



PARLIAMENT OF TASMANIA
Legislative Council

LEGISLATIVE COUNCIL SELECT COMMITTEE

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE 'A' 2022

Report with Minutes of Proceedings

Members of the Committee:

Hon Nick Duigan MLC
Hon Luke Edmunds MLC
Hon Ruth Forrest MLC (Chair)
Hon Mike Gaffney MLC
Hon Dean Harriss MLC
Hon Sarah Lovell MLC (Deputy Chair)

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**LEGISLATIVE COUNCIL
GOVERNMENT BUSINESSES SCRUTINY COMMITTEE “A”**

MINUTES

MONDAY 28 NOVEMBER 2022 AND TUESDAY 29 NOVEMBER 2022

MONDAY 28 NOVEMBER 2022

The Committee met at 2:30 pm in Committee Room 2, Parliament House, Hobart.

Present:

Mr *Duigan*

Mr *Edmunds*

Ms *Forrest* (*Chair*)

Mr *Gaffney*

Mr *Harriss*

Ms *Lovell* (*Deputy Chair*)

Apologies:

Nil

In Attendance:

Jenny Mannering (Secretary)

Ali Scott (Committee Secretariat)

Other Business

The Chair advised the Committee that Hon Michael Ferguson, MP, will be appearing before Government Business Scrutiny Committee ‘A’ on Tuesday 29 November 2022 via webex.

Minutes of the Meeting

The Minutes of the Meeting held on Thursday 27 October 2022 were confirmed as a true and accurate record.

Incoming Correspondence

The Committee received stakeholders incoming correspondence.

Outwards Correspondence

- Emails dated 28 October 2022 inviting written submissions/comments from relevant stakeholders
- Letters dated 28 October 2022 to relevant Ministers and Chairs providing meeting details for GBA hearings on Tuesday 29 November 2022

The Committee received and endorsed incoming and outgoing correspondence.

Stakeholder Meetings

At 2:35 pm the Committee commenced informal discussions with stakeholders.

The meeting was suspended at 4:12 pm until 8:45 am on Tuesday, 29 November 2022 in Committee Room No. 2, Parliament House, Hobart and via webex.

TUESDAY 29 NOVEMBER 2022

The Committee resumed at 8:55 am in Committee Room 2, Parliament House, Hobart and via webex.

Present:

Mr *Duigan*

Mr *Edmunds*

Ms *Forrest* (*Chair*)

Mr *Gaffney*

Mr *Harriss*

Ms *Lovell* (*Deputy Chair*)

Apologies:

Nil

In Attendance:

Jenny Mannering (Secretary)

TASMANIAN PUBLIC FINANCE CORPORATION

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

Hon Michael Ferguson MP, Treasurer (via webex)

Mr Tony Ferrall, Chair

Heath Baker, Chief Executive Officer

Ignacio Welch, Chief Financial Officer

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

Question on notice

- What is the rate of return for the Mersey Community Hospital since 2017, and anticipated returns (if available)

The witnesses withdrew at 10:45 am.

The Committee suspended at 10:46 am

The Committee resumed at 11:15 am

MOTOR ACCIDENTS INSURANCE BOARD

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

Hon Michael Ferguson MP, Minister for Infrastructure and Transport (via webex)
Mr Don Challen, Chair
Paul Kingston, Chief Executive Officer

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

The witnesses withdrew at 12:43 pm

The Committee suspended at 12:43 pm
The Committee resumed at 1:30 pm

TASMANIAN RAILWAYS PTY LTD

At 1:30 pm the following witnesses appeared before the Committee:

Hon Michael Ferguson MP, Minister for Infrastructure and Transport (via webex)
Mr Stephen Cantwell, Chair
Steven Dietrich, Chief Executive Officer
Neale Tomlin, Corporate Affairs and Strategy Manager

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

The witnesses withdrew at 3:02 pm

The Committee suspended at 3:02 pm
The Committee resumed at 3:15 pm

METRO TASMANIA PTY LTD

At 3:15 pm the following witnesses appeared before the Committee:

Hon Michael Ferguson MP, Minister for Infrastructure and Transport (via webex)
Mr Tim Gardner, Chair
Katie Cooper, Chief Executive Officer

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

Questions on notice

- What is the movement in the total defined benefit liability and when are employer cash payments expected to peak, and at what level (i.e what is the total amount)?
- How will the gap between defined benefits expense as per the profit and loss and the defined benefits cash payments need to move over time to meet the costs, and when will the peak gap occur?
- What is the number of female bus drivers
- What are the number of claims for workers compensation lodged in the 21-22 financial year? How many of those are for mental health/stress related injuries, and how many are related to assaults on drivers?
- How many employees have had access to EAP in the last financial year?

