



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESS SCRUTINY COMMITTEE B

TT-Line Company Pty Ltd

Friday 24 November 2023

MEMBERS

Hon Rosemary Armitage MLC;
Hon Jane Howlett MLC;
Hon Tania Rattray MLC (Chair);
Hon Rob Valentine MLC;
Hon Meg Webb MLC; and
Hon Josh Willie MLC

WITNESSES IN ATTENDANCE

Hon Michael Ferguson MP, Deputy Premier, Treasurer, Minister for Infrastructure and Transport and Minister for Planning

Mr Michael Grainger Chairman

Mr Bernard Dwyer Chief Executive Officer

Ms Kym Sayers Chief Financial Officer

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The Committee recommenced at 2.30 p.m.

CHAIR - Welcome to the final part of Committee B scrutiny for 2023. We welcome those at the table.

Minister, I would like to take this opportunity to introduce the members of Committee B. We have the honourable Josh Willie, the honourable Rosemary Armitage, Tania Rattray, the honourable Rob Valentine, the honourable Meg Webb and the honourable Jane Howlett. Committee secretariat support is Julie Thompson and we have Gaye from Hansard. That is our team at the table.

Would you be good enough to introduce the people you have at the table? Then we'll take the opportunity to have a brief overview, and launch into questions. The questions will be brief and the answers will be brief and to the point. Thank you. It is Friday afternoon in Hobart town. Thank you. Minister?

Mr FERGUSON - Thank you, Chair, and good afternoon to you and the whole committee. I am pleased to introduce to my right, Mr Michael Grainger, Chairman, Bernard Dwyer, Chief Executive Officer, Kym Sayers, Chief Financial Officer, and Damian Bugg KC., Deputy Chair. I am assisted at the table by my Chief of Staff, Mr James Abbott.

CHAIR - Would you like to do an overview?

Mr FERGUSON - Good afternoon, I am pleased to advise the committee that TT-Line has had a remarkable recovery from the pandemic, returning to profit in 2022-23 with a big increase in passenger numbers and sailings. Isn't that great news?

The company made a profit of \$8.6 million for the year, following on from a loss of \$14 million in the prior period. Total revenue increased to \$307.1 million up from \$240.8 million in the previous. Key to this revenue lift was the more than 50 per cent increase in passengers, from 284 000 in the prior year to over 450 000 in 2022-23. This means that the company is now carrying more passengers than in the year prior to the pandemic which, if you will remember, was a very busy, bumper tourism year. Voyages increased to meet the rising demand, with 896 sailings, well above the 829 recorded in the prior year and ahead of expectations.

Importantly, the 2022-23 financial year marked the shift of *Spirit of Tasmania's* Victorian operations away from Station Pier in Melbourne to the Port of Geelong. That happened on 23 October, 2022. I'm pleased to advise the committee that this move has been well received by the public, with an increasing number of passengers travelling through the terminal since it opened.

Construction of our two magnificent new vessels continued during 2022-23, along with TT-Line entering contracts with an extensive list of Tasmanian businesses to supply the new vessels as part of our MC's obligation to deliver at least \$100 million in local content. The first of the new ships, *Spirit of Tasmania IV*, was officially launched at a ceremony at Rauma Marine Constructions Yard in Finland on 27 October, 2023.

While I was, unfortunately, unable to attend this auspicious event, as is tradition, a bottle of Tasmanian sparkling wine was broken across the bow to mark the occasion by Chairman

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Michael Grainger's wife, Mrs Deborah Grainger, and the *Spirit of Tasmania IV* was formally named in that traditional way.

Chair and members, TT-Line has had a very successful year. I look forward to joining the team in celebrating their milestones over the next 12 months, throughout the construction and delivery of our magnificent new vessels. We are all here to answer your questions.

CHAIR - I'd like to invite Mr Josh Willie to ask the first question.

Mr WILLIE - We've obviously got the new ships on the horizon, which is great. I'm interested in the Devonport Port and whether the new ships can operate in the new port without that being completed and when you expect the Devonport Port to be completed, knowing full well that TasPorts might be a better place to answer these questions, but you're probably well placed to answer it as well.

Mr FERGUSON - I will definitely contain my remarks to the business that is at the table, TT-Line. TasPorts play a vital role in partnership with TT-Line. I'm sure we can talk about that to some extent and the partnership that exists between TasPorts and TT-Line is one that will bring us to a successful outcome next year. I will invite the Chair or the CEO, or both, to provide an update on the specifics of how we are tracking with our infrastructure requirements at Devonport East.

Mr GRAINGER - You want me to start? We're working very closely with TasPorts for the berth to be completed for our new ships. It's been progressing quite well. They have reached a couple of milestones within the program. We are still in discussion with the prime contractor for above-footpath works, which is TT-Line's responsibility, but we're relatively satisfied in how it's progressing. Sometimes, we'd like to see things done a little bit faster, but it's a complex project that we're talking about. It's the same as the new build vessels. They are complex vessels. The port is complex. It's a big undertaking for any company to do in any port, but it's heading in the right direction and certainly TT-Line is collaborating very closely with TasPorts.

Mr WILLIE - Can the new ships operate in the existing port if it's not completed in time?

Mr GRAINGER - Yes.

Mr DWYER - To answer that question, the new ships have to be in berth number 3. They can't operate out of berth number 1 due to the size of those vessels. So we're obviously matching the arrival and making sure that full facility is available for them, so berth number 3 will then be able to operate the new ships as well as our current vessels at berth number 3. There will be dual-purpose berths at berth number 3 similar to what we have in Geelong now where the new ships and the current vessels can operate out of that one berth.

Mr FERGUSON - I should add then, I think, for the benefit of the committee, in the other committee TasPorts outlined how there's a total port reconfiguration taking place at the moment, which is being led by TasPorts.

Mr DWYER - We don't know who out standing out there.

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CHAIR - It's a public hearing. That's why the door's always open. For clarification for anyone listening, we like to keep the door open because it's a public hearing. It's just the people who are quite rude outside the door that need to be asked to keep it down. Thank you, from the Chair, not yourself.

Mr WILLIE - In terms of the new ship, the first one has been delayed by three months. What about the second ship? Is there any update there, minister?

Mr FERGUSON - Yes. I will definitely ask the CEO to respond on that, because I believe we've placed a public announcement to indicate that each ship has moved its new delivery time frame. In both cases, one contract two vessels, in the case of each vessel, RMC has significant obligations to minimise delay and indeed is incentivised by the contract to ensure that delays are minimised, We're aware, and I think we can speak to a limited extent on behalf of the contractor, they have undertaken to mitigate that, noting that the obligation sits with them. Mr Dwyer?

Mr DWYER - That's right. The first vessel, at the end of the second quarter and the second vessel, first quarter of 2025, yes, within that first quarter, which we wouldn't want to put a brand-new vessel right in the middle of a summer period anyway. It's working out well from a scheduling point of view. I think I've said before, I'm not too concerned about a seven, eight, nine week delay as long as we get the ships in the best condition that they are, because we're on the other side of the world so the day that we assist them with their sea trials making sure those vessels fit in with all the contract requirements. Even at that point, we may say that still doesn't meet the contract and you need to do some remedial work there as well because I cannot afford for those vessels to come out any less than what we've contracted because we're on the other side of the world and it's a long way to send them back if something happens in that regard.

Mr WILLIE - Minister, the CEO is saying he wouldn't want to put the new - or commission - the new vessels in the height of the peak season. If there are further delays, is it possible to do that? If there are further delays and you do have to commission the vessel in the peak season -

Mr DWYER - We can do that. Yes. Yes, of course. Yes.

Mr WILLIE - Okay. It's just more challenging.

Mr DWYER - More challenging and I need to be very respectful and look after our crew. These are brand new ships and a lot more passengers, which we can't wait to welcome on board the new ship, so we'll put them in as soon as we can. Absolutely. We need to because we're -

Mr WILLIE - Past capacity.

Mr DWYER - The demand is surpassing what our supply is. That's right.

CHAIR - Does the contractor attract any penalty if they don't deliver?

Mr FERGUSON - I'll certainly - yes, Chair, you were going to go on?

CHAIR - That's my question.

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Mr FERGUSON - I'll ask the CEO, please -

CHAIR - Do they attract any penalty for not delivering on time?

Mr DWYER - There are the clauses in the contract for that and for any length of time over that but more importantly, there's very tight clauses in the performance of the vessel over a whole range of metrics that we need to have signed off on those sea trials.

CHAIR - Thank you. Ms Howlett?

Ms HOWLETT - Minister, this week there was an announcement with more Tasmanian businesses having more contracts to supply the two new vessels. I was just wondering if you could advise what extent the Tasmanian businesses will be featured on the new vessels.

Mr FERGUSON - I'll definitely ask the CEO to jump as well, because what I have before me is this week's information but I'd ask you to draw out some of the others. Some of whom have been announced, others not, I think, so if you would, please, prepare that, that would be good.

Ms Howlett, I was pleased to announced on Monday that three more Tasmanian businesses have won work on the new *Spirits*. This is an obligation I referred to earlier that's held by RMC, so TT-Line isn't doing that procurement, RMC are and it's their obligation to provide that up to \$100 million of local content, however, we're not waiting around to see what RMC can do. Mr Dwyer has appointed a specific person, a resource, in the business to be guiding those procurements on behalf of Tasmania, Mr Fleming, and he's actually gathering businesses and working with them and then providing those opportunities back to Finland. It's working quite well.

On Monday I announced Seamaster, Tas Isle Trading and Rapid Supply are the latest in the awarded contractors to provide equipment and machinery. For your interest, Seamaster is operating out of Hobart and Devonport. They've been awarded a contract to supply all of the lifesaving equipment for the new ships, including life jackets, immersion suits and pyrotechnics. Hobart's Tas Isle Trading will supply all the washing machines and clothes dryers for the crew laundry on the new ships, the white goods. It will also provide ongoing maintenance of those items once the vessels are actually operating. Thirdly, Devonport-based Rapid Supply, they'll be supplying all the tools and equipment and machinery that the crew will require on board to maintenance and repairs.

These are the businesses that are involved in the initial supply, but also - let's be frank - there's also huge opportunities through the life of the vessels, not just during the delivery of those. I'll ask the CEO if you can add to that, even if we have a list that we could table because there's quite an extensive list of other businesses that I haven't gone near. Do you have those?

Mr DWYER - Certainly. Some more example is UES Seating, which is an Australian company that will be providing all of the seating for the newly designed business recliner lounge, the normal recliner lounge and cinema seating. We want to - I'm hoping it's Tasmanian wood, we're showcasing finishes right across the vessel and the vessel itself is actually designed to showcase the four different regions of Tasmania. As you walk around the ship, you'll actually see rainforest, you'll see the beautiful sands of the east coast, you'll see the magnificent

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nightlife of Hobart in some areas. It's a real walkaround of Tasmania as well, so there is a lot of content that is being put in, and a lot more content that the yard is working on that will be announced later on as well.

I'll pick up a point that the Treasurer made as well, is that the biggest advantage for Tasmania is the ongoing work on these new vessels. With a new vessel, you normally multiple the value of the vessels by 2.5, 3 times over the 25 years for how much you need to spend, if we're conservative, that is \$1.5 billion of services required. We are working really hard and the yard is working and businesses in Tasmania to pick up these OEM contracts, so they look after the maintenance of all of the different areas of the ship going forward as well.

That's where a lot of the money and quite frankly, if we can pick those up in Tasmania, that should generate a new industry potentially for other ships that come into Australian waters to actually come down and be serviced in Tasmania as well. It's a bigger picture than just actually getting the ships out here. Perhaps, even in addition to that, all of our fuel is purchased at the moment out of Victoria because that's the only place we can. We are looking at potentially some supply out of Tasmania as well. That is, as you can imagine, a lot of dollars in relation to running those vessels through the full 12 months over 25 years.

