

THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON ISLAND TRANSPORT SERVICES MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON MONDAY 11 OCTOBER 2010.

Mr PAUL WEEDON, CHIEF EXECUTIVE OFFICER, TASPOTS WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Ms Rattray) - Thank you very much for coming along today. We appreciate your time and the committee is pleased to be back looking at the island transport services through this select committee. We have had an adjournment and it is good to have it back on the radar.

So, Paul, can we begin with an update on the Furneaux Group situation? Obviously there have been some issues that have been resolved in relation to some of the evidence that we had previously, but I am particularly interested in what has happened thus far in relation to asset management register and the like.

Mr WEEDON - Sure. Essentially, the work has happened in two parts in terms of investment in maintenance and upgrading of wharf facilities, mainly at Lady Barron, insofar as TasPorts out of its annual budget provides allocations to do routine maintenance on the wharves and wharf structures.

The second phase, I suppose, relates to how TasPorts will work with the State Government and the local council on Flinders Island to deploy the government funding of \$1.6 million. So if I can talk to that in two parts. Essentially, the work that we have completed in the last 12 months is roughly \$100 000 worth of maintenance expenditure on Flinders at Lady Barron. It relates specifically to replacement of the Fisherman's Jetty. It involves repairs to the front fenders on the wharf. Fenders are typically the barriers that stop small vessels impacting on the side of the berth. We have made an extension to the low landing facility. That is a public use facility, so that work has been completed. We have done improvements to drainage systems and we have also upgraded some of the electrical wiring and infrastructure around the wharves that supports the cargo operations. Essentially, that is the key work that we have conducted off the TasPorts budget.

We have, in recent weeks, a meeting involving the council, DIER and ourselves about how to plan the use of \$1.6 million and there is a range of works involved in that program. I can walk you through that if you like.

CHAIR - We would appreciate that.

Mr WEEDON - One of the issues beyond the routine maintenance challenge at Lady Barron is to return the wharf to its original design load specification. What we see, both in Flinders and also in most other ports in Tasmania, is that the weights of cargoes continue to get heavier and heavier. So part of the \$1.6 million will go towards some substructural work to support the wharf deck and return the wharf to its original loading capacity.

There is work to do on the stockyards. We are working both with council and with some advisers on the island about how that might best be disposed. There is a proposal, which came out of the council and which we are happy to include in the \$1.6 million, which is to construct a new storage facility and do some traffic management rearrangement on the corners of Main Street and Coastal Road. So it is to build the shed and to do some roadworks there.

Additionally, there is a need for improvements on truck turning areas in that general vicinity at the moment. As part of that truck turnaround, they encroach on private land. So we will be partly reorganising the road structure so as to ensure that that turnaround area is on council land only, which is what council prefers. There is also a plan to include an increased hard-stand area, part paving in the area around the shed which gives it an all-weather surface essentially and will assist council with some of their remediation issues.

We are doing some further modification of electrical work in that there will be a move to take some of the electrical supply underground. So we will be removing power poles and putting power underground along the port entry road. We will address some of the traffic management issues on the port access side as well as enhancing parking for boat trailers and the like around the general port precinct.

The other part of this is that all those relate to Lady Barron. I think there is a general recognition, certainly by TasPorts and now, increasingly, by the council that Whitemark really does not represent an ideal option for commercial vessel operations and, therefore, it has been de-emphasised in terms of where the capital will be spent, but that has been done with the complete consent of the council.

CHAIR - Thank you. Certainly, there is an extensive list compared to what was presented previously, so that is encouraging. As to the wharf shed and the lease - I believe that it had a three-year-plus-one option back in September 2006. What is the status with that facility at this point in time? Has that had the one-year option taken up or has it been leased out again? There has been some controversy with that shed and members of the public not being able to access that shed in the past. Has that been resolved?

Mr WEEDON - I am not aware of the status of that. I can take the question on notice and advise you.

CHAIR - Thank you.

Ms FORREST - Obviously, when this committee was originally established some time ago, there were significant problems with Flinders Island shipping and the reliability of the service, as I am sure you would be aware. Can you provide an update on where that is at now and what the long-term strategy is for that?

Mr WEEDON - No, insofar as that does not fall within TasPorts responsibility. We are essentially the provider of infrastructure and our arrangement with the operators is a pretty traditional, commercial arrangement. So we provide them with a licence agreement to use our infrastructure, whether it is on the islands or in main Tasmanian ports. There are certain performance parameters as part of that licence, about safety and the payment of fees and charges. That is, essentially, the extent of our commercial

relationship, both with LD shipping and with Furneaux. We do not get involved in terms of frequency of service or any of those other performance issues; that is essentially up to the market.

Ms FORREST - So the operators have not had any issues? Obviously there is work ongoing at the moment with upgrades and those things, but the operators have not brought any matters to your attention that we should be aware of, as far as infrastructure goes?

Mr WEEDON - No. I gather there was some complaint from LD Shipping a few months ago in that they were looking for the ramp to be changed in angle. The engineering work we did indicated that if we did that then they would be the only operator able to use that ramp and therefore it was not in competitive interest from the port's perspective to build a unique facility for one operator. So we advised them that we were not prepared to do that work and that issue has disappeared off the radar.

We have the normal commercial interactions with those customers in terms of their compliance with licence. We are often on LD Shipping about adherence to the safety obligations under their licence, everything from making sure their crew members wear high-visibility jackets to the operation of the vessel once it is alongside, so that they are operating in a safe environment in compliance with their licence.

Ms FORREST - So is that an ongoing issue?

Mr WEEDON - It comes up from time to time.

Ms FORREST - But there have been no problems that have not been addressed?

Mr WEEDON - No.

CHAIR - Paul, obviously Furneaux Freight are the main suppliers to the island at this point. Do they have regular meetings with TasPorts to talk about being involved in the upgrades or is that something that you are doing? I know there is a shipping committee on the island, so they would obviously be part of that shipping committee.

Mr WEEDON - They are, yes; that is my understanding.

CHAIR - Is that where you are getting most of your feedback?

Mr WEEDON - No, we have direct correspondence and direct relationships with those operators as a normal commercial customer. We deal with them as frequently as we would anyone else. It is a customer-supplier relationship between them and us.

CHAIR - What about the infrastructure on Cape Barren? Does TasPorts have a role in that at all?

Mr WEEDON - No, we are only at Whitemark and Lady Barron.

CHAIR - With the Whitemark issue, is there a move to decommission the infrastructure completely or will it just stay as such?

Mr WEEDON - It will stay as it is for the time being. We have had a dialogue going with the council for over 12 months about the possibility of surrendering Whitemark back to their jurisdiction. At this stage they have not sought to pursue those discussions.

CHAIR - There is obviously the recreational issue at Lady Barron as well. Have you been involved in the conversations? They are so close together that, obviously, it can be difficult at times, so can you give me any understanding of TasPorts' role in the recreational side?

Mr WEEDON - Essentially, it is the same space. We are essentially the infrastructure provider there.

CHAIR - Commercial on one side and recreation on the other side almost, isn't it?

Mr WEEDON - Exactly, but what I referred to earlier in terms of work to upgrade the low landing is a direct benefit to recreational boating. The upgrade works on the fenders for the wharves is to their benefit as well. So from our perspective it is hard to differentiate between the two. Yes, they are different user groups, but essentially the general upgrade of wharf and infrastructure and amenity goes to benefit both groups.

CHAIR - On the Bridport side, do you have any role in the infrastructure?

Mr WEEDON - No, Bridport is managed outside TasPorts.

CHAIR - By MAST. I just wondered if there was any role. Obviously you have expertise in ports and I am just interested to know whether your expertise has been used by the department or by the operator.

Mr WEEDON - Not that I am aware of.

CHAIR - Would you be prepared to use your expertise in that role, considering it would benefit the island?

Mr WEEDON - Yes. If that was a requirement from our shareholder to get engaged and do those things then certainly we would do that.

CHAIR - Because there has been a lot of discussion over many years about the Bridport port. It is an ongoing issue, as is St Helens and other areas around the State. It appears it is always going to be the preferred option while ever Furneaux Freight is working to and from the island because the Bell Bay access does not appear to be the preferred model by Furneaux Freight. So I was interested in whether you had any discussions with Furneaux Freight about using Bell Bay or it is that Bridport is their preferred option?

Mr WEEDON - I think your summary is accurate. As I understand it, they prefer Bridport and all that goes with Bridport. We have a close collaborative relationship with MAST. Certainly if they sought our support we would happily provide it.

CHAIR - Is there a time frame around some of that \$1.6 million work? Obviously planning needs to take place but is TasPorts identifying one year or two years for this project?

Mr WEEDON - Most of these works will be done in the next 18 to 24 months. The routine maintenance work is already underway and that is an annual cycle for us. It is the additional funding that has allowed us to set up this project. The key thing was to make sure we had good stakeholder and community engagement around where those funds might be disposed. We think - and I hazard a view that council would reflect similarly - that the collaborative process we have run this time around has been very constructive. The feedback I get is that they are very happy with the scope of works contemplated for \$1.6 million. It is a matter of now getting on and doing the planning approvals and getting the commission for the work.

CHAIR - The Furneaux Freight operation, in the view of TasPorts, seems to be running in a reliable and adequate manner in their relationship with your company?

Mr WEEDON - Yes, we have a very good relationship with them. They are compliant with their licence agreements and we never have problems with delayed payments or any of the issues you have with customer management.

Ms FORREST - King Island Ports is a moving feast at the moment so I would really like an update of where things are at. I know the council have made certain proposals regarding management for the port. I hear a lot of concerns about the increasing costs port users are facing; part of it is to do with the added security and things like that which are required of the port. Then I would like to look at the issue of the replacement vessel and the implications for the port.

Mr WEEDON - Again, between Currie and Grassy, in the last months the King Island Ports Corporation, which is a 100 per cent owned subsidiary of TasPorts, has commissioned works in the order of \$500 000 to upgrade mainly the fender work at Currie. That is primarily to support the fishing community as well as recreational boating. No commercial shipping calls into Currie. We have also had some work to do on some of the building adjacent to Currie port. One required demolition and that work has been completed. There has been some general refurbishment works on some of the buildings that are used for community benefit in that zone. Essentially, we believe we have completed the necessary works in Currie.

The situation in Grassy is that the port in its current format is appropriate for the vessels that are calling at King Island. Yes, there have been costs associated with some security upgrades, but those upgrades are required to comply with the port standards that are essentially formulated by the Office of Transport Security in Canberra. So there is a Federal scheme in terms of how port security is to be managed and we comply with that.

I think it is still a question as to what the future tonnage deployment will be in King Island. As we understand it, Searoad are contemplating changing ships. Some of their fleet is getting quite old, getting towards the end of life and apparently they have had a project going for some time to replace those vessels. In doing that, they may choose to deploy larger vessels on that run or on the run between Melbourne and Tasmania. If they do that, the future tonnage strategy for King Island is something that is still to be determined.

Ms FORREST - Which is no great comfort to the people who rely on this service. If there needs to be considerable structural change, you cannot do it overnight, and it means

change to a vessel that, as you rightly identify, could be larger. Virtually, Searoad only gets in, I understand, because of the current good pilotage arrangements and they have trouble at times, depending on the weather.

Mr WEEDON - It is a tough weather pilotage - that is certainly true. But the infrastructure happily copes with the vessel of the size of Searoad *Mersey*.

Ms FORREST - Yes, but if a bigger one was to be brought online, then what consideration has TasPorts given to the future needs of that port?

Mr WEEDON - Let us say that, at this stage, we are not getting any real clarity from Searoad as to what their future strategy is.

Ms FORREST - Whose responsibility is this then? Do we wait until Searoad say, 'We are scuttling - or whatever they are doing - *Mersey*, and we are bringing in this other boat that is so much bigger.' If this starts in six months' time, what happens then?

Mr WEEDON - As the infrastructure provider, our primary responsibility is to work with those customers to try to get clarity and that is what we have been doing now since I joined TasPorts about eight months ago. In fact, I am scheduled to meet the Chief Executive of Searoad in Melbourne again on Wednesday to try to get further clarity from them as to their plans.

