedicated berthing priority opportunity, absolutely, we will be continuing to pursue the Infrastructure Australia process for securing long-term port improvements, not just for the *RSV Nuyina* but for the other customers.

Mr VALENTINE - I would like to go to Southern Export Terminals. From a profit of \$38 000 in 2019-20 to a loss of \$24 000, that is a 163 per cent change, stated on page 2, yet you say on page 12, 'state of the proposed stage 2 expansion is continuing to accommodate forecast future growth'. Can you outline the basis for those forecasts in light of the reduced performance on SET in 2021? Perhaps, in doing that, can you outline why the performance of the current year has been so poor?

Mr DUGGAN - Southern Export Terminals were set up as a joint venture between us and QPorts. That was to facilitate the demand for bulk log exports out of southern Tasmania. In setting that up, there was a volume of logs to go through that port. What we did find over that 12-month period was there were trade tensions, which came upon the company and the industry quite quickly, that saw a reduction in that log volume.

Mr VALENTINE - This is the Asian reduction.

Mr DUGGAN - Yes. There has been a continuation of that reduced demand and throughput through the terminal. Both joint venture partners remain committed to providing that really important facility for a really important industry in Tasmania. There is an expectation that, at a point in time, those volumes, either through the traditional markets or through alternative markets, and the proponents are looking at alternative export markets for those logs.

Mr DONALD - The establishment of the facility was done with limited capital investment by TasPorts, leveraging some of the latent capacity we had in the infrastructure and the space available. We designed the operation and infrastructure with QPorts on maximising throughput because the market, at that point in time when we established the business, was telling us we needed to be ready for a million tonnes of log exports per annum. We had a very small footprint, so we needed to be very efficient, we needed to ensure the facility was designed on optimising throughput, as opposed to storage. The reality of the last 18 months, as a result of trade tensions or otherwise, is we have seen a significant reduction in volumes. We remain a huge supporter of forestry exports in the south of Tasmania and so does our partner, QPorts.

Mr VALENTINE - The infrastructure that's holding up those logs, is that sound?

Mr DONALD - Yes, absolutely.

CHAIR - I hope so.

Mr VALENTINE - I'm checking that because it's a heck of a lot of logs and a heck of a lot of weight in one spot.

Mr DONALD - Yes. It is.

PUBLIC

Mr FERGUSON - It's a fair question and a good answer.

CHAIR - In the interests of being equitable, I'm interested in the Bass Island line. The *John Duigan* had some significant repairs or maintenance done and we know, minister, 56 per cent down in revenue around that.

Mr DONALD - Yes.

CHAIR - We know that's their highway and I would never question whatever money we had to put into servicing our islands as long as I sit here; but we need to ask the questions.

Mr FERGUSON - Spoken like a true representative of a Bass Strait island. Thank you for that, Chair. It's fair to say that we all, as Tasmanians, recognise the importance of our island communities and the importance of King Island is not lost on anyone at this table. I will restate that the Government is totally committed to ensuring that we do maintain that highway, and that we ensure that the island's shipping needs are met. It's totally reliant on shipping for its freight movements and air freight would be a very minor departure from that general statement.

We're totally committed to retaining that. It's evidenced by our investment in the Bass Island line and the preparedness to wear the loss on it as we continue to work closely with TasPorts so it can manage Bass Island Line as its subsidiary that, really, has been put in place for that purpose. There have been some issues with the *John Duigan* that I will look to the CEO to respond to.

CHAIR - But he's all good to go now.

Mr FERGUSON - She.

CHAIR - She?

Mr FERGUSON - The *John Duigan* -

CHAIR - How can she be *John Duigan*?

Mr FERGUSON - She is good to go and I get a lot of good feedback about it as well, by the way, but in terms of the actual ship and the issues, I will look to the CEO.

Mr DONALD - We did experience an outage early on and the vessel was sent to New South Wales for a repair. Whilst it was back in service within a relatively short period of time, the engineering crew on board identified some concerning observations within the oil, essentially, and we took a decision to proactively take the vessel out of service as opposed to running the risk of failure during an operation.

We chartered another vessel and maintained the level of service for our customers and the community on the island without any impacts whatsoever - clearly at large expense. Both propeller shafts were replaced and repaired. There were a number of other repair -

CHAIR - Replaced and repaired?

Mr DONALD - Sorry, were replaced.