Mr FERGUSON - Chair, if I could just wrap that up briefly. Which is to say, businesses that have an interest and feel they'd still like to have a role to play and haven't had the opportunity, we'd invite them to touch base with Mr Fleming at TT-Line and potentially, he can advocate for them.

CHAIR - Would it not be easier to actually put out something into -

Mr FERGUSON - We have done that.

CHAIR - You have done that as well?

Mr FERGUSON - Yes. The company has done that.

Mr DWYER - We have done that and we have also held workshops in the three regions of Tasmania and we've had over 100 businesses attend those, probably about 12 or more months ago now.

Mr GRAINGER - We have also presented to the Tasmanian Maritime Network, with the Minister, the CEO, myself and Simon Fleming presenting to the Tasmanian Maritime Network at one of their meetings.

CHAIR - Thank you. Ms Armitage?

Ms ARMITAGE - My questions are with regard to electric vehicles on the TT-Line. What policies are in place to assess and mitigate risks posed by the transport of lithium batteries? For example, those in electric vehicles. Also, have there been any incidents in relation to lithium batteries on any TT-Line to date? That is my first question, I do have more.

Mr FERGUSON - Yes, I understand and you've been an advocate in this space. I appreciate and respect that. Mr Dwyer will perhaps jump in at some point. I understand the recent research into the recurrence of EV fires has indicated that the risk of a fire starting in an

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electric vehicle isn't greater than - and in fact may be considerably less - than a fire starting in an internal combustion engine car. That's interesting. Nevertheless, there are a range of advanced safety measures in place on both the current and the new *Spirit* vessels to address the risk of fire, regardless of their source.

I am sure you will agree with me, Ms Armitage, the safety of passengers and crew will always be the highest priority for all of us, including the company. For information, EVs are tagged before being allowed on the vessels. They are only located on decks that have the most efficient water shedding. I will ask Bernard to explain water shedding, particularly with the locked ramps and so on. The feature is a significant advantage for fighting fires on a ferry, allowing for very large volumes of water to be applied to the fire without effecting the stability and the safety of the vessel.

Additionally, the *Spirit* vessels have fire drenching systems in place, as well as additional fire hydrants fitted through the vehicle decks. I am advised that these systems meet the statutory requirements required by international conventions and national authorities. Current vessels have an approved fire on board, endorsed by AMSA, the Australian Maritime Safety Authority. The vessels' plans are regularly audited, fire detection systems are tested weekly and its firefighting systems are tested in accordance with AMSA requirements.

I'm also advised that they are checked by and approved by a licenced third party. TT-Line has also installed EV fire blankets on the current vessels, they will also be on the new vessels? I am getting a nod. These have been shown to be extremely effective in extinguishing both EV and normal combustion engine fires. The new *Spirits* will be fitted with even more advanced and extensive fire detection systems, monitoring both heat and stroke throughout all vehicle decks as early detection of any fire is obviously a key factor in fighting a fire, should one emerge on board the vessel.

TT-Line was also pleased to announce, this year, that the new *Spirit* vessels will be first ferries to operate in our country to feature Tasmanian made marine fire safety insulation materials. That's CBG Systems, a wonderful local company that design and manufacture this product.

I will pass to you, Bernard, in case you are able to advise the committee of any -

CHAIR - I doubt there is a lot to add.

Mr FERGUSON - If I could just finish my sentence, which is that we were asked if there were any incidents. Bernard, could you advise?

Mr DWYER - There have been no incidents at all. It is a three-pronged mitigation that we have. We do not charge vehicles on the ship. Our policy is that you supercharge or charge your vehicles before you get onto the vessel. We have provided facilities in Devonport and there are facilities close to Geelong to be able to do that. As the minister said, on our current vessels we now only park electric vehicles on Deck 5, with no further below, so that if the watering system goes off, the water is shed off the ship without any stability issues, and you can just keep flooding and flooding and flooding.

We use blankets for electric vehicles or normal vehicles, and those blankets would take a temperature from 1600 degrees Celsius, which is a runaway electric vehicle, and maintain it

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at 120 degrees Celsius if you leave that blanket on there. So, very good protection. The other one is that we obviously comply with all international regulations. In fact, I am proud to say that we put a lot of these processes in place ourselves before the international regulations actually came out and advised methods. So, we are comfortable.

Mr VALENTINE - About that fire blanket, the decking: it is all very well for the fire blanket to be able to stand that temperature but would the decking?

Mr DWYER - The decking can sustain 120 degrees Celsius. It is all about the training on getting that blanket onto the fires as quick as you can. You do not want any length of time at 1600 degrees Celsius.

Ms ARMITAGE - It mentions supercharging the vehicles before they come on. However, Tesla are now recommending that their vehicles, when they are sent on ships, are sent at 50 per cent charge to reduce the chance of a fire. I can see you shaking your head.

Mr GRAINGER - I am shaking my head because we are not going to charge on board.

Ms ARMITAGE - They are not charging on board either but they are sending them on board at 50 per cent charge to reduce the chance of a fire.

Mr FERGUSON - Do you mean from the manufacturer when they ship to market?

Ms ARMITAGE - Yes, they are going to 50 per cent charge when they go on a boat to reduce the chance. So, do you consider that supercharging or having them at full charge puts them at more risk?

Mr DWYER - We would have to have a look at the evidence of that. I drive a Tesla myself so I totally understand Tesla's intention in doing that. If that is found to be a risk and we can mitigate it by - I don't know how you would discharge something but -

Ms ARMITAGE - It was just interesting that they have done that.

Mr FERGUSON - Ms Armitage, I am going to suggest that we take that on notice and report back to the committee.

Ms ARMITAGE - Yes, and I can forward you the thing from Tesla. The other thing, Australian Maritime Safety Authority (AMSA) on 17 November has put out a safety alert for domestic and commercial vessels about electric vehicles, saying they are more challenging. They have also suggested where you have them on the boat, the fact that they are heavier. You are saying they are on level 5, but do you take into account that they are actually heavier when you are loading them, which side they go and where they go?

Mr DWYER - On the current vessels, as the minister said, the vehicles are tagged, so they are shown to certain areas of the deck and spread. On the new vessels we will actually have dedicated areas identified for electric vehicles as well.

Ms ARMITAGE - Yes, but just from reading AMSA, the fact that the fires develop in intensity quickly. I know that I have asked the question before and you have sent me some responses but the evidence seems to be that water will not put them out, regardless of how

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much. It needs to be an awful lot of water. So, do you consider, minister, that it is safe having an electric vehicle on a passenger ferry? I know nothing has happened yet. However, bringing electric vehicles over on passenger ferries, if one catches fire it could be catastrophic.

Mr FERGUSON - I totally respect the question. I don't have all of the answers on the technical element of answering that. We would be closely guided by advice and evidence from the regulators, in particular AMSA. Bernard, if you have anything further?

Mr DWYER - We talk very closely with Mick Kinley and everyone at AMSA. They follow what is happening in the international space in relation to EVs as well.

You can actually contain an EV fire with water if you have a moat around the vehicle and fill the moat. There are many different ways of looking at mitigating EV fires. But on a vessel, the blanket is the most effective for that because you don't get the runaway once you have the blankets on the vehicles themselves.

Ms ARMITAGE - How many blankets would we have? You have quite a few vehicles, it doesn't take long for them to catch on fire with each other. Or is it a large blanket that drops over the whole area?

Mr DWYER - Mostly over the vehicle that has caught fire.

Mr VALENTINE - To cut out the oxygen.

Mr DWYER - Yes, and the insulation of that as well. We don't need one on every space. They are in a central position. They can be picked up and moved to where they're required.

Ms ARMITAGE - The CCTV, thermal imaging, is that what will be on the new ships to give evidence of fire?

Mr DWYER - Spot it early. That's not just for electric vehicles but also for standard fires.

Ms ARMITAGE - For any fire, absolutely. I guess the lithium batteries are a little more prone.

Mr DWYER - No they're not.

Ms ARMITAGE - The jury's still out on that, though, isn't it?

Mr GRAINGER - A lot of what we are discussing is subjective. One of the leading entities on this subject is Interferry. They had their conference in Hobart a couple of weeks ago. Bernard sits on the Interferry board and they are leading the push for electric vehicle carriage on passenger vessels. They don't believe it is a significant issue, notwithstanding AMSA putting out the notice. Things have also changed since that notice went out.

Ms ARMITAGE - It was 17 November. That wasn't long ago.

Mr GRAINGER - No, but it is changing regularly. AMSA also put out a report three or four months ago.

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Ms ARMITAGE - I assume that safety is a priority to passengers.

Mr GRAINGER - Safety is the biggest priority of this company.

Ms ARMITAGE - If you are on a passenger ferry and it catches on fire -

Mr GRAINGER - Passenger ferries can catch fire for a myriad of reasons. The understanding within the industry is that electric vehicles are no bigger risk than internal combustion engines or other.

Ms ARMITAGE - Let's hope one doesn't catch on fire on one of our ferries.

Mr VALENTINE - I have a couple of areas I'd like to explore. Given the monopoly status of TT-Line as the only provider of a passenger service for those who want to cross Bass Strait with a vehicle, is it appropriate for TT-Line to use demand-based pricing, where the cost of travel for passengers can vary markedly from day to day and even hour to hour? There might be one or two other options, but I don't think you would consider them a regular service, as TT-Line provides. It's a captive audience, isn't it?

Mr FERGUSON - I wouldn't agree with that, although, it is by far the dominant player in passenger service across the sea on a ship. It's not the only player but it is the predominant one. Some of the very small carriers carry very small numbers of passengers and I won't mention them in my answer because it is largely irrelevant. But it is not a captive audience at all because people have choices to fly.

Mr VALENTINE - Not if you want to take a vehicle across.

Mr FERGUSON - People do, in some cases, split up their family and one member of the family may well take the vehicle and have the option to fly the other three or four members of the family. The price point is irrelevant to the management to make sure that the company doesn't price ourselves out of the market either.

I'll ask Mr Dwyer to respond more deeply. Having a demand-driven pricing model is reasonably important as an appropriate way for the business to actually run as a business and ensure that not only are we providing a service to Tasmanians and interstate tourists, but also making sure that we get a good return to the owners of the business, the Tasmanian people.

Mr DWYER - I can't add any more to that; that's a perfect answer.

Mr VALENTINE - Tasmanians are, in effect, paying for part of that service in a way, aren't they? Through the government's contributions.

Mr FERGUSON - No, I wouldn't agree with that.

Mr VALENTINE - Wouldn't you?

Mr FERGUSON - No I think that the ACCC would have something to say about that. It is a market-based business, it participates in a commercial environment and has to abide by all of the safety discussions that we've just had and be able to resource those. I might just

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question whether I've answered that adequately, but no, it's a business that operates in a business environment.

Mr VALENTINE - You are saying there are no government funds involved?

Mr FERGUSON - Only the borrowing of funds for its capital program, and the Federal Government subsidy for passenger vehicles, through the Bass Strait Passenger Vehicle Equalisation Scheme. Apart from that, at an operational level, no. It runs as a business and people pay a fare just as they do on say an airline or another ferry.

Mr DWYER - That's right and we need to run the business to generate funds to pay for the vessel. It's obviously through the debt that we had, but also as the company has very successfully done is put away money for the new replacement vessels as well, so it very much has to stand on its own two feet and provide for the future as well.

Mr VALENTINE - I suppose the next observation about having special pricing for people that live on the island is not something you're likely to entertain?

Mr FERGUSON - Special pricing for people who live in Tasmania?

Mr VALENTINE - Yes, wanting to travel to the mainland.

Mr FERGUSON - I think again, we'd be running a dangerous position to do that -

Mr VALENTINE - Against the constitution?