I think there are two issues here. One is that Searoad will make decisions about tonnage deployment to suit their business and that is their prerogative to do that. Our responsibility is to try to understand what those tonnage deployment plans are and to work with them to see if we can develop appropriate infrastructure to support their needs. What they might do in terms of serving King Island is far from clear. I think it is important that there is not a supposition, necessarily, that King Island must continue to be served by Searoad. It may well be that, in light of their tonnage strategy, other operators may see an opportunity to start King Island services. We do not have any control over that or necessarily any influence.

Ms FORREST - No. This is a matter that DIER needs to be challenged on as well, but I am just looking at the infrastructure needs. So at this stage there are no plans with TasPorts to make any alteration to structure of the Grassy port?

Mr WEEDON - Not until we have absolute clarity from the market as to the size and type of vessels that may be deployed there. One option, which I have been encouraging with Searoad, is that they may consider retaining the *Mersey* and operating her in some dedicated service into and out of King Island. How that would operate and whether they would be prepared to do that, I have not had any clear advice from them. So it may be that they would contemplate running the two larger vessels in a Devonport-Melbourne service and then run a supplementary service with the *Mersey*.

Ms FORREST - I will take that one to DIER.

Mr WEEDON - We can all speculate about what arrangements they might make to do that.

Ms FORREST - We can. Don't worry, I am making a list of questions for DIER.

Mr WEEDON - Equally, DIER are in a similar position to ourselves in that whilst the operator continues to vacillate about their future tonnage plans, it makes it very difficult for us to decide what we need to do and the challenge we have with any infrastructure work is that it takes time to do few things.

Ms FORREST - That is the point.

Mr WEEDON - It is always very expensive to build and you cannot do that on a speculation that you might see ships of a certain shape, configuration or frequency - all those things.

Ms FORREST - Going to the ownership of King Island port, it is a wholly-owned subsidiary of TasPorts. I know that the council have made some suggestions about other ownership arrangements. What is TasPorts' view on the ownership of King Island port?

Mr WEEDON - We will retain the ownership of the King Island Ports Corporation.

Ms FORREST - So you are not entertaining any moves from the council to amend that at all?

Mr WEEDON - No.

Ms FORREST - Short answer.

CHAIR - A very short answer. Has there been any discussion around your board table in relation to - the fact is that the islands will never be viable or making a lot of money because of the infrastructure that is needed and the low volumes, particularly in the case of the Furneaux Group - having those two islands separated into their own entity? A GBE, as we know, has to make money and then provide profits back to the Government of the day and that has obviously become difficult for the King Island Ports Corporation. They cannot keep their profits. Therefore the infrastructure, in their view, is not being adequately addressed, maintained and improved. Has there been any discussion about cutting those two loose?

Mr WEEDON - No. The issues of profitability go to the aggregate of the TasPorts' business. There are some activities that we were involved in from the very range of community and social assets which we own and operate. We have to maintain assets ready for community benefit. We get no commercial return on those assets at all. It is sometimes a challenge to fund maintenance around those things but we do that in the aggregate. There are parts of our business that are marginally profitable and then some that are more commercially sustainable. So we look at the aggregation of the business and accept that with this portfolio of activities and assets we have today, we will have some good bits, we will have some challenging bits, and it is how we put that whole package together that is the key. I think that is an issue really which would be a matter for the board and shareholder to form a view on. But certainly in the short time I have been with TasPorts that has not been on the agenda. Certainly my direction from the board is to get on and manage those assets and businesses in an effective and efficient way.

CHAIR - Do you accept that TasPorts has spent virtually no money on the Lady Barron Wharf since it has taken over the whole of the assets?

Mr WEEDON - No, our expenditures indicate that we have spent on average somewhere between \$100 000 and \$150 000 a year on maintenance at Lady Barron.

CHAIR - It must have been unseen maintenance. It has been difficult to see where there has been any money spent. I visit regularly, about three times a year, and always make a point of visiting and I have not seen anything. Obviously, it could have been under the water.

Mr WEEDON - Exactly. We are in the process of spending significant amounts of money in another port, not on the islands, doing refurbishment of electrical wires and waterlines. I see on the MNR reports that it is a big spend but it is in the ground, no-one ever sees it, but that is part of maintaining the adequacy of infrastructure.

Mr HARRISS - You have indicated, Paul, that there is \$100 000 to \$150 000 per annum in maintenance at Lady Barron. Over what period of time is that?

Mr WEEDON - That is certainly the last three years, the figures that I have seen.

Mr HARRISS - Year on year for three years?

Mr WEEDON - Yes.

Mr HARRISS - Would you be able to provide the committee with a breakdown of the major works or if there are no major works then a breakdown of the detailed works which constitute that over the last three years?

Mr WEEDON - Yes, we can provide that.

CHAIR - That would be very helpful because, as I have said, I have not been able to identify where those works have taken place and I do recall that when we had the TasPorts representative here at an earlier time - I think Nathan Spicer was the gentleman - he wasn't aware that there was an asset management register at the time and I found that unusual. But I do know that TasPorts have been to visit - my island grapevine tells me that - so that is encouraging and obviously that would be part of the way moving forward here.

Mr WEEDON - Sure.

Mr HARRISS - Madam Chair, that raises the matter that was discussed by the committee at an earlier time with Nathan of plant and equipment which is included, in fact, on the asset management register. How far back into history does the asset management register go in fact, if there is one, so that you can clearly identify the hot spots with regard to your infrastructure?

Mr WEEDON - I am not sure that I understand what you are looking for. We run an asset management system where we seek to centrally manage all the key wharf assets and infrastructure, whether it is the wharf structures themselves, or the major plant and equipment and buildings and the like.

Mr HARRISS - Clearly identified?

Mr WEEDON - Yes. We have just done a complete review of the wharf structures.

Ms FORREST - All wharf structures?

Mr WEEDON - Yes, and the commission reports. That informs me and therefore allows me to inform the board about the future funding requirements of the organisation. We are in the middle of an update on the land-based plant and equipment - cranes and fork trucks and those types of things. But in historical terms, I am not aware. That system was only introduced into TasPorts in the last 18 months. It was a new system, so we went from a variety of systems, I imagine, that had been derived out of the individual port companies into a centrally-managed asset life-cycle system.

Mr HARRISS - Is it possible that, historically then, when we are talking about minor port facilities, compared to the major ones - Bell Bay, Burnie, Hobart and the like - that such a process might have been more local knowledge rather than a defined recording system or planning system or strategic asset management or whatever you want to term it?

Mr WEEDON - I am not aware of how things operated prior to TasPorts. I have spent some time, obviously, since I came onboard trying to get an understanding of how we go about managing the life of our assets and that is where I think some of the more strategic considerations come into play; is it worth spending that money now or in two years' time? If we spend this now, will that extend life? Is life extension the right strategy on any given asset in any given location? They are all questions I know we are able to ask and answer a lot more effectively now than perhaps we were historically. But whether there was more a job-cost system or how it was managed historically, I am not aware.

Mr HARRISS - Are there any major compliance matters related to King Island or Flinders Island that need urgent attention?

Mr WEEDON - Compliance?

Mr HARRISS - Yes, in terms of safety or major matters within your jurisdiction?

Mr WEEDON - No. The only one that we have had on our radar is to ensure that King Island complies with the security obligations that we have under the Maritime Security Act.

Ms FORREST - Which are quite onerous for a small port, you must admit.

Mr WEEDON - They are.

CHAIR - Do they apply to Flinders Island?

Mr WEEDON - Not at this stage.

CHAIR - Why? Do you have any idea?

Mr WEEDON - That is a very good question.

CHAIR - I appreciate what the member for Murchison has said in relation to that because it is an onerous -

Ms FORREST - Does the boat go from Flinders to Melbourne?

Mr WEEDON - No.

Ms FORREST - That is the issue here, as I have been informed by people over there, it is because the boat goes into Melbourne after it has been to King Island or on the way from, whichever way it is going, that they have to meet the requirements of the Melbourne Port which would be much more stringent.

Mr WEEDON - I am sure that under the act there are certain criteria which determine whether a port requires to comply. I cannot tell you what those criteria are.

Ms FORREST - So you do not have any say in that at all? You just have to enforce the compliance with the requirements there?

Mr WEEDON - We have to come up with a security plan which the Office of Transport Security signs off on. If they do not sign it off, they send it back to us and ask us to continue to upgrade the security to make sure that we comply with the obligations in the act.

Ms FORREST - So have you, at any time, suggested that rather than having a person paid to be on the gate on a shipping day, at a cost -

CHAIR - On a Sunday.

Ms FORREST - Yes, at the cost that it entails - that is one person that could easily be knocked off, knocked over or disposed of so that they were unable to report a threat, whereas continuous video surveillance of the port would be cheaper, once it was installed, and would provide greater coverage. It is one of the criticisms that has been made that you are paying for one person to stand there on their own and, potentially, if they were disabled in some manner, they would no longer be effective. I guess if you were determined to do so you could damage a video surveillance unit, but with two or three cameras around the place, feeding into a recorded or live feed - it certainly should be live when the port was operating - would be more effective.

Mr WEEDON - I think we would have to do a business case to prove that.

Ms FORREST - You have not done that?

Mr WEEDON - No.

Ms FORREST - Would you consider doing that and submitting it to the authorities to see whether it could meet the requirements they set?

Mr WEEDON - My initial view would be that it would be more costly to have CCTV. It is one thing to have CCTV - and they come at a cost - but then you have to have people

monitoring CCTV as well. So where might they be sited and what might their role be? Looking at the cost of one guy on security for one day a week, even if he is getting some overtime loading for a Sunday, my intuition would be that it would be at a significantly lower cost than a technological solution, if you look at the aggregate of such a solution.

Ms FORREST - It would be interesting to see what the cost analysis would be.

Mr WEEDON - That is right, but I think there are many opinions around in markets, sometimes not based on an understanding of what the totality of the cost of the operation of these things.

Ms FORREST - Madam Chair, can I go down another path with King Island?

CHAIR - Certainly.

Ms FORREST - The profits from the drive from the King Island port go back to TasPorts in their entirety and there is some criticism, I guess, in that because King Island Ports Corporation have had to raise the cost to users of the port to facilitate a number of upgrades and that sort of thing. But some of that profit should go back into meeting the cost of things such as the stockyards and the security and a whole range of things that are very local and not related to the broader operations of TasPorts. Do you have a comment about where the profit goes?

Mr WEEDON - Yes. Generally, the profit or loss that King Island Ports Corporation will make would be based on their income and their cost structure throughout the year. Some years they will make a profit and some years, presumably, they do not if they have major projects to fund. Essentially, what we try to do is prioritise sufficiency of funding for projects that are known - development projects on the island. Primarily they exist to serve the King Island community and the imports and exports from the island. So there is not a significant flow of funds from King Island Ports Corporation to TasPorts. At this stage, we have a dividend policy, which is consistent with the Government's policy for all State-owned corporations, which is 50 per cent of whatever profit there might be. On the King Island operations it comes to TasPorts and it flows through TasPorts to the State Government. The other part of the profit is retained in King Island Ports Corporation as an entity for its normal funding and investment needs.

Ms FORREST - So it does not go into the bigger TasPorts bucket?

Mr WEEDON - No.

Mr HARRISS - Nonetheless, you would be in a position, the same as any other government business or State-owned company, to make a proposition to the Government that on any given year you get some leniency as to the 50 per cent after-tax profit as dividend. If there was a mood among the board members you could petition the Government to be lenient so that in any given year it is not the full 50 per cent - and that has happened in the past - because you might see some pressing matter you want to attend to, retaining cash-on-hand for major maintenance.

Mr WEEDON - Sure.

Mr HARRISS - So, under that scenario, it could be argued that the King Island Ports Corporation, for one, is in some small way subsidising something else elsewhere, rather than just a dividend stream to the Government. It would not be a massive amount, but it is application of principle.

Mr WEEDON - You are absolutely right, that we can always seek variation to dividend policy. We would not normally apply that to King Island, I am sure, in the event that we saw that they needed to retain funds for additional works. If they do not retain funds out of profitability they would come to us, as the owner and ask for either a subordinated loan or funds to be made available to them for this work anyway. So it is a flexible arrangement. It is not set in concrete that they will always deliver but certainly that has been our shareholder's expectation in the time I have been here - 50 per cent of the TasPorts dividend would be distributed to government.