The witnesses withdrew at 5:03 pm

Other Business

The Committee resolved that the report would be presented to the President by Ms Lovell on 14 December 2022 (subject to the availability of the President).

Next Meeting

8:45 am on 12 December 2022 via Webex.

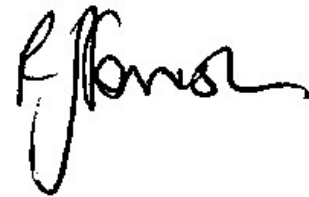
Adjournment

At 5:13 pm the Committee adjourned.

DATE:

CONFIRMED

12 December 2022

A handwritten signature in black ink, appearing to read 'R. Jones', is written over the 'CHAIR' label.

CHAIR

APPENDIX A – TRANSCRIPTS OF PROCEEDINGS



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESS SCRUTINY COMMITTEE A

Tasmanian Public Finance Corporation

Tuesday 29 November 2022

MEMBERS

Hon Nick Duigan MLC
Hon Luke Edmunds MLC
Hon Ruth Forrest MLC (Chair)
Hon Mike Gaffney MLC
Hon Dean Harriss MLC
Hon Sarah Lovell MLC (Deputy Chair)

WITNESSES IN ATTENDANCE

Hon. Michael Ferguson MP, Deputy Premier, Treasurer, Minister for Infrastructure and Transport and Minister for Planning (via Webex)

Mr Tony Ferrall, Chairman

Mr Heath Baker, Chief Executive Officer

Mr Ignacio Welch, Chief Financial Officer

Ms Emma Breward, Senior Manager Corporate Services & Governance

The committee met at 9 a.m.

CHAIR - Welcome, Treasurer, online again today, and welcome to your team at the table and those others behind who may come to the table to assist if needed. This is the scrutiny of TASCORP and we're here from 9.00 a.m. until around 11.00 a.m. for that purpose. Could you introduce your team at the table, or they can introduce themselves if you think that's easier; and then handover to you to make some opening comments? Then your Chair or CEO might also wish to make some comments.

Mr FERGUSON - Thank you, Chair, and good morning to you and your committee member colleagues. I introduce to the committee the Chair of Tasmanian Public Finance Corporation (TASCORP), Tony Ferrall and also Chief Executive Officer, Heath Baker. I will make a short opening statement for you.

2021-22 for TASCORP can best be described as another year of volatility in global economies and financial markets. This originally stemmed from the effects of the pandemic, but that was quickly overshadowed by the re-emergence of inflation and the war in the Ukraine.

While there were periods of financial market stress, demand for TASCORP bonds remained strong and TASCORP successfully issued \$1.1 billion of bonds to support the Government and Government businesses borrowing requirements.

The Government continues to unconditionally and irrevocably guarantee the majority of TASCORP's client loans. This guarantee was established due to the widespread impact of COVID-19 on TASCORP clients' revenues and expenses and to ensure clients had timely access to funds from TASCORP if required.

In the financial year, TASCORP ensured ample liquidity was available to clients to meet cash demands and TASCORP's own financial commitments. Ensuring there's ample cash available for clients when needed is a key TASCORP focus during times of financial market stress.

During the year, TASCORP met or exceeded all but one of the financial and non-financial targets set out in its statement of corporate intent, which primarily reflects the high credit quality of its assets and liabilities and low-risk approach to hedging. The one target not met - the Mersey Community Hospital Fund net profit after tax - does not, however, affect the ongoing dividend distribution from the fund. Also, during the financial year, TASCORP returned to the state total tax and dividends of \$102.1 million. This included \$12.5 million tax and dividend from Treasury activity, and \$89.6 million from the Mersey Community Hospital Fund.

I take this opportunity in closing my opening remarks to thank the board and staff for their commitment and professionalism during yet another challenging year in the financial sector. Happy to pass to the Chair, who may wish to make any other opening remarks. Thank you, Chair.

Mr FERRALL - Thank you, Treasurer. I don't think I need to make any further opening remarks. Again, I'd like to put on record the thanks of the board and myself of the staff of TASCORP, because although it has been a challenging year, it's a small group of staff who work tirelessly to do the things they do on a day-to-day basis.