Mr FERGUSON - Yes, that would be impeding the trade across interstate borders, I think, so look, I'm not a constitutional expert - although we have one at the table - happy to respond further. Mr Bugg?

CHAIR - Section 117 for those who are listening in.

Mr BUGG - I think it's section 117, and any State that treats citizens of another State differently to the way in which, and it's a State authority. So commercially, you could do it if you were a private enterprise, for example such as David Walsh and MONA, he can say if you're a Tasmanian or you're a Hobart resident.

Mr VALENTINE - Yes, he can.

Mr BUGG - I encouraged the government to look at it when I was Chair of the Botanical Gardens Board was met with section 117.

Mr VALENTINE - There you go, you're giving me the answer.

Mr BUGG - Tasmanians must be treated the same as people from the mainland.

Mr VALENTINE - My query is, I suppose, you have the freight equalisation and you have the passenger vehicle subsidy, but the passenger themselves is not being subsidised in any way and yet you know that piece of water is just like a highway somewhere else. We've had that conversation a number of times in the public arena.

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Is there anything that your company can do to sort of advocate for that sort of approach? Why do Tasmanians have to be disadvantaged, especially with a demand-based system, travelling from Devonport to Melbourne to a concert that's on in Sydney or even in Melbourne, and they want to take their family and they want to take their car, why do they have to pay more for that stretch of water simply because there's a demand-based system in place?

Mr FERGUSON - Let's answer that, first of all, it would be a very similar argument you might make in relation to airfares. There is a reason to travel and there's a market-based cost to achieve that travel. The mode of travel is, I suppose, what's different about TT-Line, it offers sea transport.

We do, as I've mentioned, have the Bass Strait Passenger Vehicle Equalisation Scheme, which I think plays into the very point you make about a Federal Government responsibility to address that sea highway from that point of view and that's naturally a policy position that we would absolutely insist the Australian Government maintain. I've got no sense of concern about that I have to say, but Bernard or Chair, if you had anything further to add?

Mr GRAINGER - That conversation is probably for government to government.

Mr VALENTINE - Policy, between governments?

Mr GRAINGER - TT-Line operates under the Corporations Act and has the TT Line Act and has a statement of expectations. That's the way, unless that is changed by government, we're obliged to do what we're doing.

Mr VALENTINE - I appreciate the answer.

CHAIR - Thank you. I'll get another line of questioning going because we're not going to get anywhere with this one. Ms Webb?

Ms WEBB - I will change the topic into some admin things, which I find interesting, if others might not. I make it a matter of course to ask about right to information, and I know you've got in the annual report on page 30 a statement about during the reporting period one formal application was assessed for disclosure.

CHAIR - Is that the first 30 or the second 30 or the third 30?

Ms WEBB - Sorry. I think the first.

CHAIR - We found that interesting.

Ms WEBB - So, just noting it's only one -

Mr GRAINGER - Sorry. I don't understand what you just said.

CHAIR - The numbering of the annual report.

Ms WEBB - Very confusing.

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CHAIR - There's more than one 30.

Ms WEBB - Separate to my question. Just stay with me on the question.

Mr GRAINGER - I'm trying to.

Mr VALENTINE - One's the financial papers and the other's the -

Mr DWYER - The annual report.

Ms WEBB - I'm interested - I don't know that you put on your website the way some other agencies do sort of a reporting of outcomes in terms of RTI, but was the outcome of that assessed disclosure request partially or fully provided or rejected? Do you have - I'm not asking for the detail of it - just the status of it.

Mr DWYER - It was rejected.

Ms WEBB - Rejected, and was there an internal review request made or an external review request made as a result of that?

Mr DWYER - It's always an internal request and reviewed in the first instance.

Ms WEBB - In the first instance?

Mr DWYER - I don't know if it went through a second -

Ms WEBB - There was an internal review request?

Mr DWYER - No, so it didn't go to internal review.

Ms WEBB - In terms of staff who undertake RTI application assessments, how many staff do you have who have that as part of their role, potentially?

Mr DWYER - General counsel and company secretary, who is right behind me who I was asking that question of.

Ms WEBB - And is that person being provided with RTI training and skill development during the reporting period? Thank you.

Moving on to another topic, if I may. Modern slavery reporting, which I find very interesting. This is going to be a complementary line of questioning, just to flag. Numerous of our GBEs are large enough to be required to report and I discovered in GBEs last year that some of our GBEs put their reporting onto their website, and also sometimes included something about it in their annual report, which I thought was a marvellous idea, such that we had a motion in the upper House this year on 5 September which was calling on the state's GBEs to do that as a matter of course, those who are required. I'm just, in the first instance, going to ask you is that something you would be interested to do as a matter of transparency and full reporting to put your reporting on the website and perhaps next year into the annual report?

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Mr DWYER - No problem at all.

Ms WEBB - Excellent. Looking at your modern slavery report made for the last period for 2022, I did see there that in relation to the Finnish company that is commissioned to construct the new replacement vessels that you made the comment, 'TT-Line will seek to have the shipbuilder provide an update on its compliance with TT-Line's modern slavery obligations during the 2022-23 reporting period,' which is the one we're just looking. I was interested to hear an update for the committee whether you've received that compliance update from the shipbuilders and if so, what steps were taken to audit or corroborate the update that they provided to you.

Mr DWYER - If I may, so we've had that update only 2 to 3 weeks ago from them and they have even more stringent compliance in Europe in relation to this, so the fact that they have complied in certification to us and showed their certification in the European Union is what we required. So, they were very forthcoming in that.

Mr GRAINGER - Further to that, we've just recently in the last few weeks updated the modern slavery policy of the company.

Ms WEBB - Have you? In what way, in broad terms?

Mr GRAINGER - We don't have enough time.

Ms WEBB - To make it more rigorous, in that sense?

Mr GRAINGER - Yes.

Ms WEBB - To be reporting -

Mr GRAINGER - The audit and risk committee reviewed it and updated it and that was put to the Board and the Board adopted those recommendations.

Ms WEBB - Excellent, thank you.

CHAIR - Thank you. Mr Willie?

Mr WILLIE - Earlier, minister, we heard about financial penalties for delays with the new vessels. I'm interested if any of those have been triggered and if not, what is the trigger?

Mr FERGUSON - The CEO has been reasonably open about the fact that the contract that sits between TT-Line and Rauma Marine Constructions has a delivery requirement and it has penalty provisions. I think you would call them liquidated damages. I know that you will be reluctant to provide too much detail, chief executive, please provide as much as you can. Secondly, importantly, I think at this point in time, Mr Willie, the company wouldn't be asserting that they have been triggered at this point, for reasons that the CEO I think will best explain.

Mr DWYER - As of today, they're certainly not triggered. If, and it's still a big if, it's June, it could be earlier than that, they're obviously going to be working very hard. If it gets to June and the delivery is in, then it would have been triggered by that point in time, so there

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would be a penalty. I can't go into the details because of a contract but there are definitely penalties that would be triggered by that date. Yes.

Mr GRAINGER - To be fair, there are milestone requirements throughout the build of both vessels that trigger payments at those milestones. That's standard ship building policy, and to date, it's going according to plan.

Mr FERGUSON - TT-Line is working closely and I believe professionally with RMC and asserting its rights.

Mr WILLIE - As you would expect. In terms of the payment for the vessels, there was a final equity contribution from the Government of \$41.59 million from finance general. It's my understanding the rest will be borrowings on behalf of the company. What's the total borrowing amount and the terms?

Mr DWYER - Obviously, there is a debt amount. That debt is fully taken up with TASCORP. There's a contribution we make to the Treasurer over a letter of guarantee as well, in relation to that debt. Our payments currently are based on percentages completion of the full vessel. We know roughly when then time frames are. We've hedged against those time frames for those large payments and as they hit each of those, then they fall due - which is RMC documenting the fact that they've made that percentage completion. Lloyd's Register also verify that, as a third party, to say that they've completed to that amount. That's the payment schedule as we go forward.

Mr WILLIE - At the end of those payments, what's the total amount sitting with the company and over what period of time, and have you locked in rates and things like that?

Mr FERGUSON - Yes, that's between the company and TASCORP but I will pass to Kym Sayers, our hardworking Chief Financial Officer.

Ms SAYERS - We currently have a borrowing facility with TASCORP - an overall borrowing amount - and as required, we are drawing down on that in tranches. We don't have a total amount over a set amount of period. Each time we're required to draw down, we take out - there is an interest rate that's set with that and a term that's set with that; so it's not one big amount. We're only drawing down as we need to.

CHAIR - But what's the overall amount that will be drawn down when the ships are delivered?

Ms SAYERS - We've currently got a facility with TASCORP that will cover the vessel replacement and any port infrastructure amount. At the moment that limit is - we have a \$700 million facility and a \$45 million working capital account, so that's what's been approved with TASCORP.

Mr WILLIE - You won't need any further facility or -

Mr FERGUSON - There will be a need for higher borrowings, certainly. That's currently, and on an ongoing basis, discussed between the board of TT-Line and the board of TASCORP; but that is the facility for the time being.

PUBLIC

Mr WILLIE - And what are the reasons for further borrowings - cost blowouts on the ships?

Mr FERGUSON - No, I wouldn't reflect it like that, but I understand the question. I'll ask the CEO to respond further or Kym; but essentially, there will be further borrowings to ensure that the shore-based facilities are also debt-funded and paid for.

Mr DWYER - We're responsible for the pavement up at berth number 3 in Devonport, so we need to fund that. The ship contract is a fixed price contract, so that contract hasn't changed at all. This is more about infrastructure. We finished Geelong, so it's now about the infrastructure in Devonport and making sure that's available on time and suits the new and the current vessels. That debt will be - it will hit a point which will be drawn down very quickly when we sell the vessels. Once the proceeds of the sale come through, that will pay off debt straightaway as well. It's just managing those peaks and troughs until that sale happens.

Mr FERGUSON - To clarify, we don't own Geelong and we haven't paid for the capital there. We're on a long-term lease arrangement. Also, Chair, if we take a question on notice we can provide you with the modern slavery policy document. We won't be able to do it today but we'll be able to provide the full copy to you, I'm advised.

Ms WEBB - That's fine. Perhaps you could put it on the website along with your latest report. That would be great.

Mr FERGUSON - Yes.

CHAIR - The delay in the vessels arriving ready for service - has that impacted on the sale of vessels? Potentially, someone is going to be lined up waiting for them.

Mr FERGUSON - You are spot on that people are lining up, expressing an interest. I will ask the Chair to answer the rest?

Mr GRAINGER - No, that will not impact. There has been a number of inquiries on the existing vessels, at the moment. A number of potential customers have come to Tasmania to inspect the vessels. At the Interferry Conference a couple of weeks ago there were some delegates who were also not only attending Interferry but inspecting the vessels. We are quietly confident that the vessels will sell quite easily. They have been maintained very well since this company took possession of them. They are in very good condition for vessels of that age. Our only issue is that they are not big enough.

There is significant interest all over the world on those ships and we are hoping that it will come down to an auction scenario. You can see in the annual report what the book value is. Fingers crossed, it will be considerably better than the book value; but we will wait and see.

Mr VALENTINE - Well-maintained and functional.

Mr GRAINGER - They are well maintained, they are safe, they are functional; they are fast. They are a vessel that is sought around the world; but world events can change all of this. We won't get too excited about it until we get to a point where we are saying, 'Yes, you can buy these today'.

PUBLIC

CHAIR - We are not getting excited. That is why we asked the question. We have seen things fall over around this place before.

Mr WILLIE - A further question on the borrowings. It is mainly for the above pavement facility; do you have any understanding of what the extra facility will be?

Mr DWYER - Compared to Geelong, as an example?