Mr HARRISS - What is a snapshot of that dividend stream from the King Island Ports Corporation?

Mr WEEDON - I have not seen the audited accounts, but I saw a figure of around \$300 000 profit from King Island trading.

Ms FORREST - So each port has a dividend policy applied. It is not that the profit from whatever port that TasPorts is responsible for goes into TasPorts and then it is 50 per cent of that profit that is paid in dividend to the Government? It is apportioned at the site of the port, is that what you are saying?

Mr WEEDON - No, King Island operates as a subsidiary, so it has its own set of books.

Ms FORREST - Right, that is the only one isn't it?

Mr WEEDON - Yes. Everything else that is in our portfolio is all consolidated into the TasPorts profit and loss. So, yes, any standing profit from that and whatever the dividend distribution the directors of King Island Ports Corporation comply with, would flow through.

Mr HARRISS - If they want to get tough and dig their heels in, they could put a proposition to you.

Mr WEEDON - Exactly. As I say, we have assisted them in some of the works I referred to earlier at Currie. They were a little stretched for cash to do the fender upgrade works on Currie, so we provided them the moneys to do that as one would with any normal subsidiary. So it is a matter of getting the works done and accounting for that in the normal way.

Mr HARRISS - With that as a backdrop then, Paul, and given that it is not a massive operation, why wouldn't the Board of TasPorts contemplate divesting King Island Ports Corporation to council in association with somebody else and basically get rid of it?

Mr WEEDON - I think, in many respects, that is a matter for the shareholder more than the board to decide what the scope of TasPorts operations are, in both the geographic scope and the extent of what we do. I have only been here a short time but I do not have a

sense that is on my shareholder's agenda, to have anything other than TasPorts, with its expertise in port management, managing the major regional and main Tasmanian ports.

Mr HARRISS - When you speak of the shareholder then are you aware as to whether the council has lobbied her in regard to that?

Mr WEEDON - I am not aware. I hear one of your stories but no, I am not aware of any specific dialogue between the minister and the council about that.

Mr HARRISS - If there was, I suppose that is for another day. It would be a policy position.

Ms FORREST - Just going down the path of the cost to users, which appears to be higher than for other ports, but you might like to clarify that. Bearing in mind that King Island is totally reliant on a shipping service and there is a line item in the Budget that has a contingency nominal amount that would never fund a ship if it had to be used - \$20 000 or something like that - that is really just there so that if the ship sank, the Government would have an obligation to provide another one, effectively. Do you believe, because of the reliance that King Island - and Flinders Island to an extent also - has on this shipping service - people can only get on and off the island by plane but almost all freight goes by sea - that there should be perhaps some community service obligation factored into the cost of running the King Island port that may see the reduction of their costs of using the port? Is that something the board would consider?

Mr WEEDON - Obviously the board would consider it if the issue came forward. At this stage, I think, whilst most port users in most ports anywhere around Australia and the world always complain about port costs, the challenge we have is to ensure that there is more-or-less sufficient revenue being earned to allow us to do the maintenance and operate the port in a safe and effective way. So that is essentially the model on King Island. There are certainly not massive profits being derived from the operation, so I would broadly contend that the level of profitability there is at subsistence levels only and therefore it would be very hard to see an outlook where some sort of CSO could be factored in. If you look at the differentiation between Currie and Grassy, some would say that Currie essentially is a CSO because all the costs of operating and maintaining the wharves, the anchorages and the slipway far outweigh any revenue and yet, King Island Ports Corporation, as our subsidiary, carries that CSO in the context of revenue they earn from Grassy and other activities. That is why they are involved in fuel distribution and transport and that may be or may not be a typical thing that a port company would be involved in, but they do it to try to generate sufficient revenue to ensure that they can reinvest in infrastructure and the core services and operations of the port. So, to try to grow that again and say, King Island in totality needs to be considered as a CSO, personally I think that is a very hard argument to run. The users have to pay something for the provision of that core infrastructure they need to support their business.

Ms FORREST - Are you able to provide the cost details for all ports in Tasmania that you have jurisdiction over, the freight costs that are imposed? I know that some would have different aspects to their costs depending on what they are shipping.

Mr WEEDON - You mean the tariff, the schedule of charges, the wharfage and tonnage and the like?

Ms FORREST - Yes.

Mr WEEDON - Yes, we can provide that; it is a public document.

Ms FORREST - Would that give a breakdown for each port? That is what I am looking for, a breakdown of how much you pay to ship the same load of wood, or whatever it is, from Burnie or Devonport to King Island, and from Bell Bay to Melbourne.

Mr WEEDON - Yes, I am more than happy to provide the committee with the tariff of each port.

Ms FORREST - Just for clarity, will that break down the various aspects of the cost, the components that are costed in that? I am not just looking for a bald figure here. I had hoped for a bit more detail below the bald figure.

Mr WEEDON - We publish a tariff of charges at this stage on a port-by-port basis, which dates back to the days when there were four separate port corporations plus King Island. I am happy to provide that information to you. But each of them is constructed somewhat differently with different charges and different arrangements.

Ms FORREST - That is what I am looking for.

Mr WEEDON - I am happy to provide that.

Ms FORREST - Thank you.

CHAIR - In relation to the Salamanca-Hobart wharf area, it was suggested when we visited Bruny Island that to have a ferry coming in from Bruny Island with just some foot traffic might alleviate some of the peak-time issues that they experience at Kettering and on the other side at Roberts Point. Is there room for that? If there were somebody who put their hand up and said, 'I want to try this out,' is there room down at the wharf? Is there ample space for another operator to come in beside what is already there?

Mr WEEDON - Yes. We have recently completed the construction; we are about to open in the next week or two a low landing next to Elizabeth Street Pier. That is a common user facility, which means that if anyone has a vessel coming in, all they do is book it and they can use the low landing. The Brooke Street Piers are a bit busy, but they are in aggregate between the various structures there for an operator not wanting to call 50 times a day. There would be an occasional call for that and there is certainly capacity to handle it, yes.

CHAIR - I would suggest that it would probably be a morning and afternoon type of situation.

Mr WEEDON - We would be more than happy to work into it with any operator who wants to understand the arrangements and what would be available to them. We are working with one of the operators at the moment around the enhancement of ferry services out to

Moorilla as a part of a recent contract that they have secured for those services. That is a very typical working relationship between a ferry operator and TasPorts as to how we might accommodate their needs.

CHAIR - What about some shelter? Has that issue been raised? There is not a lot of shelter. Not every day is a perfect day in Tasmania - probably in the north of the State, maybe!

Mr WEEDON - No one told me that.

Laughter.

Mr WEEDON - To my knowledge no-one has specifically asked us to provide that. I am sure the committee is aware that there is a project under Treasury's auspices to look at the future development of Brooke Street Pier and I am not aware in detail of the process that they are running, but I would assume that is an opportunity for the operators and tourist groups and the like to provide input as to those future requirements.

CHAIR - Paul, thank you very much for coming before the committee. Obviously we will have some more deliberations and we may have some follow-up questions, We may take the opportunity to write or make some contact if we need any clarification. There have been a couple of requests there and we will be looking to receive those as a committee, but we do appreciate your time today and thank you very much.

Mr WEEDON - Thank you very much.

THE WITNESS WITHDREW.

Mr NORM McILFATRICK AND Mr DAVID PETERS, DEPARTMENT OF INFRASTRUCTURE, ENERGY AND RESOURCES, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Welcome back to the committee. It has been quite some time since we sat across from the table and quite a bit of water has gone under the bridge, so to speak, in relation -

Ms FORREST - Across the strait as a matter of fact.

CHAIR - Across the strait, so to speak. Obviously, Mr McIlfatrick, there have been some significant changes with transport services to the Furneaux Group and I would appreciate your view of what has transpired in the last six months or so.

Mr McILFATRICK - I guess we are all aware of the crisis - somewhat - that the Furneaux Group in particular faced with the lead up to and then the demise of Southern Shipping. We had been working with the council in a period of duress, I guess, for the islands. What I think we have now is a much firmer position that deals with the current relationship with shipping on the island and will also cope better with future episodes.

We have formalised an agreement - which is on our website - with the council and shipping group on the islands. The agreement essentially takes a market approach to shipping services on the island as the first preference and then provides a sum of money as a safety net for emergency provision or longer-term provision, should that commercial arrangement not come to the fore.

To give an example, at the moment Furneaux Shipping and some others are operating a regular shipping service to Flinders Island, therefore that safety net is not required at the moment, whereas on Cape Barren Island we do require a frequency of service which would not necessarily be supplied by the commercial market. Very shortly, we are to sign up to a contract for that Cape Barren shipping service; I think both parties have agreed, it is just the signing of the contract. The service is being supplied in good faith under the terms of the contract but once that contract is signed we will have a non-commercial, if you like, safety net service in for the islands for at least one year at a cost of \$58 500.

What we believe, and the islanders certainly believe is that the rest of that money - that annual sum of \$274 000 this year going up to about \$286 000 by 2012-13 - should be kept in reserve as a safety net, but if it is not used in a particular period for that safety net then it can be used for other shipping-related issues on the island. That would be signed off by the council and ourselves to make sure that that was the most appropriate place for the money.

We are not being absolutely specific about what that money could be spent on and there has been some discussion about the opportunity to use some of the funding to have a shipping agent on the island to help with the management of services; to call in the safety net in the short term if required or to negotiate a longer term. I guess we are on a much more even keel, if you like, on the islands now where there is a bit more responsibility and accountability put back onto the island community, but also our safety net is there in a much more flexible manner.

I think the forecast for shipping services on that island is better than it has ever been with at least one operator proposing to purchase or build new vessels. The feedback from the shipping community is that so far it seems to be working, but it is something that we will need to keep an eye on. Our premise has always been that the money that the Government puts aside is a safety net. If you can get a commercial operator or one or two commercial operators operating there then that is the best outcome and that is the agreement we have signed up to. That is about where we are at there.

CHAIR - Obviously the market approach is a pretty reasonable idea when there is a fairly mature market. Would you consider that the Furneaux group or Flinders in particular is a mature market at this point in time, given that it has been so vulnerable?

Mr McILFATRICK- It has been vulnerable for a number of reasons. A mature market means you will have mature operators, people who are operating with good commercial business plans and that the market itself, the people in the market, are good at communicating their needs and the needs of the market are understood.

I think we know a lot more about the needs of the market now than we did before. It is fairly volatile in terms of the needs. I think people on Flinders Island understand that they cannot just ring up and say I want 50 sheep delivered to Port Welshpool tomorrow and expect that type of service. There is a demand issue.

We have a greater understanding of the demand, having done the studies that we did with the local council, together with some of the work around the port infrastructure that has been looked at as well. That was another issue.

There has been significant feedback from the council in particular and shippers that the port needed an upgrade, and during the process last year we were able to get a commitment from the State Government to put about \$1.6 million into port infrastructure over the next couple of years. The priority projects will be negotiated between the council and TasPorts and the Government will obviously fund that. So I think it is a more mature market now.

There is always the worry that the supply and the demand do not match but certainly in talking to people lately it is more about infrastructure and such things as you may touch on later in your committee about facilities on different parts of the port and even at Bridport. We are not so much talking now about the reliability of the service, we are talking about making sure the service matches the community needs. This was something that came up in discussion with the council, that perhaps the missing thing was just someone locally doing the operational negotiation with the shippers to say, 'This is what we will need over the next few weeks; have you got the service in place to supply that?'

That, for want of a better term, is the shipping agent and I think they are still looking at that possibility - someone locally to provide that engagement between the shippers and the customers, if you like.

CHAIR - My understanding is that there are a couple of different schools of thought on that particular position.

Mr McILFATRICK - There are.

CHAIR - At this point in time it could only be offered as a six-month contract, I believe. That is my understanding and I am happy to take a contrary view.

Mr McILFATRICK - That is a bit of detail, but if it were seen to be a good way through the challenges then we would always look together. This is a partnership between ourselves and Flinders Island, so we are not locked into any absolute outcome.

CHAIR - I understand.