PUBLIC

CHAIR - One or the other. Thank you.

Mr DONALD - Replaced. Thank you.

CHAIR - Good pickup by me.

Mr DONALD - A very good pickup.

Mr FERGUSON - Again.

Mr DONALD - Were replaced. We haven't experienced any further issues associated with the operation. We are still working through an insurance claim associated with the issues that we experienced and the costs incurred. The financial results reflect the costs incurred without any recognition of any insurance outcome.

CHAIR - Right. Are you positive around the insurance claim? They're always difficult.

Mr DONALD - We are very diligent in the management of our claim and representing the organisation on behalf of the Tasmanian interests.

CHAIR - My last question -

Mr VALENTINE - Is this on the Bass Island Line?

CHAIR - Yes.

Mr VALENTINE - Is it getting to the point where this could almost be considered a community service obligation and funded accordingly?

Mr FERGUSON - That's not how we see it. It has been established as a commercial entity within the TasPorts portfolio of business, and it's vital that King Island does retain a service. I pick up on the point that the CEO has earlier mentioned, that the outage has actually materially affected the financial performance of the subsidiary.

No, we don't really see it as a community service obligation, that is the commercial reality of that business for now and Bass Island Line will continue to pursue its commercial opportunities on Island. Would you like to add to that Mr Donald?

Mr DONALD - The management team supported by our board remain very uncomfortable with respect to the financial performance of the business and we continue to examine options to reduce costs and improve revenue. That's challenging and we've examined an exhaustive list of opportunities. The reality is that it is a very challenging business because the freight numbers are relatively small.

Mr VALENTINE - Does the scheelite mine being rebooted give any change of freighting?

Mr DONALD - We are optimistic that Bass Island Line will provide the service for the scheelite mine. There is another operator as well. I am unaware as to whether we have secured that business.

PUBLIC

Mr VALENTINE - But you're in the mix.

Mr DONALD - Absolutely. From a volume perspective, their public statements are around the export of 3200 tonnes per annum. That would equate to somewhere between two and three containers a week. That's not going to be a significant improvement. Every container that we move is an improvement, but two or three is not going to deal with \$2.5 -\$4.5 million dollar loss per annum.

At this point in time for every dollar of revenue the operation costs us \$2.20.

CHAIR - Well spent. Thank you.

Mr VALENTINE - As the Chair said, if you don't get the service, maybe you can charge port fees.

Mr DONALD - Earlier, I talked about the fact that we ran multiple hats and it is really important that there is equity and that Bass Island Line pays the same fees as other shippers.

CHAIR - We don't want to head back to the ACCC. They're going to be wary about that.

Mr VALENTINE - I didn't say an unnatural hike.

CHAIR - A question about the fuel. I know it is exceedingly expensive and I know it is more expensive if you live on island. What are you doing to manage the cost for those island residents?

Mr DONALD - We have a fixed process associated with our pricing. We are the distributor of fuel and we are the owner of fuel-related infrastructure on the island. The tank farms that we maintain and the storage levels that we monitor on the island is a really important role that we play.

In terms of pricing, I am very comfortable that we apply a consistent, appropriate approach to pricing. I would say that any fluctuations that would be observed by the consumer are not reflective of fluctuations in our approach. I will ask Geoff if there is anything else he'd like to add.

CHAIR - As long as I'm comfortable that we are doing the right thing by our island community. They only have us to advocate for them, and the minister.

Mr FERGUSON - It's a fair question; and a fair point has been made that TasPorts passes on its own cost to the purchaser and that is reflective of the terminal gate price, over which no state government has any control.

It is a fair point, and I think it is a reminder to TasPorts to keep their margins to a minimum in order to supply ongoing fuel certainty to King and Flinders islands.

CHAIR - Thank you, because they generate a lot into our economy.

PUBLIC

Mr VALENTINE - I have one question about fuel, regarding Selfs Point. Minister, can you expand a little on the money that is being spent there to improve safety?

Mr DONALD - We have recently spent just over \$8 million to upgrade the fire retardant system and safety systems associated with fire suppression at Selfs Point. The infrastructure technology that was in place was absolutely end-of-life. Right at the point when we identified a need to upgrade the facility, interestingly the Australian Standards changed and we were the first location, I think nationally, to comply with the new Australian Standard. The facility is currently being commissioned and in the coming weeks it will be fully operational.