Mr WILLIE - No; your borrowing facility was \$700 million. I am interested in how much you are going to have to increase that.

Mr DWYER - It is between the two bodies at the moment. I am not sure.

Mr FERGUSON - I can only allow you to answer as you feel that you can.

Mr DWYER - I don't want to prejudice the TASCORP board that are looking at this, next week.

Mr WILLIE - Right.

Mr DWYER - I would be happy to answer it after the TASCORP -

CHAIR - The committee can always take evidence in camera. That is part of our role. There will be a few questions that will come that you also may need to take some evidence in camera. Is the member content with that?

Mr WILLIE - Yes, I can do that.

Mr FERGUSON - To be clear and while we are on the record and not in camera. I do not believe we are at liberty to discuss that with the committee before the TASCORP board has met. However, I believe we will have a high level of interest in wanting to be able to make further disclosures about future borrowing limits. I am very comfortable making that commitment. When we are able to provide more transparency on that - naturally, after the TASCORP board has considered future borrowing requests - I intend to make that public.

CHAIR - Is the member okay with that?

Mr WILLIE - Yes. I am not going to get a different answer if I tried.

Ms ARMITAGE - I have a follow-up with regard to the status of Devonport and their readiness for the new ships. At some stage, we will have larger and smaller ships there. If you could clarify that?

Mr FERGUSON - I will ask Bernard to do that.

Mr DWYER - Certainly.

Mr FERGUSON - Again, Bernard in the context of the partnership with TasPorts and the total reconfiguration which currently is under way.

PUBLIC

Ms ARMITAGE - Yes.

Mr FERGUSON - TT-Line is, in fact, moving from its current berthing facilities; but Bernard is best placed to answer that.

Mr DWYER - We are moving from berth number 1 further up to number 2 to what TasPorts call berth number 3 on the eastern side. The key - I think I have said this before internally - that building ships is the easiest part. It is connecting to the shore that is the hardest part, to get your efficiency. If you look at what we have done in Geelong - Geelong now is totally set up for the current vessels and new vessels. The ramp structure for loading and discharging is suitable for our current vessels, now in Geelong, and the new vessels as soon as they arrive.

Ms ARMITAGE - My next question in a moment will be on the challenges with Geelong.

Mr DWYER - From an infrastructure point of view we will be duplicating that in berth number 3. It is bigger than Geelong because we are stern-in, in Devonport. It is a much wider structure that is required, but it will take both the current vessels and the new vessels at the same time. There will be a period of six to eight months where we will be operating one current and one new vessel, so the infrastructure will be built to cater for both vessels.

Ms ARMITAGE - Can you provide a short overview of the challenges that the move to Geelong posed, and what was done to minimise them?

Mr DWYER - Sure. First of all it was an amazing move to Geelong. We sailed out of Melbourne one night and we sailed into Geelong the next day.

Ms ARMITAGE - So well worth it?

Mr DWYER - Yes. What I am trying to point out is that with all the staff and crew, there was not one hiccup in moving from Melbourne to Geelong, because you move in 12 hours. So, first of all, a great job done at Geelong. The Geelong facility is 12 hectares compared to 1 hectare, so a much bigger area for us to use - much better facilities for our passengers, much better facilities for children in cars so that they can come through security or even before security come into an area where there are toilets, a children's play area, and a café.

We have a 24 hour yard for freight. Freight can be dropped off and picked up any time in a 24 hour period. They do not have to wait for the ships to be there, so that suits the freight market very well.

Mr FERGUSON - There was a major bottleneck at Station Pier.

Mr DWYER - Yes. One thing we had improved is that we had an area that was secured away from the booths that you drive through, and we were seeing that there was a bottleneck of caravans and camper vans. We have since removed the fencing and moved the security right up to the toll booth, so now there are four lanes of very long parking that people can use all day until the security gates are open. That has been a big change in relation to that yard.

PUBLIC

Ms ARMITAGE - Is there any long-term parking at Geelong for people who may be coming to Tasmania for a short while, coming over on the boat and leaving their car there?

Mr DWYER - There is a public car park. But not many people would do that; less than 10 per cent are foot passengers for TT-Line. Most people take cars. Foot passengers would be hikers or seasonal workers who are using it to get into the north-west of the state. A very small percentage do not take their cars.

Mr VALENTINE - I am surprised it was as much as 10 per cent.

Ms HOWLETT - The building of these two new ships is exciting and I am very proud about them. Are we recording the build of the ships for historical purposes? It is a once-in-a-lifetime opportunity.

CHAIR - Is there a video of you over there watching them building the ships, Bernard, that is the question.

Ms HOWLETT - No, that is not the question.

Mr DWYER - I took my drone over and the flight you see is me doing it with the drone.

Mr FERGUSON - For us, it is historic. Be in do doubt about that. Every time we have seen a new vessel service Bass Strait for Tasmania it has been a significant reason for excitement and interest by our whole Tasmanian community. Many of us have grown up with memories of the *Abel Tasman*; the *Empress of Australia* for those of us old enough; the *Princess of Tasmania*; and of course the two *Spirits* which arrived in the early part of the 2000s. We are very excited about it.

Hype TV has been engaged by Bernard. The company has asked Hype TV to document it and along the way, if you have not seen them already hopefully you will, there are already some mini episodes being made available by Hype TV. They are the content creator working with Bernard and his team, and with RMC, so that at the end of the project we'll have a long-form documentary. Bernard, I'll ask you to add to that.

Mr DWYER - A long-form documentary that will be almost like a big ship build type of documentary. We will also be producing a coffee-table book in relation to the build and everything associated with the build. Director Bugg just turned round. We've got two webcams, one on both vessels, that updates every minute so you can see exactly what is going on. I tend to go on there and check that my guys are actually at work.

Mr GRAINGER - That's just on the *Spirit* website. Anyone can get that.

Mr DWYER - It will be a great documentary. It is very much right that it is historical for Tasmania and it will be an outstanding publication and documentary.

Mr FERGUSON - It will be the first time we've seen a long-form documentary out of something like this. The commissioning of a new ship just for Tasmania, this is a first for us, and future generations will be able to enjoy that.

Ms HOWLETT - Something we all should be very proud of.

PUBLIC

Mr VALENTINE - Looking at the freight side of things, what proportion of 20-foot equivalent units transported across Bass Strait in each direction are carried by TT-Line?

Mr DWYER - Our market share on freight is about 20-21 per cent of the Tasmanian market. In relation to just our business, it is about 40 per cent, with 60 per cent passengers and passenger vehicles. You will have noticed in the report that it went up year on year because, as we were going through COVID and coming out of COVID, there was a lot less passenger travel because they couldn't travel, so we were able to carry a lot more.

Mr VALENTINE - I wasn't sure how much of the total that goes across the strait -

Mr DWYER - It is about 20 per cent.

Mr FERGUSON - You should offer a comment on what is different about our freight service.

Mr DWYER - We operate the last to leave, first to arrive. Really important in Tasmania, certainly for produce.

Mr VALENTINE - Agricultural and horticultural produce?

Mr DWYER - That's right. Coming out of the south of the state, especially. There is an opportunity for that infrastructure to come in first thing in the morning, get to the south and the extremities of the state, load then come back onto the ship to go out that night. But also, the sort of service we operate, I know we've got fantastic roads on the Midland Highway and through to the north-west, but if there's an accident or something happens on the road and the trucks are delayed, we can actually delay our sailing for three-quarters-of-an-hour just to make sure that produce gets onto the ship.

Mr VALENTINE - Without too much detriment to anyone.

Mr DWYER - That's right. Really important because there's potentially hundreds of thousands of dollars just in one freight, potentially.

Mr VALENTINE - With the number of voyages you've recorded, you've got 896 voyages during 2022-23 on page 31. That is an increase of 67 voyages compared to 2021-22, and 5 per cent more than target. With two vessels operating on Bass Strait and dry-docking restricted to once every two years for each vessel, presumably, what would be the likely maximum number of voyages TT-Line could provide in a given year?

Mr DWYER - We bumped that up slightly this year. We've already scheduled 901 sailings this year. That is pushing the limit, that's a record. We need to take into account crew safety and fatigue in our scheduling. We need to take into account that we don't impact on our everyday sailings. By having too many day sailings in a row, that could push out that you don't leave until 11 p.m. or midnight, so we do space them out. Mostly around the December-January-February period is when we had most of those double sailings. They've worked fabulously for us since we did the refurb of the vessels quite a few years back now.

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Mr VALENTINE - That would be the same for the new vessels, obviously. Would there be much difference?

Mr DWYER - The new vessels are interesting because, with the new vessels, we will be able to take our current demand with a lot less sailings. With a 40 per cent increase, we won't have to do as many day sailings and can [inaudible] to night, so it is much more effective for us that way. With the extra demand these ships are going to drive, we can then put the day sailings on because these new vessels are as fast as the current vessels. But most important is that infrastructure on the shore so that we can cut the turnaround time from three hours down to an hour-and-a-half. That's what we can do with this new three-level load discharge. That way we can do double sailings in a day and stay within the 24-hour period, rather than creeping into the next day. So, much more efficient for us.

The demand that we've calculated for the ships in tourism and freight, we've got enough capacity with the number of sailings with the 40 per cent bigger ship for the next 20-25 years in demand. I couldn't sit in front of you and put a new ship on and then in five years we're out of space again. That's why -

Mr VALENTINE - And the impact on staffing as a result of the big vessels?

Mr DWYER - With the new vessels, we've built the ships around the service we want and the safety we want. We've only ever really bought second-hand vessels before. One example of that is the freight decks.

The freight decks have got what we call an elephant's foot, which you tie straps into and people trip over those and can hurt themselves. Every freight trailer at the moment takes eight ratchets to tie it down. We've got rid of these elephant's feet on the new ship. It's flat. We've also moved to a trestle system that locks into the deck itself. That was a change in design not only for efficiency, but to put eight lashings on a trailer is a lot of manual work. By using these trestles, it goes down to two lashings, so much safer for our crew and for what they need to do to get on and off.

Mr VALENTINE - That stops vehicles elevating off the deck, presumably?

Mr DWYER - This is only for freight but that's right. Coincidentally, that's a great Tasmanian supply story as well. All of these new lashing points that we need to put in the vessel were actually produced at Haywards in Launceston, put into containers and sent over to Finland and welded into all of the freight decks. Again, trying to turn over anything we can from Tasmanian business.

Ms WEBB - Regarding Edgewater Hotel, which is still on the market, I believe, a sale has fallen through: what is the expectation for that hotel at this point in time?

Mr DWYER - It is still on the market. We would expect to have a position on that property by the end of December. We really only bought the Edgewater Hotel, I can't remember how many years ago now, for crew accommodation. When you do double sailings, not all crew can stay on so they need to come off and stay somewhere. It was easier to have Edgewater for that.

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With the redevelopment of berth number 3, there's a few options where we may be able to use the Edgewater Hotel but not as a hotel, if that makes sense. We're evaluating all of our options at the moment. We've committed to the board to have a position on that by the end of December.

CHAIR - What's changed with somewhere for crew to stay?

Mr DWYER - The actual holding costs of somewhere like Edgewater now is far more costly than us putting people into a hotel somewhere in the area around there. I don't want to give our people the idea that we are buying hotel rooms. We're going through the figures. We found this in COVID and that's what really prompted the idea of really looking at the Edgewater. Through COVID, the Edgewater was used as a COVID hotel so we couldn't actually use it as our own business. So, we had to put our crew in other hotels and we found that it probably wasn't as expensive or onerous as we first thought.

Ms WEBB - To clarify, do you not just own the hotel but TT-Line operates the hotel business?

Mr DWYER - Yes.

Ms WEBB - It is a hotel that operates poker machines, it has 30 poker machines, and there's a new licensing regime that came in on 1 July this year. Has that had a material impact on the business itself?