Mr McILFATRICK - Certainly from my point of view, to provide a safety net long term when perhaps it is not needed if commercial shippers can supply the service, is in essence a waste of money. If we can put it to another task that enhances the service, that would be a better outcome.

CHAIR - Norm, when you talked about the reliability of the service, particularly to Flinders and to Cape Barren, the Bridport section of that is a vital link. If the boat cannot get in and out of Bridport then it is difficult for it to meet obligations on the other end. Could some of that \$230 000 or thereabouts that will be left over each year once you pay for the Cape Barren part of the service delivery be used to enhance the facilities on the Bridport end, given that TasPorts will be doing their bit with the \$1.6 million and their maintenance obligations that they have as well to Lady Barren, to help assist that?

Mr McILFATRICK - I know that has been thought of and in concept it would not be outside the possibility of the agreement to do that, because what we are trying to do with the safety net is provide more reliable shipping services. I know that Mr Bayles and others will probably be at the hearing talking to you, so I would not like to give the shippers an absolute promise that there will be money flowing out of that pool because it is really up to the council to say where they see the priorities.

CHAIR - But you do agree that it is an important component?

Mr McILFATRICK - It is an important component.

CHAIR - One of the issues is the Bridport side of the service delivery - if they cannot get in at one end and they cannot load up and get out in a timely manner to go back again.

Mr McILFATRICK - We have moved from a situation where we did not even have the concept of a reliable shipper. Now we are looking to make sure that the people on the route have the ability to provide a reliable service. I agree with you, it would not be off the table, and there are a number of issues that deal with Bridport which are commercial in some ways, like the contract I mentioned earlier for Cape Barren, but there are issues with crown lands, et cetera, that are really outside my control. We certainly want to make sure that we have the best possible options for the service delivery to happen. The council and ourselves have been operating under duress, but so far I think the arrangements that have been put in place appear to have a good chance of success and that is what we need to keep our eye on.

CHAIR - Any other issues surrounding the Furneaux Group from members?

Ms FORREST - You are the Queen of the Furneaux Group.

CHAIR - We all have a hat here and we like to think that we are representing all the islands.

Mr McILFATRICK - That document I referred to is available. It is the Furneaux Island Shipping Policy Statement and it has been endorsed by Flinders Council.

CHAIR - I have read that.

Mr McILFATRICK - That did not exist the last time we talked.

CHAIR - No, there were a number of things. I am pleased to say that TasPorts have a reliable asset management register now of Lady Barron which did not exist beforehand. So this committee has been able to achieve quite a bit, in my view, and we have not even reported.

Mr McILFATRICK - On the infrastructure side, TasPorts and DIER met with the Shipping Committee late last month, so in terms of the infrastructure side of things that is progressing, and we certainly have not had any feedback that it is not progressing well.

CHAIR - Before I hand over to Ruth in relation to King Island, I had some very good feedback from the minister's office, from a Ms Sophie Reid, who understands well the community and the issues because she is a Cape Barren Island girl.

Mr McILFATRICK - She is one of my staff, not the minister's.

CHAIR - Well she is doing a very good job.

Mr McILFATRICK - We'll take the credit.

CHAIR - You can take the credit.

Mr HARRISS - Yes, you're the real minister.

CHAIR - That's important, though, Norm, that the person in your department has a relationship with the people that they're dealing with, getting feedback and that sort of thing. Thank you.

Ms FORREST - Norm, King Island Ports Corporation - I guess there are a few issues surrounding this. One is the proposed changed vessel to provide a service. I'd like a bit of discussion about where it's at as far the departments sit and the move that King Island Council has put forward for a point of discussion in relation to the ownership of the port. Would you, first of all, address your mind to the shipping and the capacity of the port as it sits should a new vessel be -

Mr McILFATRICK - I will try not to cross into TasPorts territory but understand that you should really talk to the CEO.

Ms FORREST - Yes.

Mr McILFATRICK - The port feasibility study looked at the upgrade of the port - a fairly major upgrade, mainly, at the time - with the eye on the scheelite mine being expanded and the possibility of getting overburden material from the mine to use as a breakwater. I understand that if the mine goes back into operation it could change in the way it mines, so that overburden probably won't be available. The cost is quite substantial. No matter which way you cut it, I think it is in that \$40 million to \$60 million range. That amount in itself is prohibitive; to spend that amount of money on a small island port. It's not that I'm denigrating the size of the island but it would be a big step for any government - local, State or Federal government.

As far as the ships are concerned, certainly people are looking at larger ships in the future.

Ms FORREST - The current operator?

Mr McILFATRICK - Yes, the current operator. That's not to say there aren't ships available that could service that island. I guess our starting point is that it would take a large benevolent government injection of cash to get the port up. It's unlikely that the port would be upgraded to the tune of \$40 million to \$60 million in the time that's required so we need to keep an eye on the market to make sure that shipping is available, again with the view that the government in my role should provide a safety net for that, not be a shipping operator in their own right. Certainly, if I asked for advice from TasPorts, their view is that the existing port capacity is sufficient to meet the needs of the island from the point of view of material on and off the island. We have an island community that believes it needs more facilities and a port operator that believes that the current facilities are enough.

Ms FORREST - You said you have an island community who says they need more facilities. Are they actually saying they need more facilities or are they just concerned that if a bigger boat comes in that it won't get in?

Mr McILFATRICK - Certainly their view is they would need more facilities if the mine went ahead and I don't think there's any doubt about that, but the mine should be responsible for its own facilities if it needs more development, if the mine is going to have a business case - in fact they built the original breakwater.

Ms FORREST - They did.

Mr McILFATRICK - I wasn't picking sides there; I was just saying that if an island community thinks it needs more facilities and the ports are saying that it's okay then somewhere we need to bring those two parties together over the next period to make sure that we have at least a good picture -

Ms FORREST - Do you think you need to then make an assessment for each tonnage?

Mr McILFATRICK - Yes we do.

Ms FORREST - Is that being undertaken and, if it is, by whom?

Mr McILFATRICK -The tonnage assessment hasn't been undertaken but we have indicated to King Island Council that we would be prepared to help with a freight forecast. I think that many people on the island that I've spoken to understand that this \$40 million to \$60 million infrastructure investment will be a difficult one to get up. But I think - and you are going to hear from the island so I would rather you hear their opinion from them rather than directly from me. I have spoken to Charles a number of times and he is concerned, and we need to work with the island to make sure those concerns can be addressed. How we do that is a process of investigation and continued conversation.

Ms FORREST - Obviously this has been talked about for a while, the replacement vessel. When the SeaRoad people try to make a decision about this, I don't know what their lead time will be, but I would assume it won't be a terribly long time, so what are you doing with the island to undertake this tonnage assessment and forecast of future tonnage? As I understand it, it is not just a forecast that is required here. It is also ensuring that you meet the needs of the sort of freight that goes on and off the island, including cattle on foot and cattle in crates because they have been slaughtered on the island. You have perishables. Everything has to come and go by sea, except for some of the high-value produce, so how do we meet the needs?

Mr McILFATRICK - The process I think worked for us on Furneaux group. It is to start with the council and look at the Government's and the council's approach to shipping on the islands, and together to come up with a policy that we both agree and the strategy we want to go forward. That will involve some further studies, as it did on Flinders Island. We are at the point of at least having that draft policy discussed at the council level. I will be going over in early November to sit down with the council and look at how we develop the policy, and then from that policy will come the work that needs to be done. Even though the shipping might change on a certain date in the future, in two or three years' time, it doesn't mean that ships will no longer be available. It is a matter of someone else - if the current shipper isn't going to have the right ships it might provide the opportunity for another shipper who does have the right ships.

Ms FORREST - As long as you have the right ship. This is the issue of the island, that ships can meet the needs of the freight that is there, or coming to the island.

Mr McILFATRICK - Yes. It is always going to be that the supply has to meet the demand.

Ms FORREST - So can you give me a bit of a time line for the development of a policy and then the further work that will need to be undertaken to get to a point where you have got to with Flinders Island, and the Furneaux group?

Mr McILFATRICK - We have a draft policy which we will discuss with King Island Council on 3 November 2010. That is when the minister and I will visit the island. There has been some informal discussion to date with the mayor about the form of that policy, so it won't be a surprise, as it is very much based on Furneaux, and I guess when we sit down there we will work out a timetable for who is going to do what by when.

Ms FORREST - You don't really have an idea of when this process will be finalised so they end up with a working document?

Mr McILFATRICK - I imagine it won't be more than three to six months, but it is going to be up to the effort that we will have to put in and the island will have to put in.

Ms FORREST - I don't want you to give me a day. I just need a ball-park figure.

Mr McILFATRICK - I can't give a date. A ball-park figure is we have a draft document, we believe it has enough in there to make it at least 80 per cent right, and then we will be going through the process with the island community to move it forward. Luckily we are not in the same situation we were with Furneaux, in that we are not operating under duress.

Ms FORREST - They still have a service that's working.

Mr McILFATRICK - We can take the time to get it right, so if we need to do a freight demand survey we can do that. If we need to do something else we can as well. So we don't have the arm up our back.

Ms FORREST - We should make more meaningful progress.

Mr McILFATRICK - There are a range of issues that obviously we will be discussing on the island which don't go to shipping, so as soon as we sit down with the islanders I am sure other things will come out. I did agree with Charles Arnold that when we had finished off the Furneaux one he would be next cab off the rank. We have taken a view about what might be in that policy, but until the council has a look at it from their perspective I don't want to pre-empt how long it is going to take. It won't be years though.

Ms FORREST - Good, I am pleased to hear that. On a slightly different matter, the ownership of King Island Ports as a wholly owned subsidiary of TasPorts, does the department have a view on that; whether it should remain as such? I know that the council have had ideas about that arrangement.

Mr McILFATRICK - I think that you have to go back to the reason that TasPorts was put into one corporation. There was a view, probably supported by things like the competition index in Tasmania, that having ports in smaller instrumentalities was not good for Tasmania. Now, that does not mean that local content in terms of the governance is not important as well, so I guess that is why the hybrid arrangement of TasPorts with the local subsidiary board has worked to date. I would rather leave the decision to the board as to how TasPorts and the community want to interact. So I do not have a view. I do not have enough information to have a view about what would work best for both of those organisations, but I know they are discussing a way forward.

Ms FORREST - TasPorts had a fairly clear view that it was not a discussion they would enter into.

Mr McILFATRICK - I think that in all the small communities, the best way of looking at it is how the community can best get what it needs out of a port operation. Given that TasPorts and the King Island Council are both small organisations on the island, are there opportunities for them to work more closely together? I would say that is something that would be worth looking at. But I am not going to go to the governance

arrangements for TasPorts, because it would only be an opinion. Certainly the department, to my knowledge, has not offered an opinion to the minister about which way that should turn out. The way it works is that TasPorts would have regular meetings with their shareholder ministers and I am sure that has been discussed, but certainly we have not been asked for, nor provided with, a recommendation on which way it should go. I certainly believe that the original need for TasPorts to be aggregated from its previously smaller port operations was the best decision for Tasmania and it may be that there is room for a bit of fine-tuning, but certainly the original decision was the right one.

Ms FORREST - With regard to that, then, some of the criticism from the users of King Island - the Grassy facility - and the costs that are imposed that have escalated quite significantly over the last couple of years, for a number of reasons. Some are to do with the demands of security upgrades of various facilities, including the cattle yards and things like that there. As the island is totally reliant on shipping for dealing with freight, do you have a view about whether or not there should be a community service obligation aspect to that, to minimise or offset some of the costs?

Mr McILFATRICK - I do not have enough knowledge about the details of the operation to know whether a community service obligation is required, but I think if there is one it would be much better to deal with it as a community service obligation, rather than adjust the commercial arrangements of a board such as TasPorts. I am quite used to CSOs being shown on corporate identities' balance sheets and profit and loss sheets definitely as a CSO. It is much better for people to see them as that sort of obligation, rather than to adjust the profitability or the dividends or whatever. So if there was an identified particular community need on King Island that could be articulated and agreed, then it would be much better to deal with it as a CSO, I think. But that is my opinion as how best to run those commercial organisations. They usually have a charter which requires them to act commercially, and in TasPorts case it also requires them to facilitate trade, and they are also part of the Tasmanian community. So if you take those three things - acting commercially, facilitating trade and then being part of the community, then that is where the CSO comes in. If that can be articulated then it is an easy thing to show on a profit and loss sheet, such as an electricity concession, which appears firmly on Aurora's P and L as an injection from Government.