Madam CHAIR - Sure. I've a number of questions here, Treasurer, or whoever you want to delegate to respond, in terms of the state's credit rating and the cost of borrowings and access to debt. Page 4 of your annual report says:

TASCORP's cost of borrowing, and its access to debt capital markets, depends on the State's credit rating over which the corporation has no control.

Could you tell the committee a little bit more about the state's credit rating? I'll run through a series of questions, but we might have to come back to them individually. I'm interested in who initiates the review of the credit rating, and what role does Treasury and Finance, TASCORP and the rating agencies play in all of that? Who gives the instructions and who pays? When was the last review done and how much did that cost and how often are they done? What has been the effect on the increased general Government borrowings on the ratings, which we'll get to a little bit further on? That's the broad range of my questions. Do you want to address them one at a time?

Mr FERGUSON - Chair, I might suggest, given the nature of my and everyone's attendance today, I'm very comfortable with you directing questions where you feel they're best responded to. I'll ask the Chair and the CEO, Tony and Heath, to respond and take your questions step by step. However, from the outset, I can indicate that we've had normal level engagement with the major global credit rating agencies, Standard & Poor's and Moody's, both of which have reconfirmed Tasmania's credit rating with stable outlook. In the case of Standard & Poor's, that was AA+ and in the case of Moody's, AA2, which was a maintenance of our current arrangements with stable outlook secured in both cases. I'll invite the subject experts to respond in more detail and to take your other individual questions line-by-line.

Mr FERRALL - Okay, thank you Treasurer. I will start, and ask Heath to follow up with some detail if necessary.

For the ratings purpose, TASCORP and the state are considered as one. They are considered jointly. As the Treasurer indicated, Standard & Poors rates us at AA+ and Moody's at AA2. S&P and Moody's consider TASCORP, and consider TASCORP's risk and liquidity management practices, so the rating process is quite a comprehensive process. Treasury leads the process and TASCORP attends on the day we present to the rating agencies. Prior to the presentation to rating agencies, a comprehensive survey is provided by each of the rating agencies, and they request detailed information which again, Treasury liaises with TASCORP to provide the information.

The rating meetings generally occur a little bit after the budget is released, in timing. They tend to occur in that sort of time frame. They try to go pretty close to the budget, but they also, each of the rating agencies tries to do their state visits together across all states. They try and do them all -

CHAIR - So annually?

Mr FERRALL - Yes, they do it annually. They try and do it within a fairly tight period of time after the release of state budgets.

CHAIR - Was that impacted by the delay in our budget, the last couple of times?

Mr FERRALL - They also can release market updates as well through them. If there are things like a delay in a budget, they can potentially release a market update. Their role is to keep the market informed of their views.

The S&P issued a market update for Tasmania in September 2022. No rating action was taken as part of that update. S&P had previously affirmed Tasmania's AA+ rating in November 2021. They released a market update in September 2022. Moody's announced completion of its periodic review of the rating on 8 August 2022, and that affirmed the rating at AA2 and a stable outlook.

I think you asked the approximate cost?

CHAIR - Yes.

Mr FERRALL - It is about 100...

Mr BAKER - No, look, I could not tell you off-hand.

Mr FERRALL - We will see we can get those.

CHAIR - All right, see if you can get it. If not, we can write around that one.

Mr BAKER - In round numbers, S&P is around \$150 000 and Moody's is around \$130 000 a year to conduct the review.

CHAIR - Do you want to clarify that, or is that...?

Mr FERRALL - I will confirm the actual number.

Mr BAKER - We can confirm the exact number if you...

CHAIR - It would just be helpful to have that, yes. Does TASCORP or Treasury pay for that? TASCORP pays, okay.

I assume from what you have said, the review is initiated by the rating agencies, not by Treasury or -?

Mr FERRALL - I might just clarify that a little bit. There are effectively three major rating agencies. You have Moody's, you have S&P, and Fitch Ratings. And where, say Tasmania is rated by two of the rating agencies. Some of the other jurisdictions are rated by Fitch as well. Is New South Wales rated by all three?

Mr BAKER - New South Wales, Queensland, and South Australia use Fitch as well, use the three.

Mr FERRALL - We only use the two rating agencies. We have been rated, the state has been rated for a long time, ever since it commenced debt issuance but it is the choice of the state, effectively, which rating agency to use, ultimately.

CHAIR - So the state then, or Treasury and Finance, I assume, is the one who initiates the review by the particular rating agency?

Mr FERRALL - We negotiate with them on the approximate time to do the annual review.