Mr DWYER - It is not a material impact on the business to the positive.

Ms WEBB - Has it materially impacted to the negative?

Mr DWYER - That's why we're looking at it. Is it an asset, is it worth it? For a hotelier running that hotel it has fantastic potential but not for TT-Line running a hotel.

CHAIR - It's not core business.

Mr DWYER - No. I can run a hotel, I've done that before, but it's not our core business.

Mr VALENTINE - Just a little one.

Mr DWYER - Just a little one.

CHAIR - Another one, Ms Webb?

Ms WEBB - A small line of questioning, really, around the new ferries when they do arrive, you obviously got better - larger capacity in terms of passengers and freight coming through in those. Does that have an impact then through to requirements around biosecurity measures and increased requirements there? Will additional biosecurity checks and staff and staff training be required to accommodate those new ferries?

Mr DWYER - Certainly. We do most of our biosecurity work in Geelong, so vehicles are inspected before they get onto the ship, before they get anywhere near Tasmania. We will be doing more, obviously need more there as there are more vehicles coming through over a

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longer period of time. In relation to freight vehicles, they're checked by Biosecurity Tasmania in Tasmania. As part of the berth redevelopment, TasPorts are looking at what provision they have for Biosecurity Tasmania, not just us and SeaRoad.

Ms WEBB - So, it will have an impact for you in Geelong and then TasPorts in Tasmania.

Mr DWYER - That's right. Yes.

Ms WEBB - In terms of the impact for you in Geelong, is it simply an increased staffing impact or are there other aspects to it?

Mr DWYER - It certainly would be increased staffing or hours of, there might be more hours open to check with the same amount of people, but there is new technology available that I don't want to talk about publicly, but there is new technology that we want to look at as well that will increase the security around our borders.

Ms WEBB - Do you report on the current rates of biosecurity breaches that are detected across your passenger travel and your freight carried on TT-Line? Is that something that -

Mr DWYER - No, Biosecurity would be doing that.

Ms WEBB - Right. I wasn't sure whether that would be something you reported on or elsewhere.

Mr DWYER - Yes, because we wouldn't necessarily hear that because it's after they leave our property that Biosecurity look at freight.

CHAIR - I have a question in regard to the sponsorship activity and it's flagged here that it's significant partnership activity for 2022-23. Can I have some understanding of the quantum of sponsorship and again I indicated that we are able to take any of this information in-camera. Minister, we would appreciate having some understanding of what that sponsorship entail, given it's flagged as significant.

Mr FERGUSON - I would be more than happy to discuss that to the extent we are allowed to, so I'll pass to the CEO, perhaps.

CHAIR - Hence my invitation to provide it in-camera.

Mr FERGUSON - Well, I respect what you're saying but providing it in-camera is still potentially a breach of commitments we've made on behalf of the company, but I'm not across the detail of commitments that have been made and if I'm allowed to provide to you, I will, but I'll seek Mr Dwyer's guidance on that, Chair, if that's okay.

Mr DWYER - The major sponsorship activities we have is the North Melbourne Football Club and the JackJumpers, both very successful for Tasmania, not only Tasmania but also for our brand in many different markets. Again, those sponsorships are out of our marketing budget. They're not a separate budget and so when we entered into those sponsorships we actually reduce our marketing spend by the amount of the sponsorships that we go into, so there is no increase in the spend by the company on those.

PUBLIC

Over and above those two sponsorships there's a myriad of sponsorships that we do in the community as well and we don't necessarily publicly talk about those because some of that is helping people that don't necessarily want it made public that we're helping them. There's a lot of community sponsorships as well and I think that's what we're really talking about there is the JackJumpers and the North Melbourne is pretty standard year-on-year. These other sponsorships that we're doing which is integral into the community both in Tasmania and certainly the north-west.

CHAIR - Can we have a quantum of the marketing budget?

Mr FERGUSON - Yes.

Mr DWYER - We can provide that, take that on notice, we can do that.

CHAIR - And is that something that the committee needs to take in-camera, because -

Mr DWYER - Well, we're not going in-camera, no, we can do that -

CHAIR - I mean, when we take information we can also take that in-camera.

Mr DWYER - Right, in-camera.

CHAIR - That's what I'm suggesting that it's an opportunity -

Mr GRAINGER - The marketing budget, that's no problem.

Mr DWYER - No problem at all.

Ms HOWLETT - That's the first part.

CHAIR - And I mean, if you can split significant sponsorship activities out of the small ones where you help people and they don't necessarily need to have that explained and in the public arena, we're interested in having that. Given that this is a long-standing issue for this company, I'm somewhat surprised that -

Mr DWYER - Sorry, it's an issue?

CHAIR - Well, it hasn't been available. The marketing budget or the sponsorship budget hasn't been available in the public arena for the North Melbourne Kangaroos AFL and AWAFL -

Mr DWYER - I'm sorry, I'm not sure what you mean by 'an issue'. Sorry. I'm just trying to clarify why it's an issue.

CHAIR - Well, it's an issue because it hasn't been publicly available - the figure.

Mr VALENTINE - It's an issue for us that we don't - it's not an issue for you.

CHAIR - It's an issue for us, that we haven't been able to secure that information over a number of years now.

PUBLIC

Mr DWYER - The Chairman and I sat in a special meeting three years ago where we provided that to the upper House.

Ms ARMITAGE - Well, not to us. It might have been to the Public Accounts Committee.

Mr GRAINGER - It was to the upper House at a GBE.

Mr DWYER - No, it was a special committee.

Ms ARMITAGE - It was not to us, to our committee.

Mr DWYER - And we've only just recently done it again.

Mr FERGUSON - Chair, to be helpful.

CHAIR - Thank you, minister.

Mr FERGUSON - What I'd like to say is if you're saying, Chair, and I don't know the full history but if you're indicating that the GBE committee hasn't previously seen the marketing budget, I think you're about to. I don't commit that we can provide commercial-in-confidence numbers. I respect the interest and the natural interest in it, but you're about to see our marketing budget of the company. It sounds like that may be for the first time.

CHAIR - So my second question was -

Mr FERGUSON - If I may just complete, which is to let you know that if there's a way that we can categorise it, I undertake to do that. You were about to go onto some other area of detail.

CHAIR - That's exactly what I was asking. If we can just have the two categories.

Mr FERGUSON - I'll seek that advice and I'll provide on - you know what I'm like - I provide it if I'm able and when I say I'll do it, I will do it. I'll provide it on a best endeavours basis. I'll perhaps take it on notice today, but we can provide the actual global number today, I'm certain. If we could prepare that number, please, during this session.

CHAIR - As I was going to finish what I was saying, that information hadn't been readily available previously. Now there's another Tasmanian sponsorship that's not readily available. I thought that because there was two, then it doesn't necessarily identify that each single sponsorship but it would be able to be sourced as a dual sponsorship, if you like.

Mr FERGUSON - Okay. We'll seek that advice and the global number, I will provide it to you during the session. I'm looking for a nod. The global number - we should be able to provide today during the session and to give you the chance to ask further questions of it, so I'll get that to you as soon as I can, Chair, and the other part, I'll take on notice, please.

CHAIR - Okay. Mr Willie, did you have a supplementary?

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Mr WILLIE - Minister, Metro sponsored the JackJumpers previously, as you'd be well aware, and they're a state-owned corporation. I'm just interested in why they can disclose what they're sponsoring the JackJumpers and TT-Line can't?

Mr FERGUSON - I thank you for the question. I don't know how to answer the Metro's perspective on this without Metro at the table. I can only be guided by the advice of TT-Line and the commitments that it's made in its own agreement making, but I hear where you're coming from. Metro was a foundation sponsor, as I recall, of the new team and that may have been that those numbers were public at the time because JackJumpers may have been advertising those sponsorships. I don't have that information with me right now.

Mr WILLIE - But you see the difference here is you've got two similar companies, owned by the state Government. One's disclosing what they're sponsoring the JackJumpers and one isn't.

Mr FERGUSON - Mr Willie, I really feel uncomfortable guessing, but I just gave you an example as to why that might have been disclosable. It may have been an advertised sponsorship package that was available for anybody to see. I wouldn't like to stand by that because I don't know, but all I can take is the bona fides of the people that are representing the company, if they say that there have been commercial in confidence commitments given, I can't gainsay that but I'm happy to interrogate it further. I really am. I hear where you're coming from.

CHAIR - Minister, the question in my mind is, why is it a secret?

Ms WEBB - Why is it secret?

Mr FERGUSON - Okay. I'll have another go at it.

CHAIR - We don't understand.

Mr FERGUSON - I'll have another go at it.

CHAIR - If they're such an asset to your business.

Ms ARMITAGE - It is public money.

Mr FERGUSON - I am not the person withholding this information. If the company has entered into commercial-in-confidence agreements, it may not be their information to share, if the counterparty has a confidential sponsorship arrangement that they seek to negotiate with the broader market. I am going to stop there. I will invite the CEO to respond to that same questions and put it into your own words from the company's perspective. Please explain to the committee if you are able to provide the number, and if not, why not.

Mr DWYER - That is exactly as you have described it there, Treasurer. North Melbourne is not keen for their contracts to be made public because they are dealing with other sponsors as well. We have a very good deal with North Melbourne, in our view. They would not want any other sponsors to know what we have negotiated because it would impact their other contracts or the potential for further contrasts. It is not us wanting to say something - we

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have a great deal. It is the ongoing effect of that in North Melbourne and the AFL and how they are dealing with the rest of their sponsors around the country.

CHAIR - The JackJumpers situation?

Mr DWYER - The same.

Mr WILLIE - When the company started sponsoring the JackJumpers, was there any increase in cost to the company?

Mr DWYER - No. We always take it out of our marketing budget. Our marketing budget was not increased due to any of those sponsorships.

Mr GRAINGER - What happens is that if the company decides that they are going to take up a significant sponsorship, it might mean that there is less newspaper advertising, or not as many billboards in the city of Melbourne - or something like that. There is an overall marketing budget and any sponsorship deal falls within that.

Mr DWYER - We are not sponsoring because we get the warm and fuzzies over the JackJumpers. There has to be a commercial return on every sponsorship dollar that we spend, and that return was proven. That is why we had it within the marketing budget. It is not an extra cost to the business.

CHAIR - I respectfully request, through you, minister, that the information that has been provided to another committee of the Legislative Council be also provided to this committee of the Legislative Council, and it will be taken in camera. There will not be any leaks, but we believe that we have the right to have that information.

Mr FERGUSON - I understand your perspective and we will provide what we are legally able to provide. Just because it is in camera does not mean that it is not a breach of commitment. I will make that point for the second time, and undertake to provide you what the company is legally able to provide.

CHAIR - If it has been provided to another committee of the Legislative Council, then we do not see that that is a relevant response.

Mr FERGUSON - I understand what you are saying. I do not have that knowledge. I am not being evasive here. We will provide what we are legally able to provide. The least we can do, I can assure you, is that we will find a way to represent the number in such a way that is useful to you, perhaps by category of the sponsorship. That may provide you with more insight than you have been able to have before.

CHAIR - We cannot ask the other committee for any information because that is not how this process works. We have to request this information for ourselves.

Ms ARMITAGE - Purchases from Tasmanian businesses - there is a note in the 'other information' in the annual report, but no page number, so that makes it a little bit hard. The note says:

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Due to the nature of the maritime industry, a significantly valuable amount of supplies, including but not limited to fuel and spares for the vessels, are not available for purchase in Tasmania.

I am surprised that fuel is not available for purchase in Tasmania. The percentage of purchases from Tasmanian businesses - 19 per cent, it is a very low percentage.

Mr FERGUSON - We are on page 38 of the main report. Fuel is an opportune area for this business.