Ms FORREST - I have asked TasPorts to provide details of their individual costings for different ports. It is too hard without that to know whether the claim is valid on King Island but I have been informed of a number of significant cost increases with little explanations to support such increases so I guess that is a matter for the users to take up.

Mr McILFATRICK - Yes it is, and I have found that TasPorts has been open to community input. I have had most to do with Furneaux Group lately but having the shipping committee on Flinders has been a very handy intermediary between the Government and the island community so if there needs to be more conversation on the island probably getting that group of shippers and people who provide services together would be a good idea.

It is not beyond government to make injections of capital, as we have seen with the recent government decision on Flinders to put \$1.6 million into capital. That is probably capital that would not be commercially justifiable but it certainly is from a community point of view. In principle I would see that as the best way to approach it but it is

identifying what potentially the elements of that CSO are and then getting that through the budget process.

Ms FORREST - That is another challenge isn't it? Thanks, Madam Chair.

CHAIR - Another other questions on King Island? What about moving to Bruny? It is a beautiful day and it is going to be the peak season very soon.

Mr McILFATRICK - Yes it is.

CHAIR - We have seen and heard evidence of the many vehicles and people who line up trying to get back. It seems that getting back from Bruny Island is the real issue so I am interested to know especially what discussions have been held with the operator in relation to trying to alleviate some of the issues surrounding people's experiences to and from Bruny.

Mr McILFATRICK - There are a couple of issues with Bruny which go to traffic management and when the peaks are, which generally arise around Easter and other -

CHAIR - Our information is that it seems to be getting longer.

Mr McILFATRICK - Some of it is related to infrastructure and there has been a fair bit of work done on looking at the infrastructure at Ferry Road on the Kettering side. There just is not, at those peak times, enough parking and other opportunities to cope with the traffic. The ferry does not just run to schedule in peak times, it runs continuously so all sorts of things have been looked at.

In the recent State Budget there was a commitment within the Community Roads project to upgrade Ferry Road over a number of years and certainly we would be looking at the other side in terms of infrastructure for vehicle parking. Another ferry on that route would be unlikely to be justified because of the short peaks and the ferry company is doing their best to deal with the peaks.

We can help by looking at infrastructure and things such as demand management and potentially looking at people forward booking and having better facilities for them to get information on what is happening with the ferry service rather than just turning up and expecting the ferry to be available.

We have not talked to the operator about more services but we are very much aware that we need to alleviate the peak parking issues with better infrastructure and that has been committed to already. Are we aware of any other conversations about dealing with the peaking?

Mr PETERS - Apart from the demand management issue and better storage of vehicles, no.

Mr HARRISS - What sort of negotiations have you had with the bloke on Bruny, John Grunseth with the land that he owns in terms of providing facilities for parking closer to the ferry terminal where I know ablution facilities and the like are available?

Mr McILFATRICK - Are you talking about on the Bruny side?

Mr HARRISS - Yes.

Mr McILFATRICK - Because of the community, I guess we have concentrated on negotiations between Kingborough Council and ourselves. We did put a precinct planning exercise in place for Ferry Road, which helped us justify our getting the infrastructure commitment for the Community Roads project up in the last Budget. There was a lot more community input to getting Ferry Road fixed and related issues like sewerage et cetera than there has been on the other side, and it is probably a lot more complex at the Kettering side. There has not been as much focus on an observation that there are some issues on the other side, but the peak demand issues have tended to manifest themselves at the Kettering side, and that is in much more proximity to other businesses and housing et cetera, so there is more disruption to the community on the Kettering side.

Mr HARRISS - But a huge disruption to customers on the Bruny side because of the linear nature of the backed-up traffic, which could go back a kilometre. You have kids in the car, they need to use ablution facilities. You can't walk them down the road because you are a kilometre back up the road. You have to drive them down and you lose your spot in the queue.

Mr McILFATRICK - I am not saying it is not an issue. I am just saying the detailed focus we have had with the precinct planning has been at the Kettering side. And your point about negotiating with the landowner, I would need to have a look at whether we have or not. I couldn't say whether we have or not.

Mr HARRISS - Or whether it is the council that has been negotiating.

Mr McILFATRICK - It may have been. I am not trying to avoid the question, I just don't know the answer. After many years of criticism of various governments about Ferry Road, I am pleased at least to have some options for our project planners to start developing and delivering. In fact an early part of that project was getting a fairly inappropriate sewerage treatment works off the beach, and we are going to do that within the next few months. That is already starting. Probably the thing that brought the greatest attention onto Ferry Road was, as you would know, a sewerage facility that we were proposing to build on the foreshore, but that didn't meet with the community desire so we have moved that further up the hill and that will be constructed shortly. Then we will be moving into the detailed planning of how the Ferry Road traffic infrastructure will be provided, based on feedback from the community again. So the backing-up at the Bruny end has had second order sort of attention, and I will find out more about that, where we are at with that.

Mr HARRISS - But it is all part of the equation for an appropriate service to Bruny. The peaks are the issue. General service is accepted as being adequate. I hear what you say about being able to address the Ferry Road issue, which has been a longstanding one. So too has been the other side, because the peaks are the issue. So, could you provide the committee with some understanding of the department's involvement in securing land on the Bruny side or what involvement you have had, because there certainly has been a deal of tension around securing that land. The community has certainly been made aware that one landowner there, Mr Grunseth who owns a whole heap of land down

there near the ferry terminal, was prepared to come to a very generous arrangement to provide parking right close to the toilet facilities and close to the wharf, but that has been ongoing for years, and as to whether there have been hold-ups from the department's point of view or whether all of the hold-ups are at the council's end with regard planning schemes or securing the land -

Mr McILFATRICK - Ask the minister; as I said, I don't know the answer. If it's commercial negotiations with one of the property owners that may need to remain commercial-in-confidence, but if we can do it, I am happy to provide an overview of where we're at, where that sits in the plan - ASAP.

Ms FORREST - The only commercially sensitive information would be the actual cost arrangement. It's not about whether it's -

Mr McILFATRICK - Oh no, that's right. If there's been a proposal put on the table by someone but I'm not trying to - we'll provide the information that we have.

Most of these things, as you know, are done with the council and this is where we both have a responsibility to make sure the island community is looked after as best fits.

CHAIR - My understanding is that the ferry operator has a contract until 2018. Obviously, it's a fairly long contract, so wouldn't there be time that gives the person at the department involved in issuing that contract an opportunity to have conversations, to have meetings and discuss these issues with the operator?

Mr McILFATRICK - Sure.

CHAIR - Apparently, these peak times, as I said to you earlier, appear to be getting more frequent; people are taking the opportunity to travel to Bruny Island more than just at Easter, long weekends and Christmas time, so is that something that you could take the initiative on and speak with Graham Phillips?

Mr McILFATRICK - We speak; just because we haven't got a long-term contract doesn't mean we are not in communication.

CHAIR - You said you hadn't had any discussions so I thought that would be unusual, that you wouldn't have had a discussion about this.

Mr McILFATRICK - About providing a new vessel, is what I said.

CHAIR - Oh, not about the -

Mr McILFATRICK - Getting another vessel would fix the peak-time problem but double the cost of the service for the rest of the time. I know there have been times when they've looked at bringing short-term vessels into play for maintenance but we haven't considered an additional vessel on the route. We've certainly discussed getting as much at the peak times as is possible because they just continue to operate the service continuously at the peak times. Then it comes down to whether the infrastructure is able to assist in that. That's been the community's concern; that even if the vessel is running

continuously the line-ups and the cars, as Mr Harriss said, do cause queuing and are potentially a long way from facilities.

CHAIR - Then obviously the tourism opportunities remain limited while people have to wait around for considerable time to get on and off the island.

Mr McILFATRICK - You can't design any transport service to cope with everyone at a peak.

CHAIR - It sounds good though.

Mr McILFATRICK - Try getting on an aeroplane on a Friday night.

Ms FORREST - Particularly when the computer system for booking in has gone down.

Mr McILFATRICK - There is always a balance between how we can get the maximum service at the peaks within the constraints of the service and the cost of the service for the whole year.

CHAIR - There's no subsidy - is that correct? There's no ferry subsidy?

Mr McILFATRICK - Yes, there is a ferry subsidy paid every year to the operator. There's a subsidy for the operation of the service rather than a subsidy for a particular time of the year. We can get the value of that subsidy, if you like. The Government provides input to the service and I guess it's a subsidy over what could be supplied commercially.

Certainly, in my budget, I have a Bruny Island ferry cost, if you like. It's probably the wrong word to say subsidy. It's a government contribution to the operation of the ferry service.

CHAIR - In relation to that, do you have a contingency plan if something happens to the *Mirambeena* and it can't run?

Mr McILFATRICK - Find another ferry quickly.

CHAIR - Find another ferry quickly that isn't being used anywhere else - like on King Island or Flinders Island.

Mr McILFATRICK - No. There have been plans - we have been able at times to organise ferries from other services, but it is not an easy fix to have a plan to have a ferry waiting in reserve. We certainly do not have a ferry in reserve.

CHAIR - I appreciate that. What about when this particular vessel needs to have its service?

Mr McILFATRICK - Then they make provisions to service the vehicle out of peak times and to bring another ferry into service - probably not of the same capacity, but they bring and have variously brought other ferries in, including the ferry that operates in the Melbourne market, I think. So it has not been an issue to date when they have been servicing it. It would be an emergency breakdown situation or a loss of a vehicle that we certainly do not have a contingency plan for.

CHAIR - The department could almost buy a vessel and then just rotate it around the islands. They would all want it at Christmas, but it would have to be like the family situation where you take your turn, who gets it at Christmas and who gets it at Easter and the like.

Mr McILFATRICK - I will let you put that to my minister then.

Mr HARRISS - Pity the police boat is not big enough.

Laughter.

Mr HARRISS - It could stay in the Channel, it cannot go offshore too far, but in the Channel it would be fine.

Ms FORREST - I do not know if it would handle the strait across to Bruny Island, would it?

Mr HARRISS - Yes, it would do that.

Mr McILFATRICK - We will provide information on the Government contribution to a ferry, but it really is a contribution to make the ferry viable.

Mr HARRISS - In general, what are the vehicle volumes on the Bruny Island ferry - I suspect the precise figures would have some commercial confidentiality to them - but if not -

Mr McILFATRICK - Would you like to know the trend?

Mr HARRISS - I think the committee would be very interested to know what the trend is. Just anecdotally, the people on the island have told us that they reckon it has been escalating. There are lots of tourism ventures that are getting a boost over there. Rob Pennicott's business has generated huge volumes.

Mr McILFATRICK - I think you are right, anecdotally it has grown, but we would need to get those numbers from the operator. Certainly, if we can get those to show the trends and that would be something the committee would like, we will attempt to get those.

Mr HARRISS - If there is anything amongst that which has some confidentiality to it, then the committee could see that in camera anyway.

Mr McILFATRICK - We can ask and I do not think it would be unreasonably withheld. It is not exactly a thriving number of people lining up to supply the service that would be in competition, so I think it would be reasonable to ask and unreasonable for that to be withheld. We will do that. I am sure we have some trend numbers ourselves, but not in detail.

Ms FORREST - Norm, you mentioned earlier trying to look at other ways of dealing with the flow of vehicles onto Bruny Island. You mentioned the pre-booking option. I am just interested in how you think that would work if people pre-booked. On an aeroplane you get a seat allocated, except on the odd flight that I have been on, where they have actually booked more people on than there were seats and they have had to offload a few.

Mr McILFATRICK - You have been to America then.

Ms FORREST - No, that was in Tasmania, that was here. Actually, I was coming back from Melbourne to here. Anyway, the babies have to be counted as a head, even though they are not sitting in a seat. That is how that one happened and they would have had to take a few adult passengers off, or leave the babies without their mothers in Melbourne, which was not ideal either.