It is a credit to the TasPorts team and our contractors and consultants who worked incredibly diligently and cooperatively to find some really important solutions to comply with a brand-new standard. If you think about asking consultants to provide services in a designer construction approach on a brand-new standard that has never been delivered before, that is quite a challenging feat. I think we have developed an excellent outcome but not without the support of our trusted construction and consultant partners.

CHAIR - Don't worry, you paid them well for it.

Mr FERGUSON - That may well be the case but I am pleased to let you know as well that while the project is scheduled for completion - I have January 2022, so only next month - the project is being largely delivered by the principal contractor, our proud local Tasmanian firm, Shaw Contracting.

Mr WILLIE - The \$23 million in capital upgrades at Selfs Point, Mac 4; any other projects of significance in that?

Mr DUGGAN - There was preliminary spending at Devonport East.

Mr WILLIE - The follow-up question to that, you had \$8.3 million in borrowings for this financial year, was that all for capital outlays or was it for other -

Mr DUGGAN - It was for the Selfs Point project.

Mr FERGUSON - Mr Willie, to your earlier question, I will not take too much of the time but I will say that projects included in that budget relate to Devonport Airport, refurbishment of the Bellman Hangar; to facilitate additional tenancies at Flinders, completion of the bird-friendly lighting project; at Bell Bay, continuation of commercial berth concrete remediation works; at Burnie and the export terminal, upgrades to the shiploader and berth strengthening. Projects at Hobart included, the redevelopment of Macquarie berth 6 which we discussed earlier today; remediation of wharf deck areas in Sullivans Cove; implementation of the Smart Power Pedestals to enable TasPorts to secure the revenue of power and water usage from dock users. Statewide, it included the removal of all known asbestos from TasPorts building assets in Bell Bay, Inspection Head, Port of Hobart and Stanley as well as statewide improvements and compliance works on the safety access ladders at ports around the state. Also, the upgrade of the navigation aids around the south-eastern part of the state to ensure compliance. There are others but they would be the larger headline items.

Ms ARMITAGE - Were there any environmental incidents that may have occurred? Do you have a list for this last financial year of any environmental incidents?

PUBLIC

Mr DONALD - Not that I am aware of. I might just -

Ms ARMITAGE - That's good news. Or even in the last couple of years.

Mr DONALD - There were two environmental incidents.

Mr FERGUSON - Nothing significant.

Mr DONALD - Two reportable ones in relation to dust and waste management so I think with dust it may have been associated with the BCT in Burnie. There was a complaint from a member of the public regarding excess dust being emitted from the Domain slip due to abrasive blasting which subsequently was managed appropriately and the second one was also associated with the Domain slip yard where there was sewage leaking from an overflow pipe into the Derwent River. Both of those were reported to the EPA.

Ms ARMITAGE - Both addressed, I would assume. Has anybody asked about the reportable injuries from TasPorts for the last financial year?

CHAIR - Maybe it is a bit of a pointer for next year, line up the minister's and the CEO's tabs.

Mr FERGUSON - Mine are accurate.

CHAIR - I never doubted that, minister.

Mr DONALD - The total reportable injury frequency rate, which was our TRIFR for the year was 6.4 per cent, which reflects our strong focus on proactively improving our safety culture performance.

Ms ARMITAGE - Has that gone down from the previous year?

Mr DONALD - Yes.

Ms ARMITAGE - And the previous year was -?

Mr DONALD - I will have to get that to you. I know it has been an improvement. I am pleased to say that we were certified again with respect to our safety management system in accordance with the international standard ISO 45 001.

CHAIR - Everyone knows how to put their hard-hat on, and their safety gear.

Ms ARMITAGE - I cannot finish without asking my board questions.

CHAIR - One.

Ms ARMITAGE - Could you advise where the board members are located, the region or interstate? It is something I have an interest in every year.

Mr WILLIE - Everyone in Launceston will get bonus points.

PUBLIC

Mr FERGUSON - I think we are going to go for triple points on this one. I will look to the chair.

CHAIR - We know the chair lives in Melbourne.

Mr BRADFORD - I live in Melbourne, Chair, yes. As at 30 June, we had three directors based in Hobart, one in Launceston, myself in Melbourne. The intern this year is based in Launceston, and with the most recent changes, we have a decrease in Hobart by two, and an increase in Melbourne and Launceston of one each.