Bernard, I wonder if you could outline your potential options there and how we can increase from 19 per cent - noting as the document outlines, it's because of the nature of this industry that, for the commodity supplies that run this business, the supply chain-

Ms ARMITAGE - But what would the commodities be, minister?

Mr FERGUSON - Fuel is one example -

Ms ARMITAGE - They couldn't refuel in Tasmania?

Mr DWYER - No. We cannot get fuel in Tasmania.

Mr FERGUSON - Mechanical spares; but I will throw to the CEO and would you please also outline how we want to procure in the future for the life of the new vessels.

Ms ARMITAGE - It seems very low, that's all, 19 per cent.

Mr FERGUSON - I accept that.

Mr DWYER - We would absolutely love it to be higher. There is no business more passionate about buying and moving business into Tasmania. We cannot get fuel in Tasmania, we get that via bunker barge. It's infrastructure specifically made for larger ships out of Geelong.

Ms ARMITAGE - The Antarctic crew might have to have a barge.

Mr DWYER - An interesting conversation, probably not for here, but our fuel bill is \$70 million a year as an example and that's a large percentage, 33-34 per cent of our costs cannot come from Tasmania - just in relation to fuel.

With the new vessels we've got an expression of interest out - if not this week, next week - on fuel types because there is a whole range of different fuel types that we need to make sure we have access to, or try and get access to, for those new vessels and we would dearly love to be able to buy that out of a Tasmanian supply.

As I said before, the biggest benefit to Tasmania going forward is the new vessels and businesses getting the OEM contracts to maintain these vessels out of Tasmania - for fridges, for electricity.

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Ms ARMITAGE - What else is there, on your annual basis, because you have 34 per cent for fuel and you have 19 per cent in Tasmania, so we've still got 47 per cent left,

Mr DWYER - Salaries - so, we can't get everybody that we need to sail the ships, certainly from an officer point of view, out of Tasmania. Again, we would love to employ more Tasmanians to do that. So, 19 per cent is getting up there when you consider that.

Ms ARMITAGE - What would the 19 per cent be?

Mr DWYER - Food, services, consumables; you name it, anything we can buy, we'll do. A good example is AJL out of Burnie, or up that way, where there was a company that purchased a company in Melbourne and now most of our maintenance is done out of Tasmania. That's increased four, five, six-fold already, in the likes of an AJL. So more and more of those services, if they can be done in Devonport, we'd be the first to jump at it.

Mr GRAINGER - Are you comparing the 19 per cent to something else or is it just an opinion?

Ms ARMITAGE - I am looking in your annual report and I could compare with the GBE we had this morning, which was much higher than 19 per cent, yes.

Mr GRAINGER - Not a similar company to TT-Line.

Ms ARMITAGE - I'm not looking at other companies. I'm looking at TT-Line, which is a Tasmanian company.

Mr GRAINGER - I'm just asking the question; what are you comparing the 19 per cent to? A company the same as TT-Line, somewhere else, or?

Ms ARMITAGE - With respect, I am looking at the annual report for TT-Line and the Government that tries to buy Tasmanian as much as they can. I am simply saying that out of 100 per cent, 19 per cent is quite low. I'm asking for answers and responses. I don't need to compare it with other similar businesses.

Mr GRAINGER - I was wondering why, that's all.

Ms ARMITAGE - Because it's in your annual report.

Mr GRAINGER - I get that; I'm looking at it. I've seen the annual report.

Ms ARMITAGE - Thank you. I'm pleased.

Ms WEBB - The 19 per cent - to clarify, it does say percentage of purchases from Tasmanian businesses. Does that mean it's 19 per cent of the total value of purchases you make? 19 per cent are from Tasmania, not from the number of purchases?

Mr GRAINGER - That's right.

Ms WEBB - The wording's a little bit unclear, so I wanted to clarify that.

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Mr FERGUSON - I completely agree with the motive, we all do. We've stated at the table that we'd like to see that a lot higher over time. We do see some opportunity here and, I don't want to be too open about it because I know there's going to be an active procurement in the near future, but there are some exciting opportunities to see some replacement of sources of goods and services in the future to our island.

The company understands that there is great opportunity here. You are looking at a group of very passionate and committed Tasmanians to do that. We accept that it is a low number in comparison to other businesses that you are familiar with. The nature of this industry, as well as the fact that it is traversing Bass Strait, has led to that scenario. As the report itself reflects, due to the nature of the maritime industry, a significant, valuable amount of supplies including, but not limited to, fuel and spares for vessels just are not available for purchase in Tasmania.

With our new vessels, we believe that the multi-fuel option capability of the new vessels allows us to speak to more providers. They are possibly listening to this hearing and we want them to know that we will be going to market. There are opportunities for Tasmanian businesses. Naturally, the company will be looking for a cost-effective outcome as well. There is a fair bit of work to do. I am excited by those possibilities and opportunities.

In a moment I want to make a comment about some of the food options that we're trying, to promote Tasmanian food and product, if time permits. Please be assured, we understand, we get it; and the company understands, through the Guidelines for Tasmanian Government Businesses, there is a special requirement on the board to give careful thought to this and it is something I expect, as a shareholder.

Mr VALENTINE - On the fuel - you may have it in here somewhere, but I don't think it is - in relation to hydrogen. That is a Tasmanian product, or it will possibly be a Tasmanian product; it seems promising. Are these new vessels able to be converted to hydrogen? Has that been given any consideration?

Mr DWYER - Absolutely. We have been working very closely with Wärtsilä in Europe, who are the major engine and auxiliary manufacturers. We cannot afford to put engines into these vessels that can only operate one or two fuels. They have to be an open-ended solution. The vessels, as delivered, will be able to run LNG and diesel; and there is a retrofit that you can do to the valve system and some feeding systems - so we can go hydrogen, methanol, ethanol; a whole range of fuel types. We will be guided by the supply in Australia. We can't lead what area it's going to be, so we need this to be really open so that we can take any fuel type. Not only any fuel type - we have to comply with all the emissions regulations in the future as well. These ships are an open platform that can be changed, not take an engine out and put another engine in.

Mr VALENTINE - It is interesting. I believe hydrogen requires significantly more capacity to hold it. To hear you say that is encouraging.

Mr GRAINGER - Hydrogen would be difficult on a route of 200 miles at 27 knots, if not impossible - today.

Mr DWYER - There is also an issue with hydrogen around chemical brittling, making steel brittle. We are not jumping any way yet until we confirm what the best option is.

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Mr VALENTINE - From what I've just heard, it might not be something that is at all viable.

Mr DWYER - It might be in five years' time, but not yet.

Mr GRAINGER - As we sit here, it would be unlikely, but not impossible. The suggestions of using cooking oil - some ships are using that, in the US in particular, today; but they are not travelling at the speeds we are, or going the distance that we are. It is the same with battery power, the technology is just not there. For that distance, 200 miles on one of the roughest stretches of water in the world, at 25-27 knots, it's a big ask. As Bernard just said, the engine manufacturer has given us an undertaking that we will be able to change to a number of different fuels really quickly. That is positive and exciting.

Mr FERGUSON - Bernard, could you clarify the predominant fuel types that the new vessels are most adaptable and able to take? There is a fair list of fuels, but a smaller number that are ready candidates.

Mr DWYER - Ready candidates are LNG, when they arrive. LNG, and in fact, their sea trials will be run on diesel and LNG. That's part of the contract, we need to see both fuel types in those tests. Diesel can be very low sulphur fuel that we currently use, so we'd be compliant with that. We can swap between various diesel types and LNG, and I've needed to do that because I have a fair bit of pressure from my right-hand side on fuel costs. Really, some of it depends on the cost of fuels as we go out five or six years as well, as to what fuel type we actually use, let alone the supply of it as well.

Again, safety first and also making sure that we comply with all emissions that we want to comply with, not need to comply with as well.

CHAIR - Given my recognise fondness for a 4 o'clock break, I will suspend the hearings until ten past four, just for a comfort stop for other people that are in the room, as well as members and yourselves. Thank you.

The Committee suspended from 4.00 p.m. till 4.11 p.m.

CHAIR - I'd like to take you to page 39 of the report. It's around consultancy costs incurred during the year greater than \$50 000. I'd like to take you to the HFW Australia, location in Victoria, legal services. It's an ad hoc engagement for \$2.080 million. I'm assuming, and one never should assume, minister, but I expect it's relating to the polo ponies. Can we have an update on where we are there and, if it's ad hoc, does that mean it's not going to be ongoing?

Mr FERGUSON - Thanks, Chair. If we could take the question in two parts. The first part of the question, chief executive, is around the actual engagement and I'll invite our deputy chair to speak to the status report on the legal cases in Tasmanian courts.

Mr DWYER - To answer the question in relation to our engagement with HFW, it covers the polo ponies that you talked about. It also covers all of the legal costs we have in building the new vessels, so all of the contractual work that we have with the yard and the ongoing work there. And any other work that we need to do on the marine side. HFW, we use basically their

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marine side, so that's workers compensation on the marine side, et cetera. It's not just the polo ponies.

CHAIR - Can a breakdown be provided for the committee?

Mr DWYER - We haven't finished yet so I don't know if you want to talk to -

Mr FERGUSON - If I could invite the deputy chair of the board to respond and he'll have his own way of explaining the extent to which we can or cannot disclose legal costs around the legal case afoot which, as you'd be aware, is still ongoing. Damian, if you would, please.

Mr BUGG - Thank you, minister. As Bernard has just explained, that covers a range of representative activity by HFW. You could imagine the scrutiny of complex contracts for vessel construction and other related issues, and we're using their London office. So, you're linked to, obviously, an international practice. Just fortuitously, we used HFW for the polo ponies cases. There are two cases. One, a civil claim was made in relation to the loss of the horses. We had insurance cover, obviously, for that, but there are residual expenses associated with it and the prosecution. You'll see further up in that list, the fourth item down, Edge Legal, integrated workplace specialists. That should actually be Tasmania, not Victoria'

CHAIR - Thank you for that. That will make my number 3-4, well done.

Mr BUGG - Whilst that is a big figure, you must understand that we vigorously fought that prosecution in relation to the polo ponies for a couple of reasons. One, we had strong legal advice about our position and that involved taking a matter, at one stage, all the way to the High Court. Unsuccessfully, I add. However, ultimately, we appealed the conviction of the company for what I would call the animal cruelty part of the prosecution.

There were two components to the prosecution. One was animal cruelty, which we said, 'look, we are not legally or criminally responsible for that particular outcome, unfortunate though it was'.

Secondly, there was a regulatory component to it, and that was that we allowed a vehicle which had horses within it which were double-stalled, that is, two to a stall, to cross Bass Strait, contrary to the regulations. There are two aspects to that. The first one was that if there had been a divider between the two horses in each stall, the floor space of the vehicle they were travelling in was more than adequate to cover the number of horses that were in it. Secondly, the veterinary evidence given at the proceedings was that the double-stalling did not in any way impair or adversely affect the healthful wellbeing of the horses. In other words, it had not contributed to the demise of those horses which died. There was another vehicle that travelled at the same time where the horses were double-stalled as well, but that was a commercially built vehicle and all of the horses on that were fine. They were part of the same consignment and the vehicles were side-by-side. This was just a vehicle that had been home handyman-modified as a horse-carrying vehicle and it was not appropriate.

We ultimately finished up in the appeal court in Tasmania earlier this year and that upheld the arguments we had put about our defence to the animal cruelty component of the prosecution. The matter is still before the courts because we also appealed the penalty that was imposed, a substantial fine, because we said, 'well, we were not criminally culpable for the

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cruelty offence and we are, therefore, seeking a review of the penalty that was imposed upon us'. The matter is still before the courts.

We have been confronted with hefty legal costs of representation to ultimately establish that we weren't culpable for the more serious aspect of this and to give an explanation that that which we are guilty of is only a regulatory matter.