Mr McILFATRICK - It is possible to have a priority booking service, whether it is practical or not -

Ms FORREST - This is the thing, if vehicles have to line up when they get there and essentially whoever is in the line first gets on, then unless you have a separate lane for pre-bookings, is that how you would operate it?

Mr McILFATRICK - There would have to be some form of priority lane.

Mr HARRISS - That would be popular, wouldn't it?

Ms FORREST - Yes, I was going to say, so then the tourists who were not aware of this arrangement are sitting there, or the locals who forgot - anyway, good luck with that.

Mr McILFATRICK - People cope with the change. It is a matter of whether that change is going to make a difference to demand. If it is, then that would need to be communicated, et cetera. I am not proposing that we do it tomorrow, but demand management has to be one of the opportunities we look at. It cannot just be a matter of showing up and being entitled to a seat or a place on the ferry, there has to be a recognition that there will be peak times and how we manage those appropriately will be important. We all know that you would not drive down on the day before Good Friday to catch the last ferry to Bruny Island and expect to get on. Most people know that but how do you manage around that, those sorts of obvious peak times? There will be other peak times - maybe they are getting more and more prevalent that we do not know about.

CHAIR - That was certainly the evidence that was provided and I know there are some staff in this Parliament who have places on Bruny Island and they have indicated exactly that, that they have been at the end of that one kilometre queue, lined up since three o'clock to try to get back across. I am not sure where you would put a priority lane on the Bruny Island side either, because there is not much room either side.

Mr McILFATRICK - That comes to Mr Harriss's other comment, yes.

CHAIR - Yes.

Mr McILFATRICK - We are not proposing that at the moment, let me be clear, I am just saying that in any of these solutions, looking at demand management has to be something we take into account.

I was in the United Kingdom recently and people are getting on their iPhones - wanting to know when the next train is or how long it is going to take to get to a certain place in

London. Technology is changing all the time so we will need to look at whether that is a possibility - some form of information management that can help, but of course it won't if the demand is higher than the supply can cope with and then we are going to have to re-look at the whole service.

Ms FORREST - As long as you do not get a recorded message that says 'Your trip is important to us. You have been placed in a queue. We will get to you when we get around to it'.

Mr McILFATRICK - They probably already have that. I guess I am saying in summary, we have a commitment to fix some of the key infrastructure issues that people have been bringing up over the last few years. That does not mean we will stop talking with the operator and the community about the demand and supply issues beyond infrastructure, so that is certainly our role.

As you made the point, talking to the ferry operator regularly is what we need to do. They are the ones that have the information about their customers and we are essentially a government providing a top-up to keep the service commercial.

CHAIR - Are there any other issues relating to infrastructure or transport services to any of the three islands we have discussed today that you believe would be useful to the committee in compiling their report? How often do you get an open forum?

Mr McILFATRICK - That sounds like entrapment to me.

Laughter

Ms FORREST - I thought it did too.

CHAIR - David could have been sitting waiting patiently to put his -

Ms FORREST - To launch into a really good idea.

CHAIR - Yes.

Mr McILFATRICK - The statement I made earlier particularly about the islands, the Furneaux Group, is when we started talking about this we were very much under duress as a community because we did have some fairly ordinary things happening.

CHAIR - Spare a thought for the local member who thought I had a boat for him.

Mr McILFATRICK - We are certainly in a better position with the Furneaux Group now than we were and we are approaching King Island with the same intent to understand the issues and put solutions in place wherever possible.

On Bruny Island, you have raised some issues for us that maybe we need to look a bit more deeply into, but I do not think with any of them we are in crisis yet as we were maybe 12 months ago with the Furneaux Group, and by working harder and closer to it we will hopefully avoid the crisis. You have not touched on anything and there was nothing else in my notes that I wanted to bring up.

There are some good people at TasPorts and on both councils and in Kingborough on behalf of Bruny Island looking at the issues from a customer's point of view, so we need to keep to hearing that. Local government has always been a bit closer to the issues than the State Government can be.

CHAIR - The committee has been extremely well received and while we have been in recess, if you like, we have had quite a number of contacts to the committee looking to get back and progress it so people are certainly looking to the committee to finalise the report and make the recommendations, hence -

Ms FORREST - Particularly for King Island.

CHAIR - Absolutely. There are certainly some significant issues in my mind, and I cannot speak for other members of the committee, at this point in time but it has certainly brought to the fore a number of issues that I was not aware of as well, so it has been very useful.

Mr McILFATRICK - Thank you.

CHAIR - Thank you very much. We appreciate your time, as always. Please pass on our best wishes to the minister, who we hope will be very receptive to any recommendations that come forward.

Mr McILFATRICK - I think that date was 3 November - if it is wrong, I will let you know.

CHAIR - I am sure they will host you well, they always do. Thank you, David.

THE WITNESSES WITHDREW.

MR CHARLES ARNOLD, MAYOR, KING ISLAND COUNCIL, **Mr MARK GOODE**, GENERAL MANAGER, KING ISLAND COUNCIL, **Mr VERNON PHILBY**, CHAIR, KING ISLAND SHIPPING COMMITTEE, AND **Mr GREG MORRIS**, COMMUNITY REPRESENTATIVE WERE CALLED, VIA JOINT TELECONFERENCE, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Ms Rattray) - Thanks, gentlemen, for joining us a bit earlier than we originally organised. I am not sure who would like to lead off. Obviously you felt it was important to speak with the committee again, given that we have had some time lapse, and as a committee we are interested to hear the issues that have arisen since we spoke to you on the island at the time.

Mr ARNOLD - I would suggest that Mr Morris open with his presentation.

CHAIR - Thank you very much, Charles.

Mr MORRIS - Firstly, since the last time we gave evidence there have been two wharfage increases which are imposed by King Island Ports Corporation, a subsidiary of TasPorts. Now one was originally deemed to be against the cost of security, and the second most recent one was above the CPI but just deemed to be increased operating costs. But it is becoming a bigger issue because we are looking at approximately \$220 just to get an empty container backwards and forwards across the wharf and it seems to be ever-increasing, and our concern is there does not seem to be any scrutiny of that cost under the system that it operates as a subsidiary of TasPorts.

CHAIR - How long has the security system been in place?

Mr MORRIS - It has been progressive, with the fencing thing and now we have a manned gate on a Sunday where you have to stop at the gate and flash your pass before you are allowed on which, ironically, when there are probably only 10 people who go on and off that wharf to here, seems a little bit excessive.

CHAIR - Yes, and that point was raised by the committee with TasPorts earlier today. They did not really have a definite answer to why they were just complying with no real understanding, I think, of why it is necessary for such a small port and the implications.

Mr MORRIS - The flow-on from that is that previously I have made some submissions to the Ombudsman et cetera, and to the Government Prices Oversight Commission regarding the scrutiny of TasPorts' charges, being a government business enterprise. I got nowhere with the Ombudsman because I could not prove that the charges were impacting on my business personally. I just put it up on behalf of the community and my concerns about lack of scrutiny over the prices. The reason I queried those is the fact that they also run several commercial operations, being livestock transport, fuel deliveries and other competitive behaviour in some areas yet they have the monopoly situation on wharfage, which seems to make it possible to offset some of their losses in other areas.

CHAIR - That was certainly raised with the committee at an earlier time as well, so it is a valid point. And the GPOC - any response from them?

Mr MORRIS - No, they have not come back. I guess the opportunity has to be raised at the actual Estimates hearing, or whatever, for the committee to really find out what is happening there. The second issue regarding that, is that since the local chairman of the board resigned last year, the local representation on the King Island Ports Corporation Board is only two members, so we no longer have the actual controlling vote on King Island any more and that is a concern to us as well.

CHAIR - I think Ruth, who is the member for Murchison, was looking to follow up there, Mr Morris, so I will hand you over to her.

Ms FORREST - Hi, Greg. I did raise this issue of the increased cost of security at the wharf as one of the reasons for the increased wharfage and increased cost imposed to the users and I did ask about other methods of achieving the same end. There was a brief discussion about the fact that they would have to undertake a business case to look at other models, such as video monitoring, closed circuit TVs, that sort of thing. They have an opinion that it would not be any cheaper than having a man on site, but that assessment has not actually been undertaken. Do you think that is something that should be pursued?

Mr MORRIS - Sorry, I did not catch the last bit.

Ms FORREST - Do you think that is something that should be pursued, looking at different options for meeting the security requirements to make it cheaper?

Mr MORRIS - I am sure there are different options. I just think that it is another method of increasing staffing. There just seems to be a snowball effect as justification to employ somebody else.

Ms FORREST - And this is flowing onto the costs of King Islanders accessing the port?

Mr MORRIS - Yes. And since I sent you the last copy of the wharfage increase, there has been another increase, which is their annual increase, and that is higher than the CPI as well.

Ms FORREST - The last increase was above CPI, did you say?

Mr MORRIS - I believe so. I think they have got what they call a 'marine CPI' too, but it is a big vague to me. Some years they quote it and other years they do not.

Ms FORREST - I have asked them to provide their costing arrangements for each of their ports, so you can see a comparison of what is charged for what. I think that might be helpful.

Mr MORRIS - That would be good, but the Schedule of Fees is not necessarily the fees they actually charge. I think elsewhere you can negotiate those fees, whether the shipping company does it as bulk or whatever, or they are fixed and everybody pays them same. That is what I have not been able to determine: what is the scheduled fee and what people are actually paying. I think they would be a little bit different.

Ms FORREST - That may be more difficult to obtain, I think. We will look at what we get and make a determination from there.

Mr ARNOLD - Based on the fees, we can send you a copy of the charges, which are set out effectively as at the 26 July 2010. Just as an example, Greg mentioned that a six-metre container just to go across the wharf cost us an extra \$204 at the wharf each way - that is \$408 that goes onto a container.

Mr MORRIS - No, that is the total on and off.

Ms FORREST - So \$200?

Mr ARNOLD - It is \$204. If we get down to livestock, you get a situation where it is costing you at present about \$21.35 per head. So if you send off a couple of hundred it is quite an enormous amount just to take them across the wharf. Livestock is shipped in mobile units - bulls and rams and horses.

Ms FORREST - That is whether in the back of a truck or on foot?

Mr ARNOLD - No, that is a truck; on foot it is more economical.

CHAIR - Mr Hall, any questions that you might have in relation to the stock movements?

Mr HALL - No, I missed a couple of those bits, Madam Chair. So basically in an historical context over the past five years, have you got an indication - I know Ms Forrest asked the question whether it was above CPI and what the increases have been above CPI or whatever - but can you tell the committee whether it is a 50 per cent increase over the past five years in wharfage and general security costs? Could you just give us a gut feel of that?

Mr MORRIS - You're very close.

CHAIR - Who have we got speaking? Is that you Greg?

Mr HALL - Yes.

CHAIR - Right, that was Greg.

Mr HALL - Yes, so around at least 40 per cent, do you reckon?

Mr MORRIS - Yes, around that.

Mr HALL - Okay. Thank you, that's all.

Mr MORRIS - It's Greg Morris again. Another area of concern is - and I'm not sure if it applies elsewhere - that they also charge a 25 per cent surcharge on anything that's over dimensions, such as two inches too wide or a foot too high or whatever. I don't know if that applies anywhere else in Australia; I don't believe so. I think it originally came from when the ship had charged that because something over length took up extra room on the ship. When you get to the wall, the extra room it takes up is negligible and a lot of

blokes felt that that's a pretty unfair impost - a 25 per cent overall surcharge because it's two inches over width..

Mr HALL - Madam Chair, that would be an interesting one to investigate if we could, because I ordered a piece of machinery from Queensland just recently and I think the same thing applied but I'm not entirely sure. It would be worthwhile checking the veracity of that.