CHAIR - Okay. And they are done every year?

Mr FERRALL - Yes.

CHAIR - Yes, okay. You did mention market updates. Are they -?

Mr FERRALL - They periodically would release a market update if there are things that change, sometimes a rating agency will be doing a broad review of a particular aspect of state finances, not just in an individual state, but across the board and they might release a market update or make commentary around those.

CHAIR - Okay. The last question is to discuss whether there has been any effect on the increased general government borrowings, noting now the general government, effectively Treasury and Finance, who have the borrowings are the largest TASCORP customer now?

Have they overtaken some of our energy entities? Has that had any effect on the ratings or the consideration of that? What is the outcome of that?

Mr FERRALL - No, it has not, there is certainly a focus of the rating agencies on our state borrowing and notably, the potential increase in borrowings overtime. The state of Tasmania is still a very strong credit, from a rating agency perspective. We do not see any immediate or likely impact of that in the short term. The rating agencies do make a comment about the prudent management of debt by the state overtime. If you have read either S&P or media's reports, they generally tend to make comment that the state tends to overachieve in terms of its financial position compared to the forward Estimates, which again, is seen as a positive from the rating agencies.

CHAIR - Does that suggest that you could further increase the general government borrowings without an impact or not?

Mr FERRALL - I think you would need to look more broadly than just the borrowing level. Ultimately, it is the ability of the state to support and service the level of borrowing rather than the absolute level. There are a range of factors rating agencies take into account in relation to their assessment of the rating. If the state has strength in its revenue gross, sufficient to support an increased borrowing, then there would be no impact of having an increased borrowing, but if there was a lesser revenue growth than was necessary to support the sort of borrowing you are talking about, then there could be an impact. We are very well placed within our rating at the moment, we are not at high risk in terms of having a rating downgrade.

Mr FERGUSON - If I might add to that, we had actually had the feedback from the ratings agencies and been able to share some of the content of those at the time when they were issued, in both cases, Moody's and S&P. They were not just looking at the current financial year of the budget, but also the forward Estimates, the future infrastructure plans and some of the mitigation strategies in place for managing risk and some of the revenue opportunities, including GST and stability. It was overall taking into account all of those factors, including the future borrowing plans of the Government, particularly on infrastructure program.

CHAIR - We can see what impact in cutting your revenue stream has when you look at the UK under these Liz Truss's short prime-ministership. If anyone wants to follow up with anything, let me know. On page seven of your annual report - this is me being picky - in the term during the health pandemic, I do not believe there is other types of pandemic, it is the COVID-19 pandemic as opposed to health pandemic because all pandemics are health-related. Anyway, it says;

During the health pandemic, the Reserve Bank of Australia, RBA, used twin controls of record low cash rates and extensive government bond purchase program to provide support for the Australian economy by keeping financing costs at extremely low levels. This program led to a

significant expansion of the RBA's balance sheet which, at its conclusion on 10 February, 2022, included \$923 million of securities issued by TASCORP.

My questions here, Treasurer, when I relate to these matters, the questions are; given that the RBA has been such an active buyer of TASCORP bonds one could ask, after discussing the credit rating agencies, what is the point of a credit rating? Aren't the prices determined by what the RBA are prepared to pay?

Mr FERGUSON - Lenders are certainly looking at Tasmania's credit rating when assessing the purchase of those issuances. I will invite Tony and Heath to respond in detail.

Mr FERRALL - You have to recognise the RBA made an unusual intervention into the market and that directly related to the COVID-19 pandemic. TASCORP is a large issuer to clients other than the RBA and will continue to do so. The rating does have an importance for that reason. We are not likely to see the RBA intervening in the same manner going forward.

CHAIR - Until another major disaster?

Mr FERRALL - Potentially. The RBA, in terms of TASCORP bonds, had relatively limited holdings of bonds. What we do not know is what has incurred in the secondary market when RBA may have sold those bonds.

CHAIR - That was my next question. You don't know whether RBA sold any of the bonds?

Mr BAKER - The RBA have indicated that they had no intention to sell any of the bonds, that their intention is to hold those through to maturity. They have not, at this stage, been sold back into the secondary market.

CHAIR - When it said that the RBA holds \$923 million worth of bonds, is that what they paid for them or is that their face value?

Mr BAKER - That is the face value of the bonds.