I don't know the exact figure that is there but there are some issues around costs that I'd rather not talk about at this stage. Not because I am envious of that figure, but I do believe that, first of all, there is some discussion around the costs associated with the civil claim and our insurers. And, secondly, there are issues around the costs because we got an order for costs in relation to one aspect of those proceedings for the prosecution. It is 'watch this space' to some extent. That is a rather long explanation. I am sorry about the time it has taken.

CHAIR - That is fine. It is important to get this information out into the public arena. My question to you, minister, and obviously there is a decision pending, but when do you look at something like this and say it's better to stop the legal process and we, you know, whatever it is that's been put forward as a responsibility of the company and move on.

Mr FERGUSON - Yes. It's a fair question and I'll say to you and this committee - and I haven't felt that I've been able to say this before - I'm very pleased with the progress that has been achieved, because it weighed heavy on me that good people who offer a carriage service across Bass Strait, who are very good at running a shipping service and very good at carrying vehicles for customers but have never put themselves out as animal welfare experts.

The company is and does follow the animal welfare guidelines that it has from NRE. It weighed very heavy on me that a shipping service was found guilty of an offence of animal cruelty when - choosing my words very carefully - when all it had actually done was allowed a customer to carry their vehicle and their animals across Bass Strait. That's a significant demoralisation of good people, when that happened. How am I going, Mr Bugg? I would also say that while the matter remains before a court and there are processes afoot which we need to be -

CHAIR - Mindful of.

Mr FERGUSON - Circumspect about.

CHAIR - Hence my question.

Mr FERGUSON - I was pleased that the Full Court of the Supreme Court set aside those findings of guilt at the lower court and the majority of judges - and I think this is very important for us as Tasmanian MPs to have me focus this point - the majority of judges sent the matter back the Magistrates Court for rehearing by a different magistrate. A third judge had a slightly different view. The third judge would have entered a finding of not guilty. Justice is important, though in this case, it's expensive, but justice is the core point and good people deserve to be defended at court and if they are able in the end to be exonerated, really that's their right and title.

While it's expensive justice, it's justice nonetheless and naturally we all hope that not too much further expense comes at the expense of the company, but however, good people doing

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their best and acting honourably have needed to be defended and I'm pleased with the progress to date and I don't believe anything I've said sort of interferes with any of the current processes. That would be answer, Chair, and naturally while we totally respect the relevant parties here in relation to charging and then the judicial players, our company has proven that they did deserve their justice and they've received it.

CHAIR - I have no idea whether he over-stepped the mark or not, so we'll see in another time.

Mr BUGG - In the fullness of time, but look, put simply and your question was, when do you say, look, enough is enough, we've spent a lot of money on this, let's close the book and get on with our lives.

CHAIR - For everybody.

Mr BUGG - The consequence of that would have been - from the company's perspective - that we would have had a prior conviction against the company's name for animal cruelty. Reputationally, what's that worth to the company? And, when do you reach a breaking point where you say, 'we don't give a stuff about our reputation,' pardon my French.

CHAIR - I never would have said that.

Mr BUGG - But that is the risk you run and because if you say, 'look, we only pleaded guilty to save the costs,' someone said well, 'look what you've pleaded to, animal cruelty,' and I can tell you that every decision that the board made in relation to the advice we received about whether we should appeal or whether we should do this, our decisions were unanimous every time, purely and simply because we regard our reputation for how we treat that which we take onboard. That's people, property, pets, animals, everyone, we have got to be so defensive of our reputation and, okay, it's cost some money, but we can still defend ourselves when someone says, 'you run an untidy arrangement.' We don't. I look at that figure and think, 'Wow, that is a lot of money,' but at the end of the day, we've had a long business history of perfect behaviour in this area.

CHAIR - I appreciate, minister, the response.

Mr FERGUSON - I am glad that you have given me the opportunity to say those things, thank you.

CHAIR - That figure is not actually as much as what P & M Consultants of Victoria, the port infrastructure engineering consulting. I am assuming that there is no build in amongst that, it is just purely engineering consulting at \$2.303 million. Can I have some understanding of that quantum and how that has been arrived at?

Mr DWYER - P & M Consultants has worked with us for a very long time in all the work that we've done at Station Pier. They were involved in the initial design on the business case of all of the port infrastructure and they were also involved in the original design of the Geelong infrastructure requirements, which are extensive.

CHAIR - That would not be in this \$2.3 million?

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Mr DWYER - Some of it would be, yes.

CHAIR - Some of it would be?

Mr DWYER - Yes, by the time we got the bill, some of that would be and they are working feverishly, is the easiest word I can say, in relation to the design requirements of Berth Number 3 because - how do I put this? - the ramp infrastructure is so complicated -

CHAIR - The three levels?

Mr DWYER - Yes. It is not just, as an example, it's not a ramp coming down onto the ship when you drive on, there are a lot of sensors in those ramps as well. If there is any movement at all on the ship, those ramps retract automatically as well. I cannot -

Mr VALENTINE - You wouldn't want to be half off the ramp.

Mr DWYER - No.

CHAIR - This is only consulting, this is not actually infrastructure.

Mr DWYER - No, this is consulting and doing the actual designs. Obviously, we don't have our own engineering staff so these are doing all of the engineering drawings and working with TasPorts and working with Hazel Brothers in what they're doing for the pilings. It is very complex. \$2.3 million to me is a very small part of the project. It stands out there when you look at it in this list, because this list has six consultants that are only in relation to new vessels.

CHAIR - Hence the ad hoc reference.

Mr DWYER - It's more that once we have finished building the vessels, and the vessels are here, all of that falls away. We don't spend a lot on consulting, but we're in a period where we need to spend a lot on consulting, at the moment.

CHAIR - That's alright, there is no footnote.

Mr DWYER - Sorry?

CHAIR - There's no footnote. That's why the question has been asked.

Mr DWYER - Oh no, I am happy for questions.

CHAIR - If there are footnotes, then I do not necessarily always have to ask a question.

Mr DWYER - Do not get me wrong, I am happy for questions.

Ms WEBB - Can I have a question on that same area?

CHAIR - Yes.

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Ms WEBB - I am interested in, at the bottom of the table, the 12 other consultants engaged for the projects under the \$50 000 threshold. I wanted to check, were they all discreet projects or were any of those contracted for more than one project under the threshold?

Mr DWYER - For example - it wouldn't be in these figures - but as an example of one, is that we recently engaged a consultant to help us with our tender for marketing services going forward for the next three-four years. It is those type of consultancies, where, we don't have the expertise in house. It is much easier to get that expertise in and then it goes away once you do it. Yes. It is not a project.

Ms WEBB - I am asking about if there is any contract then? Are there any double-ups there? Where, a particular consultant might have done two instances of something under \$50 000?

Mr DWYER - No.

Ms WEBB - They are all discreet and separate?

Mr DWYER - They are. That is a discreet - in any - Figura, for example, anything that has been costed to Figura, no matter what it is, goes against Figura. As an example.

Ms WEBB - You'd aggregate them?

Mr DWYER - That is right, yes.

Ms SAYERS - It's total spend within each of those consultants.

Ms WEBB - That is fine. I was just checking about that detail.

Mr VALENTINE - A question on the next page actually, page 40 and the payment of accounts. You have the invoices due for payment at \$22 413. Quite a lot of money involved in that. Invoices paid on time, \$17 931. What is the general situation with TT-Line when it comes to being a good or bad payer of accounts?

Mr DWYER - Only good.

CHAIR - It's gone out by seven days, though.

Ms SAYERS - Some of that would be volume and the type of invoices that we're paying in terms of ramp up post-COVID-19. Operationally, we incurred a lot more, so there is nothing underlying that to say we've just slowed down our payments. We make every effort to pay on time. For any that slipped outside the payment terms, I'd say, hand on heart, that either we disputed them - there aren't many of those; or we didn't receive it in a timely manner. We regularly get invoices that have a date on them and we enter that date as date of invoice. That's not necessarily the date that we get them. We prioritise smaller Tasmanian businesses - that's part of the reporting we do for Government in terms of making sure that we prioritise, even if they've got a 30-day term.

Mr VALENTINE - They're more vulnerable than the larger firms.

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Ms SAYERS - Yes, we would treat them as a seven-day account as opposed to anything; but we aim to pay everything on time.

Mr VALENTINE - So, your target is to pay by the due date.

Ms SAYERS - Absolutely.

Mr VALENTINE - Mostly?

Ms SAYERS - Yes.

Mr VALENTINE - You are looked upon as a reasonable company to deal with, in that sense.

Ms ARMITAGE - Lost time injuries: I notice it's doubled from 11 in 2021-22, to 22 in 2022-23. Do you have any reason for that? I know you mentioned things like 'elephant feet', that they trip over them and so on. Could you give me an idea of the injuries?

Mr DWYER - We report everything as an LTI, even if somebody misses a day because they need to get a stitch on their finger, that's an LTI. We are very proud of the fact these are not major accidents within the company. There are a lot of small - not trivial, and I do not mean to trivialise any accident or any injury to our people - but we do, in my view, almost over report. We will continue to do that.

From a safety aspect, our General Manager Marine Operations, who looks after the ships, reports directly to the board, not through me, every month on safety, LTIs and the reasons for and what we're doing about it. Some of these LTIs are why we've changed the design of the new ships with the lock-in trestles that I talked about; so, there is a lot of work that has gone into that.

For example, in the new ships, we can take a semi-trailer and lower it down to the stores section in the new ships; in fact, it goes lower than the stores deck, so that people could just load in and off the top of it without having to lift on and off, so we're taking that seriously in relation to LTI. Why have they increased on the year before? We talked about a COVID-19 period with hardly any passengers, a lot less movements on the ship, but that's why you'll see a difference when you come in and out of a COVID-19 period - which I hope we never see again. That's the sort of knowledge we don't want to have.

Ms ARMITAGE - Do you have any long-term worker's compensation cases currently?

Mr DWYER - I don't think we have any, but can we take that on notice and provide that?

Ms ARMITAGE - Yes, of course.

Mr WILLIE - On the same page, minister, I am interested in the safety marine KPIs. The target is zero; you've gone from six down to three, which is good. I'm assuming if the target is zero that they might be notifiable marine incidents or something more serious?

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Mr DWYER - No, we've had no notifiable at all. We always target zero, we don't want to have an LTI at all.

Mr WILLIE - How do you record an incident?

Mr DWYER - We have an electronic system on our vessels. Anything that happens on the vessel is put into that system. If it's an injury, a sickness to crew, passengers - we monitor all of that and they're all categorised as to what the incident may be. As I said, the board see, in detail, types of accidents, types of sicknesses from a crew and from a passenger point of view as well. This are just the LTIs that you're bringing up here.

Mr WILLIE - I'm talking about the safety marine KPIs - I'm trying to think of an example of one of those three.

CHAIR - No one overboard?

Mr FERGUSON - We seem not to have the detail but it's a great question. We will attempt to bring the answer before the hearing is finished. Thanks for the question. We'll get it as soon as we can.

Mr VALENTINE - Going to page 20 - revenue and other income. You've got an interesting situation where revenue from the provision of passenger services between 2022 and 2023 seems to have grown by about 56 per cent, but the revenue from the provision of freight services seems to have dropped by about 7 per cent. What's the go, there?

Mr DWYER - When we had lower numbers of passengers we had more space for freight, so we took more freight than we would normally take -

Ms WEBB - Freight didn't have COVID-19.

Mr DWYER - It was around the 115-122 -

Mr VALENTINE - Was it the COVID-19 effect?

Mr DWYER - It was a capacity effect.

Mr VALENTINE - It was 2022.

Mr DWYER - It's a capacity effect. Once passengers started travelling again then we didn't have all that space that they took up for freight, so our freight dropped and passengers increased significantly over that period.