Mr MORRIS - It definitely applies on the shipping side

Mr ARNOLD - The other item basically on the general situation with regard to TasPorts and the island - and I think it was raised before - is the example of our fertiliser. If the fertiliser comes from areas other than mainland Tasmania, it basically arrives on the island, or it used to arrive on the island, in containers. There used to be a bulkship which came in from Impact from mainland Tasmania. That came by a bulk ship once or twice a year. TasPorts, in their wisdom, have declared that the port is no longer available for a ship of that size unless it has a pilot and has tugs on stand-by. They have reduced the usage of the harbour for a ship without an accredited pilot to those that are less than 75 feet. The only boat that can come into the harbour would be similar to some of the barges that go to Flinders Island, which are, of course, most unsuitable. The major reason for that is that the pilots that they have employed are not accredited above 75 feet. It was about 15 to 18 months ago when this first happened, and at the time there was a great amount of discussion. There was an undertaking by TasPorts and their senior manager, Mr Charles Somebody that they would upgrade the standard of their pilots - in other words, get them to take extra tuition and gain more experience. This has not happened so that all the fertiliser that comes onto the island is presently via container. So it has penalised not only the locals but it has also penalised Tasmanian companies in that they virtually cannot compete with the costs of acquiring the fertiliser from other areas of Australia.

Ms FORREST - With regard to that, Charles, is this like a MAST directive or some sort of directive that they have to comply with as far as needing a pilot or a tug on stand-by?

Mr MORRIS - It depends on what area it has to come in from, but it does also impede on any attempts to get some of the smaller tourist ferries to drop in stuff too, which they used to do in the past. I couldn't really say who is saying no; I don't know.

Mr HALL - Were there any issues when the fertiliser was coming in in bulk? I think you said it was coming from Impact, in Hobart, straight up. Were there any issues at all in berthing or safety?

Mr MORRIS - I think there were some issues with weather conditions - it tended to wash off the wharf. Some would deem fertiliser to be a major pollutant to the environment. Others just see it as a fertiliser, but I do not know how big an issue that was.

Mr HALL - So some fertilisers coming to the island come in containers from the mainland?

Mr MORRIS - Nearly all fertilisers are containerised.

Mr HALL - So, as you say, then that has prejudiced Impact because they were competing better when they were sending it in bulk?

Mr MORRIS - They were, but I personally do not know how the northbound freight equalisation between mainland Tasmania and King Island affected the bulk rate?.

Mr HALL - Oh, yes, okay.

Mr MORRIS - I do not know if it is as big an issue now as it was. I can't be sure.

Mr PHILBY - It is Vernon Philby here. Regarding the metres for the vessels coming in I believe Marine and Safety put on 100 metres and SeaRoad ships are the only ones that have an exemption to come into the harbour.

Mr ARNOLD - But they would also have to have a backup bow thruster (?) and both engines working too to get in. The master of that ship has to have the correct qualifications as a pilot but that is a limitation that is affecting us at present with regard to bulk fertiliser.

The other major thing is the situation we find with regard to King Island Ports Corporation, which, as you all know, is basically a subsidiary of TasPorts. There has been a discussion going on for a number of years with regard to whether the King Island Ports Corporation, which is acting as a fully-owned subsidiary, should be taken back into the fold of the major TasPorts company group.

This has been subject to some intensive studies and a report was done where the recommendation was that it should remain as it is until it was proven to be not liable. In the Ports Corporation company, which was a continuation of the King Island Harbour Board, we had representation of three persons from the King Island representatives and two from TasPorts.

Up until about eight months ago the chairman was a King Island representative. In the wisdom of TasPorts they have decided that when they decided not to reappoint Peter Bowing (?), they decided to run with four directors and, as a result, there is the chairman who has a casting vote and there are two directors who are employed or appointed by TasPorts, one of whom is resident in Melbourne and the other one, who was the ex-general manager or CEO of TasPorts, now is a resident of Queensland - they simply now have a quite visible, controlling interest on the procedures of King Island Ports Corporation.

Ms FORREST - Charles, when that decision was made, was there any consultation with the council or even with the current board members who obviously had the majority of King Island residents at the time?

Mr ARNOLD - I believe I would not be too cynical to say that there is very little discussion within the board, let alone anywhere else, and I won't say what has happened within the board's members but the inference I get is that there is very little discussion about anything and that was not discussed. There is most certainly no community input or even reference to the council. I believe, and you can correct me if I am wrong, when it was previously discussed some two years ago that there might be some move from TasPorts to take over King Island Ports Corporation, that there was discussion in the lower House

and I understood that before that could take place, there had to be an agreement either with the directors of King Island Ports Corporation or an agreement in the House. Now, of course, they are in an ideal situation where on pure voting numbers alone a decision can be taken behind the screens of the Government's control of a private company, and they see it concurrently published that the decision was taken to amalgamate or dissolve the King Island Ports Corporation.

That leads me to the situation where over the last two to three years we have been having discussions - and we thought we had broken through the barrier and had some very fruitful discussions through Minister Sturges with regard to the interaction of the community with King Island Ports. But that has gone cold, near to freezing point, over the last eight to nine months and there is no change in the attitude of King Island Ports Corporation and TasPorts about trying to maintain the access they have on the island, and that access is still further deteriorating. I understand that this is through the pure basic business idiom of this business centre that the Government controls.

CHAIR - The committee is of the understanding that the minister and the secretary of the department, Norm McIlfratrick, will be over on about 3 November, so obviously those issues will be key to your discussions at that point in time. Is that your understanding?

Mr ARNOLD - I hope so. I was advised that they could be coming over. I have been discussing it with Norm; he has been telling me for the last next few months that this is going to happen. But I understand that the minister is coming in by aircraft out of Melbourne, possibly at 9 o'clock in the morning leaving on an aircraft out of here to Tasmania at 5 o'clock. I was asked that if I would be prepared to set the itinerary. There are a number of things, which are covered by the minister and I would think that this ports situation is very low on the agenda. I have been trying since the current government was elected to follow up on undertakings which were given to me by Minister Sturges and I still have not been able to get to the minister. I have been trying to be quite gentlemanly about it and do it through the secretary, Mr McIlfratrick, who was very helpful, but I just hit stone walls. We are also, through the council and the shipping group, trying to resolve matters with regard to the interim Grassy Harbour and possible withdrawal of the only ship which comes into the area and we have finally got to a position where there is a draft on its way to possibly enter agreement, but that has taken a lot of arm-bending and very polite bullying, shall we say.

CHAIR - Charles, can I suggest that there is no flight out on that evening for the minister and you might have to keep her overnight?

Mr ARNOLD - I know that I think I am a smart character being the Mayor of King Island, but I do not think I can control leaders (?) (*inaudible*)

Laughter.

Ms FORREST - It happens often enough without your intervention, Charles!. DIER and Mr McIlfratrick did talk today about the draft policy to discuss this issue and that is one of the purposes of their meeting when they are coming over on 3 November approximately, if not that date. This is, as I understand the discussion that we had around that time, to look at the forecast for tonnage, the actual needs of the port into the future, including issues about whether the mine gets going or not and what the requirements will be for

that. He made it quite clear that the mine should be responsible for dealing with the issues related to increased volumes through the port. But to this point have you, or other representatives on the island, like the shipping group, had input into this document?

Mr ARNOLD - We only received it on Friday.

Ms FORREST - And you have had no input into any aspect of the lead into it?

Mr ARNOLD - No. Sorry, yes, there has been a submission put into the section of DIER who are editing this document, generally based on the Flinders Island document, I understand. But really the document as prepared only arrived on our desks on Friday last and we have not had a chance to look at it yet. Just from scanning it, I think it is going to take a fair bit more than a month or five weeks to basically come up with a suitable answer on that.

Ms FORREST - So you will be preparing a response before the minister arrives, then, to inform the debate when she gets there, is that the plan?

Mr ARNOLD - That is what we will endeavour to do once I find out exactly what she is here for.

Ms FORREST - Our understanding is that that is the purpose of her visit.

Mr ARNOLD - Okay, well, I will chase it up then and we can be advised as well.

Ms FORREST - Some time ago, Charles, you produced a discussion paper looking at King Island Council perhaps taking over the operations of King Island Ports Corporation. Is that something that is now off the radar?

Mr ARNOLD - No, that is what I had an undertaking by the previous minister about - that once the new Government was settled in, or the last election was over, we would sit down and discuss that. That was a proposition which was put up by myself which is a starting point. What we were going to do as well as take it over was to work in conjunction with them, because we have a silly situation in that with 1 700 people we have two major commercial entities, fully manned with accountants and other staff. As has been described, the King Island Ports Corporation is run in a pyramid format, but unfortunately the workers are at the point at the bottom. The executive and major professional staff are based on the top. They are completely inverted to most common commercial entities.

Mr HARRISS - Charles, that discussion paper - did you say you had presented that to Graeme Sturges before the election or you just had discussions with him?

Mr ARNOLD - I presented it to him before the election and had discussions before the election.

Mr HARRISS - So it has been presented to him?

Mr ARNOLD - That is correct.

Mr HARRISS - Thank you. So you are still of the view that that is a matter worthy of pursuit?

Mr ARNOLD - Very much so. I cannot describe it more without being libellous in my opinion of the commercial efficiency of the organisation.

Ms FORREST - Then you will undertake to discuss it with the minister, outlining your points in your discussion paper at that meeting?

Mr ARNOLD - Yes, I am happy to. Every time - I have been in Hobart - three times since the Government settled down - I have not been able to get an appointment yet, and that is the main intent.

Mr HARRISS - Looking at that document, which you have provided for us, the reference in your table to the King Island Council and all of those figures, what do they represent?

Mr ARNOLD - They represent the projected input that the council would put into a possible partnership and that represents the access and the return of the airport.

Ms FORREST - Of the airport or the shipping port, or both?

Mr ARNOLD - There are two problems: one is the access and viability and return on figures that we can ascertain with regard to King Island Ports, and then on the second paragraph there is a suggested analysis of the actual figures on the King Island airport.

Mr HARRISS - Yes, so with regard to that second column of your document, the balance sheet where you have the cash asset of \$690 000, is the current cash asset against the King Island airport account?

Mr ARNOLD - It is held in reserves. The value of the land has not been put in.

Mr HARRISS - No, okay.

Mr ARNOLD - The value of the asset has to be put in.

Mr HARRISS - Yes, so that is held in reserve.

Mr ARNOLD - Yes.

Mr HARRISS - You have that. Your proposition is to transfer that over to this new joint authority?

Mr ARNOLD - It was based on the premise put to me that it would be far more workable if we looked at amalgamating the two entities into a transport proposition for the whole island.

Mr HARRISS - Yes, okay. Then your figures go on to suggest that that could be a viable proposition?

Mr ARNOLD - Yes it would be because there would be an input with regard to the return from the airport. Subject to the conditions based on the latter part of that report there would be a return back into the community of any profits made within the Ports Corporation and that matching resource would be controlled and run by a management group with specialisation in the ports. The backup commercial support would be from the council, which has the potential and has extended the potential in our most recent appointment of a general manager and director of corporate services.

Mr HARRISS - So your clear proposition, as I read it, and looking through for instance the income statement that you have prepared as an aid to our consideration, would be that you could run a more productive and profitable business than is currently being run?

Mr ARNOLD - Very much so.

Ms FORREST - Charles, when we asked TasPorts a similar question about whether that would be considered, their answer was a fairly blank no. It would still remain as a government business, I assume, even if the council did take it over. Would that be your understanding?

Mr ARNOLD - I would suggest that there has to be part-ownership by the Government because there is quite a substantial value in assets. Even if the council's assets are basically government assets there would have to be some protection there so it could be run as a general business centre. If you have a look at the proposition it is very similar to the water corporations without the untold expense of the corporate -

Ms FORREST - Shared services.

Mr ARNOLD - structure. It would work on a very efficient commercial proposition.

Ms FORREST - Charles, that being the case, would it then not be necessary for 50 per cent of the profits to go back to the State in dividends?

Mr ARNOLD - Yes, but what I am suggesting is that, as they do with the Ports Corporation, those returns come back into the community. In the early stages we have financed the maintenance work and the upgrading of the existing assets that have been basically ignored for the last 10 to 15 years.

This was just an opening gambit to try to sit down and discuss it with the Government because we are using just-published figures with regard to the Ports Corporation. You cannot get down to the actual figures because of commercial-in-confidence.

Ms FORREST - Yes. Charles, you are suggesting a structure similar to the water and sewerage arrangement where it is owned by council but it still has some links to the Government with dividends flowing back.

Mr ARNOLD - Yes it has some links but the Government in fact with the water and sewerage corporations basically do not take any major moneys back in dividends. It is left within the corporations to run as a corporate entity.