Generally, well balanced, 60 per cent female representation.

Ms ARMITAGE - None on the north-west coast, obviously.

Mr BRADFORD - Not at this stage but a number are heavily involved in the north-west coast through their other interests.

Ms ARMITAGE - Is the CEO on the board, or not?

Mr BRADFORD - No.

Ms ARMITAGE - Sometimes they are, I just wondered.

CHAIR - It is not normally a good policy.

Ms ARMITAGE - It is not a good policy but it does happen from time to time.

Mr VALENTINE - There are only two of the senior management team who are women. It is noted that female members of the senior management team have significantly lower levels of remuneration than their male counterparts.

Ms ARMITAGE - Some have different jobs.

Mr VALENTINE - They may. Can you identify what strategies you have in place to improve the equity for women working within the organisation?

Mr FERGUSON - Yes, we will. I will ask, Chair, if it is okay for Mr Bradford to reflect on the purpose of having our intern directors and Mr Donald to reflect on the management team.

Mr BRADFORD - Thank you, minister. Intern director: we are currently on intern director number five. They join our board for a one-year period, effectively as a trainee, to understand board life, the decision-making of boards, and where they can add value.

Their background has two basic attributes, must be Tasmanian-based and must be female. What we are trying to do is to bring more women onto boards. I am pleased to announce that one of our previous interns has been appointed to a board role in Tasmania recently. I think it is successful.

PUBLIC

Mr VALENTINE - My question was with regard to senior management.

Mr BRADFORD - Yes, and over to you Anthony.

Mr DONALD - The financial year prior, I took a decision to elevate three females to the leadership team. That was absolutely based on merit and not through a burning desire to do anything from a metrics perspective. It had a very positive impact on the culture and performance of the organisation. Certainly, the leadership discussions were greater as a result of that change. Some of the more recent changes associated with a reduction in the overall leadership team are not gender-based in any way, shape or form and nor is the salary associated with individuals.

The organisation, and it is a reflection of an infrastructure business and perhaps a port-related business, currently have 78 per cent males versus 22 per cent females. That is absolutely something we continue to work on. Over the future, we will be more targeted in increasing that profile and as our cultural performance journey continues and we become more of a contemporary port business, I would absolutely expect those percentages will change dramatically.

Mr VALENTINE - Can we get the numbers or remuneration outcomes from men compared to women and what strategies are in place to deliver a more equitable work environment? If we can get the numbers in a table.

Mr DONALD - Sorry, that would suggest we are not equitable in terms of gender and that is not true.

Mr VALENTINE - You saying you are working towards it and I understand that.

Mr DONALD - But you are relating gender to salary and that is a merit-based assessment.

Mr VALENTINE - I appreciate it is but would be interested to know. We hear this complaint all the time about the gender pay gap. I hear what you say and wholeheartedly can appreciate that, but to know what your salary levels are and what is being paid across the board, the number men and the number of women and the averages. It would be interesting to be able to see that at the moment, so we know when you introduce some of your policies we can see it is improving.

Mr DONALD - We provide information at the executive level. You are asking for the next level?

Mr VALENTINE - Across the whole organisation.

Mr DONALD - Certainly, in terms of strategies to improve gender balance, we have a diversity, an inclusion strategy in place and part of our people and culture roadmap. We have a three-year people in culture strategy that we refer to as our people and culture roadmap. It is something we are actively managing.

I will take the opportunity to repeat, there's no gender references made in the assessment of salaries.

PUBLIC

Mr VALENTINE - Can we still get the figures?

Mr DONALD - I will take that on notice if I can.

Mr VALENTINE - I will put that down, thank you.

CHAIR - Any more questions? In light of that, we will take the opportunity on behalf of the committee to thank you, sincerely for your time. We know it takes a lot of effort to put together the information the committee is looking for and it is certainly appreciated. Thank you very much, Stephen, for your time today.

Mr BRADFORD - Pleasure.

CHAIR - We would like to sincerely wish you a nice restful break if you are able to take one of those and a happy and safe Christmas. I would also like to thank Roey on *Hansard* and particularly make a special thank you to Julie Thompson, Committee Secretary who has done an exceptional job and Allie Waddington who supports her. Thank you very much, Minister.

Mr FERGUSON - Thank you, it has been a pleasure.

CHAIR - Thank you. Thank you, all.

The committee concluded at 4.54 p.m.