Ms WEBB - A session we had just prior to this, was STT - do you carry any freight for STT in terms of products, either from plantation or from native forestry?

Mr DWYER - We don't have any contracts with STT, but we're not a freight forwarder. We're a shipping company - freight forwarders would deal with STT themselves. Some of our customers may deal with STT, I'm not familiar with that; but what we're doing is taking the freight -

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Ms WEBB - But you don't have any direct freight arrangements?

Mr DWYER - With STT? No.

Mr VALENTINE - I have quite a few questions that probably need to be taken on notice. You may not have the answers to a lot of these, but I do need to read them into *Hansard* so they can be taken on notice.

If the maximum number of voyages, which I think you've said was around 901, were made, what would be -

- The likely increase in total passengers carried?
- The likely increase in freight tonnage and vehicles carried?
- The expected passenger utilisation? and
- Freight and vehicle space utilisation?

I don't think you're going to have that available.

Mr DWYER - I don't understand the question; you're saying we're doing 901 sailings at the moment -

Mr VALENTINE - If you were at your maximum in terms of what you could carry, maximum of trips. The question is, if the maximum number of voyages were achieved, what would be the likely increase in total passengers carried, from what you have today?

Ms WEBB - Well, you're already at maximum.

Mr DWYER - We took 896 voyages so it was only an extra five.

Mr VALENTINE - Only an extra five?

Mr DWYER - It was only an extra five voyages between last year and this year coming.

Mr FERGUSON - To help you, Mr Valentine - isn't it five lots of 1400 for passengers?

Mr DWYER - It depends, most of those would be day sailings -

Mr VALENTINE - If I put this on notice, you don't have to sort of try to figure it out now.

Mr FERGUSON - 7500 passengers.

Mr DWYER - It was a challenge that we didn't know the answer.

Mr VALENTINE - Another question: can you provide a breakdown in the yield per passenger?

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Specifically:

- How many vehicles are transported per passenger carried?
- What is the yield per vehicle in relation to both the amount paid by a passenger and also in terms of the vehicle subsidy received?
- What is the yield for the passenger travel? and
- What is the yield where passengers choose a cabin option over the recliner chair base offering?

CHAIR - I think the cabin is more comfortable.

Mr VALENTINE - It may well be. It would be interesting to know.

How does the yield per passenger vary between the peak, shoulder and off-peak seasons?

CHAIR - It's all peak, isn't it? It's hard to get on.

Mr VALENTINE - There are three components, aren't there? There's peak, shoulder and off-peak. That'll do.

Mr FERGUSON - We will take them on notice. We will provide a brief comment. The Chair may have a different comment to my own. But it may be an interesting exercise for the company to attempt to give you a figure on yield per passenger because the business operates on a sailing. The answer that the company provides, you may need to anticipate that there may be a lack of definition around 'yield' on an individual passenger because if the ship sails half-full, it may well sail. The decision wasn't made because it was assumed to be a full sell-out of all the seats and cabins. We will do our best.

Mr VALENTINE - Made for timeliness reasons.

Mr FARRELL - You might have made commitments around freight, for example. Also, Bernard's team, on his Tuesday meeting, might have decided, 'We will take a punt and put on that extra day sailing'. That is what a business will do from time to time, make judgments. I know that Mr Dwyer will be able to provide you with some answers to those questions, but I am just explaining, from a business point of view, the business doesn't operate on a yield per person basis.

Mr VALENTINE - I can understand that.

Ms ARMITAGE - There have been concerns by many people when they are sailing and trying to get their car back on, there are many comments on some of these sites, like the Spirit of Tasmania Enthusiast Group -

CHAIR - Social media. Wonderful.

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Ms ARMITAGE - It can be. It certainly gives people the opportunity to get in touch. With the new *Spirit*, obviously it is larger. How many more vehicles and people will it be able to take?

Mr DWYER - For a passenger on a day sailing, it goes from 1400 to 1800, so another 400 people. I think it is a 55 per cent increase in passenger vehicles over our current vessels. And we are going from 222 cabins to 301 cabins, roughly.

Mr FERGUSON - What is really important to focus on as well - is the vehicle capacity 30 or 40 per cent higher?

Mr DWYER - That's 55 per cent for passenger vehicles.

Mr FERGUSON - It is going to be over 4 kilometres of vehicle lane capacity.

Ms ARMITAGE - Height-wise for caravans?

Mr FERGUSON - All of it is full height for cars, caravans. The current vessels have limited capacity for full height. Not only will it be a lot more vehicle lane metres, 4 kilometres, all are full height.

Ms ARMITAGE - So people will be able to get their caravan on and not go on a waitlist because of height?

Mr DWYER - I am hoping there are still waitlists.

Mr FERGUSON - It will be a game changer.

Ms ARMITAGE - Any consideration of going back to Sydney?

Mr DWYER - No. Oh, sorry.

CHAIR - Minister, is there any chance that there will be a policy change for the Government?

Mr FERGUSON - Frankly, no, but if the market conditions led us that way, you could look at it. It is an experiment that has been tried in the past and was a dismal failure.

Mr GRAINGER - If I can add to that, I was on the board when that decision was made to sell *Spirit III* and the figures were something like, if we had charged 20 per cent extra for passenger fares and 20 per cent extra for freight, we still would have been running at a loss of 20 per cent on that ship. It was starting to bleed money out of the Victorian operation. It was a fairly easy decision to make.

Ms ARMITAGE - It was 2006 that they took them off, wasn't it?

CHAIR - This is out of pure interest as much as anything: Is the cost of the leasing of the port at Geelong available compared to the Port Melbourne arrangement that was in place when we decided to say thank you very much but no thank you?

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CHAIR - (continued) no thank you?

Mr DWYER - We are very pleased with the lease at Geelong because it is not tied to volume. That is a 30-year lease. We know exactly what that lease is going to be for the 30 years, whether we take less, whether we take a whole lot more. We're going to take a whole lot more with the new vessels, so we're very happy with that lease arrangement.

CHAIR - It's a positive.

Mr DWYER - Definitely a positive. Yes, it's substantial.

CHAIR - It's definitely a positive but you don't have an actual cost?

Mr FERGUSON - Chair, the business does have the cost and a good knowledge of those costs. I'm just not sure that we're in a position to provide it.

Mr DWYER - No.

Mr FERGUSON - I think what the CEO's indicating and I'm happy to back it because I know exactly the case, not only is it a far superior facility -

CHAIR - We've heard about the additional opportunities for people.

Mr FERGUSON - Financially, as a tenant of 37 years - 37 years?

Mr DWYER - Thirty.

Mr FERGUSON - No, no.

Mr DWYER - Sorry, at Station Pier?

Mr FERGUSON - At Station Pier.

Mr DWYER - Well before my time.

Mr FERGUSON - We were being treated as though we had no option but to stay. Financially, we were being treated appallingly, getting poor service and being charged Rolls-Royce prices.

Mr DWYER - We're saving a lot of money.

Mr WILLIE - Is that because they wanted to evict you?

Mr FERGUSON - No, they wanted us to stay and feel that we had no option to leave. I don't want to rubbish them but I already have. The fact is nobody believed that this company would be prepared to move to the Port of Geelong. We were because there was a case for it, for all the right reasons, not just financial. It's a great outcome for the company and Tasmanians are only giving us positive feedback.

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Let's face it, when most of us have used the *Spirit of Tasmania*, I suspect that in not all cases, but in most cases, we haven't wanted to go to Melbourne - we've wanted to go to the mainland. The new link, together with the new facilities, a long-term bespoke infrastructure built just for us, to our requirements, it's been a great outcome. And financially as well.

Ms ARMITAGE - I've never been on it.

Mr FERGUSON - I look forward to welcoming you sometime.

CHAIR - I look forward to the new ships arriving. We've looked at the current ships just in dock, as you know. We've had an opportunity to look over those when they were at -

Mr DWYER - Please come and sail on it.

CHAIR - Sounds delightful. I'm going to look up and down the table just to make sure that members have opportunity. If there are no further questions -

Mr DWYER - I've got some answers.

CHAIR - Okay, let's have the answers.

Mr DWYER - First of all, in relation to the slavery statement, it is actually fully published on our website.

Ms WEBB - Is it? I must have just not spotted it.

Mr DWYER - I thought it was. The policy is already up there. Welcome to use it as a standard for everybody else.

Ms WEBB - Will you pop something in your annual report next year about it because you might as well pat yourself on the back?

Mr DWYER - Yes, sure.

CHAIR - There you go. You've got a tick from the member for Nelson.

Mr DWYER - Marketing budget for the full year 23, including marketing salaries, was \$16.3 million. Again, that hasn't gone up. Everything we do always stays within the budget.

CHAIR - Okay. But we're going to be provided with categories?

Mr DWYER - We'll certainly look at that.

In relation to the three marine safety KPIs. One, on *SPoT II*, there was a turbo-charger failure on 11 October. A turbo-charger on an engine failed so we shut that engine down and then spent upwards of \$1 million getting a new turbo-charger. That's the issue with our business - something small like a turbo-charger, you're looking at \$1-2 million to fix it. The second one was the Devonport port closure due to extreme weather on 13 October. When the port was shut, that was a marine KPI there. The last one was less than a 500 ml loss of hydraulic oil into the environment. They're the only three for the year, let's hope.

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CHAIR - One final question from the member for Hobart in his final GBE.

Mr VALENTINE - Thank you. Are you able to provide information on waiting times facing various classes of travel, including those seeking to travel without a vehicle, those seeking to travel with a motorcycle or bicycle -

CHAIR - Are you going to declare an interest?

Mr VALENTINE - No, I'm not looking at going over at this particular point in time but in a few months' time, I might. - those seeking to travel with a standard vehicle, those seeking to travel with an over-height vehicle and those seeking to travel with an over-length vehicle, including towing a trailer or caravan. So, we can get an understand of what that landscape is like.

Mr DWYER - Waiting times?

Mr VALENTINE - The waiting times, can you provide information on waiting times facing those various classes of travel? I can put that in with my question on notice.

Mr DWYER - I'm not quite sure how we would answer it, because the security gates are opened and you go through the booths. If you are there an hour -

Mr VALENTINE - No, we are talking about booking.

Ms WEBB - How quickly could I get a booking.

Mr DWYER - I will certainly come back on that, I don't know that off the top of my head.

Mr FERGUSON - Depends on when you want to travel, to the chairs point. That'll exercise you, and we're happy to take that -

Mr VALENTINE - I will make sure it says bookings. Booking waiting times.

Mr DWYER - It was a clear last question you knew last GBE, so that was great.

Mr VALENTINE - And did I get an answer?

CHAIR - In all seriousness, it's been an absolute pleasure to have the honourable member for Hobart as part of this committee for some time now. He defected from the other one and come across to us, and it's certainly been our gain.

Mr VALENTINE - You are being very generous, Chair.

CHAIR - We are very appreciative of the work and the time and effort that the honourable member spends on his scrutinies is something that any new member and others certainly we can take a leaf out of. Thank you.

Mr VALENTINE - You are being very kind.

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CHAIR - And on behalf of the committee we very much appreciate everybody's time, not only today, but in preparation. We wish you all the best in the future and we look forward to seeing some very big ships arrive in Devonport sometime in the near future.

Mr FERGUSON - Come and have a look.

Ms WEBB - I can tell you're looking to it.

Mr FERGUSON - I cannot wait.

CHAIR - Thank you, and we'd like to, on behalf of the committee also, extend season greetings and we hope that you have a happy and safe festive season and a wonderful new year. Thank you to everybody. Gae, and particularly a big thank you to Julie, who is our wonderful secretary, and to my members, you are absolute treasures and really appreciate you. Thank you.

The Committee adjourned at 4.52 p.m.