CHAIR - They are actually giving some dividends back at the moment with their subsidy.

Mr ARNOLD - They have not told us of that yet because we cannot get any dividends out of them.

CHAIR - They are giving something back to the public.

Mr ARNOLD - As you know that did not come out of any of that corporation money; that came out of slush funds that are around the place.

Laughter.

CHAIR - Surplus.

Is there anybody else at your gathering, Charles, who would like to add anything? It is a fairly comprehensive overview that you have given and we have a copy of the discussion paper. As Ruth indicated, TasPorts were very firm in their answer that no, they're not interested in letting King Island Ports Corporation go to any other model, so that is something that you would need to discuss very firmly with the minister, I expect.

Mr ARNOLD - I think as we go down we might take that a little further with regard to the particular act they operate under. I think that their responsibilities under that act and the Government's responsibility under the Government Business Enterprises Act should be fully discussed.

CHAIR - Absolutely, I agree wholeheartedly.

Mr ARNOLD - I would suggest that that basically covered in the initial stages what persons thought would happen in cases such as the more remote and small entities that cannot survive with this very strict and maybe a selfish attitude with regard to wanting to pull all the moneys out of it and disregard the small areas.

Ms FORREST - The one thing I raised, Charles, around that was a community service obligation aspect to it. Norm McIlfrick had a view that that would be a more appropriate way of dealing with ongoing challenges rather than trying to subsidise a service, which is a bit messy and is not clearly identified in a set of accounts whereas a CSO could and should be listed separately. Do you have a view on that aspect of it?

Mr ARNOLD - I believe that there are more ways than one to skin a cat but if you are going to do it with CSOs you run into a situation like, for instance, the problems that the Bass Strait islands have with electricity parity. We are getting it thrown at us every time we raise that matter that we get the CSO and that we are getting more than our fair share but basically we are still well above the cost of electricity in mainland Tasmania. I was interested to see in the *Mercury* today that regional buses were being supported in remote areas of the southern part of Tasmania. I understand with regard to Bruny Island you have a situation where the infrastructure of the ferry itself and also the pier infrastructure are owned by the Government and they let it out to a private operator. I do not know whether that is a CSO but let us call apples for apples and see if we can resolve the matter. Let us bring it to a head so it is resolved instead of it being just swept under the carpet because commercially this island cannot last much longer if every time we lift our head we are getting hit by some way of paying for gross mismanagement by bureaucrats.

Ms FORREST - Does anyone else want to comment on this particular aspect because I would like to move on to the replacement ship?

Mr ARNOLD - That is fine.

Ms FORREST - The replacement ship - this is another matter that I understand will be discussed at this meeting on 3 November because it is all relevant to the ongoing operation of the port. It has been made fairly clear that the cost is in excess of \$40 million to \$60 million and is the projected figure for an upgrade of the port to take the size of vessel that TOLL may be considering but they are not going to proceed with any sort of upgrade until they know exactly what they are dealing with and even then it would be out of the question at this stage. As a community what are the most important aspects that are considered in this whole decision about a replacement vessel?

Mr PHILBY - At our last meeting with SeaRoad we heard that they are looking at a proposal to keep the *SeaRoad Mersey* on and tie it up in Devonport for five days a week and then have its motors running - because they cannot stop it because of the fuel waxing - and then just schedule it to come to King Island backwards and forwards when needed once or twice a week if the cargo is there. That is the last proposal they put to us. They have got to work through it with TasPorts in Devonport, who will have it tied up for that period of time.

Ms FORREST - So would that just be from Devonport to King Island and return?

Mr PHILBY - Yes, I think that would be right.

Ms FORREST - So what about freight that goes to Melbourne? It would have to come back to Devonport and then go on the big ship to Melbourne from Devonport.

Mr PHILBY - They'd ship it through from Melbourne to Devonport on their new vessels and then transfer it over to the King Island one. It would be a mid-week service. They would do away with the Sunday service, but there will be a cost there of be running the motors all the time, with two crew on it and it will be interesting what TasPorts charge in Devonport to tie it up. That is a short-term proposal that SeaRoad put to us.

Ms FORREST - Do you believe this could open up another opportunity for a different operator to come into the market and provide a service with a ship of a similar size and capacity? I understand that you need to make sure that you can get the cattle on and off and all the other different types of freight that you have. Is that worth pursuing or what do you think is the most appropriate way forward here?

Mr MORRIS - SeaRoad is looking at getting the vessel surveyed to do this work which may be three to five years depending on costings on that as it adds a maximum of five years. As you know, with Australian shipping conditions, it is pretty hard and expensive to keep a ship in survey, so even if this goes ahead, SeaRoad is sort of taking a bet each way that if the mine does go ahead and the new port structure comes in then they could perhaps make more money against the mine in the future. I personally think that we do have to be looking for another vessel that we can bring in in two to three years or perhaps the option that SeaRoad put up may give us a bit more breathing space-. But when

questioned about the price, effectively it is going to be no cheaper than what we are paying and my guess it could possibly be 30 per cent to 40 per cent on top of our existing freight rates just to get this vessel into survey with insurances, staff and berthing et cetera. If you take a ship that is operating seven days a week and tie it up for five and use it for two, the extra costs have got to be prohibitive.

Mr ARNOLD - I believe from discussions that it appears that the mine will go ahead, but it has changed its mining procedures and it will be underground. That is what they are working on and I would think that, unless there is major money being supplied by Federal and State governments, the harbour design as set out in that report is very unlikely to be achieved.

CHAIR - Charles, it was suggested by the department - and, I believe, TasPorts - that it would be up to the mine to make the appropriate arrangements for what they need. Do you have a comment on that? Have you had some conversations with the mine? Obviously you would have done.

Mr ARNOLD - I would think that any ship about the size of the *SeaRoad Mersey* would be able to handle the mining needs. As long as it came to the island more than once a week that would be able to handle as much as the mine would require. There might be a little bit of a hiatus in the construction period of the mine but even with that I would think that they would require nothing larger than the *Mersey*.

CHAIR - Right. Okay.

Mr HALL - Excuse me, Madam Chair. I have to disappear into cyberspace, I am sorry.

CHAIR - Thanks Greg. Any questions before you go, that you are interested in?

Mr HALL - I do not think so.

CHAIR - Okay. Thanks for joining us.

Mr MORRIS - Also on what SeaRoad put up, they are modifying their port facilities in Melbourne purely to operate their new ships. Now, the Devonport facilities will still be set up so it can handle both but there it is going to actually lose berthing access in Melbourne so whether the ship that we look at as a community and whatever, we will still have to secure some sort of berthing arrangements on the mainland as well. So there is a lot to happen in the next few years and we need to be sure that it happens pretty quickly because I think with this offer of SeaRoad - all they have to do is change the figures and suddenly that offer is not there, so it is something we cannot bank on - put it that way.

CHAIR - It certainly appears, from the information that you have provided this afternoon, that these talks need to happen very quickly.

Mr ARNOLD - What has to be taken into consideration is that the stevedoring business on the island is controlled by SeaRoad as well. All the equipment is their equipment so it is not just a matter of one shipping group leaving and another shipping group coming in; it is the overall stevedoring side of it that has to be considered as well.

CHAIR - It is certainly a concern, I expect, for the island in general. Mr Goode might be able to answer this question; have you seen that the uncertainty around what is happening with the shipping services has caused a lack of investment or a lack of growth in any of the businesses?

Mr GOODE - I am very new to the island but there is a great deal of lack of confidence across a number of issues. One is that people realise that SeaRoad has declared for some time that they are going to pull the *Mersey* out, and as Greg and Bernard have said, this temporary reprieve is really just enough time to organise something else; it takes quite a while to organise another vessel.

I think everyone is quite concerned about several things. One is, as we mentioned earlier, the rising costs. They can't really be separated. You have got in essence, I guess, a monopoly operation which is competing in some sectors with private enterprise very closely tied to a shipping operator that is changing its vessels, and a public policy of community service obligations that makes the assumption that we have a profitable enterprise here but we have all seen the figures. So, I guess, one of the difficulties to give businesses and the community confidence is the lack of transparency on the figures that make up those various elements. So, I suppose, with the lack of information lots of people get a little bit nervous.

I guess, for the sand mining operation in Naracoopa, they need to make their own arrangements to make it cost effective and I guess the scheelite mine does.

I think clarification around all the cost elements of the different things we have talked about would help people to understand and I guess we really need to get onto an alternative solution whilst SeaRoad have given us that buffer.

CHAIR - Thanks for that Mark. Any other input that anyone who is over on King Island might like to give to the committee this afternoon?

Mr MORRIS - I guess what Vernon said about the monopoly situation applies even with SeaRoad - SeaRoad is aggressively competing with TOLL across the Strait but they still have the monopoly legs between King Island and Melbourne and between King Island and Tasmania, so we do not know. We cannot get a company to compete to get a good freight rate where others can negotiate a freight rate. We just have to wear whatever they put on it and we do not know if we are subsidising their competition on the other legs. As I say, we do not know.

CHAIR - The information that Ruth asked for from TasPorts may or may not give us some sort of indication about that when we get it. Obviously, they are probably not going to supply us with information that might undermine what they are charging but let us wait and see what we get from that.

Mr MORRIS - As I said, this is not a TasPorts component; this is SeaRoad itself.

CHAIR - Yes, but I am just saying that it all contributes to the price that is paid, doesn't it?

Mr ARNOLD - Yes and no. The wharfage component is part of it but it is not the shipping component, what the extra shipper is making he has not been making out of King Island compared to offsetting it against losses or being able to compete on the north-south Melbourne to Devonport -

CHAIR - I take your point.

Mr ARNOLD - Just one other thing: if we were able to get a copy of what was said by Norm and the minister or their representatives, so that we know what will happen when they come to the island, that would be appreciated.

Ms FORREST - Charles, that will be available on the website probably in a week or 10 days.

Mr ARNOLD - That is wonderful. Thank you.

Ms FORREST - If you have any trouble sing out and I will shoot it through to you.

Mr ARNOLD - Thank you very much indeed.

CHAIR - They indicated to the committee that they were heading over to talk. They certainly did not mention any other infrastructure particularly, other than the port and the issues that you are facing. We were only asking about that particular infrastructure today.

Mr ARNOLD - If we could resolve that it would be great.

CHAIR - It would be a good start, wouldn't it?

Mr ARNOLD - I'll say.

CHAIR - We have resolved a few issues on the Furneaux Group since we have started this committee, Charles, so we are hopeful.

Mr ARNOLD - It sounds good and Christmas is coming shortly too.

Ms FORREST - Is it really?

Mr ARNOLD - Let us hope the ducks are getting fat.

CHAIR - Charles, Mark, Vernon and Greg, we appreciate immensely your time this afternoon and we will continue on with this committee because it is really important. We think we have made some headway since the commencement of the committee, but there is still a lot more to be done.

Mr ARNOLD - Thank you. You are a breath of fresh air.

Ms FORREST - Charles, can you let me know when that meeting is confirmed with the minister?

MR ARNOLD - Yes, certainly.

Ms FORREST - I might have to be on the island on the day.

Mr ARNOLD - Good, okay, that will be great.

CHAIR - That will be an extra seat she will not be able to get off.

Ms FORREST - I will be flying the other way.

Mr ARNOLD - I do not know whether the cray season will have started by then but we might have to get a couple of illegal crays. You will get me out of jail, will you?

Laughter.

Ms FORREST - I know someone who can represent you at least.

CHAIR - There are some good people in the Legislative Council, I can assure you, so we will do our best. Thank you so much for your time today and all the best, gentlemen.

Mr ARNOLD - Thank you very much.

Mr MORRIS - I did get a call from the *Examiner* asking some questions about this meeting today. What is available to the public about what we said today?

CHAIR - Well it is on public *Hansard*.

Ms FORREST - It will be.

CHAIR - It will be in about 10 days. Obviously specific issues need to stay in-house but generally you can talk about what you have talked about with the committee.

Mr MORRIS - Thank you.

Mr PHILBY - Thank you. It is Vernon again. Can we send you down the minutes of the last meeting we had at SeaRoad?

CHAIR - That would be very helpful, Vernon. Thank you, gentlemen, we appreciate your time.

THE WITNESSES WITHDREW.