CHAIR - It is an interesting concept and I am trying to understand how this works, it is not my field of expertise as everyone around this room knows. To put a scenario to you, if TASCORP issues a bond and it raises \$100 million and then, say, the bank buys it, then the RBA steps into the market to drive down interest rates, which it did as part of its quantitative easing arrangements that have alluded to. Then the bank sells the newly-acquired bond for \$105 million as the interest rates for bond prices rise, if that is my correct understanding, so the bank has made a profit of \$5 million. I am asking that question because I was assuming that some of the bonds had been sold to the banks but you are saying they have not. Is that correct?

Mr BAKER - To the best of my knowledge and the advice that we have received from the RBA is it is not their intention to sell that portfolio of bonds.

CHAIR - They are just going to hold them?

Mr BAKER - The opposite has happened obviously with interest rates rising, the RBA are holding probably very large unrealised losses on these bonds at the moment because their value as interest rates have gone up their bond value has gone down. The RBA stepped into the market for two reasons and that was financial stability to ensure that both the government and the states could issue as and when required. Secondly, it was about ensuring the lowest cost of borrowing for both the states and the government during that period.

CHAIR - You may not be able to answer this, is that is the case with all state government bonds they bought?

Mr BAKER - Once again, to the best of my knowledge we have not seen any advice from the RBA that they have started. Obviously, this comes under quantitative easing, they are buying bonds. We have not seen anything that they are going to enter into quantitative tightening which would be the result of them selling bonds into the secondary market.

CHAIR - Will they make an announcement about that if they decide to do that?

Mr BAKER - Generally, yes.

CHAIR - The key things as mentioned by the Treasurer in his opening comments, the key things about the 2022 year for TASCORP is how interest rates have impacted and what the arrangements are with loans to the general government sector. Looking at the profit and loss on page 25, the figure that jumps out is the net loss to financial institutions of \$27.7 million. As I understand it, this is the net loss on financial assets investments including the Mersey Community Hospital Fund, which the Treasurer mentioned as well, plus loans to clients and on financial liabilities amounts that are owing to the bondholders et cetera. Note five on page 51 breaks this up, the \$27.7 million loss, so the three largest components, the cash and investments have been revalued downwards by \$56.4 million, and I guess this is part of the Mersey Hospital losses referred to on page nine. Is that correct?

Mr FERRALL - No. I will just get Ignacio Welch to come to the table.

Mr FERGUSON - So Chair, I did not introduce the other attendees in case they did not come to the table so may I introduce the committee to Ignacio Welch, Chief Financial Officer. I think some content here, Ignacio, will be useful in respect to the use of derivatives as well, to help round out the question.

Mr WELCH - Just before I answer any specific questions, Heath might have mentioned earlier that we entered into derivatives to hedge our exposures in terms of interest rate exposures which happens right across the Treasury side of the business. Where there is a disconnect and some asymmetric accounting is on the Mersey Community Hospital Fund where the investments are actually accrual accounted or amortised, but we still enter into derivatives to hedge our risk exposure there and they are market valued. So, there is not an

offset in terms of accounting terms on a year to year basis, which has added to the loss here actually, there is no offset.

Maybe if I just say for the table very briefly, on that table on page 51, probably the first thing I will point out is the thing you notice is that the (inaudible) loss at client advances is largely offset by the market value and unrealised gains on the benchmark bonds because this is where we hedge them with each other and where we might also use some derivatives there as well to hedge those off. Where that derivative loss of 25.3, approximately 50 per cent is to do with the derivatives that were used to hedge our Mersey Community Hospital Fund investments. There was a loss there, but there's not a compensating gain on the assets because we accrued them, not amortised them, and that's because of accounting standards. So that's where part of that disruption of the numbers has occurred.

CHAIR - So effectively like with the Mersey Community Hospital monies, effectively invested, I was always interested in how you were going to get the necessary interest rate to sustain that amount for 10 years, we will come to that in a moment. But if the investments were held to maturity the losses will gradually be recouped, is that the case, that's with the Mersey fund?

Mr WELCH - Yes.

CHAIR - What about the other investment losses, is that the same across -?

Mr WELCH - The majority of those will revert if we hold them to maturity, and there is a part of our book which is where we raise money early before lending it to the clients where we hedge that with other semi-government bonds because it's the best economic hedge that we can do. There's unrealised losses there which can become realised at some point when the money needs to be available to lend to the client, so predominantly yes they will reverse but not necessarily all of them.

CHAIR - That comment relates to the client advances then, that you know are held to maturity, that you should have enough to meet the cash needs. That's what you're saying?

Mr WELCH - Yes.

CHAIR - With regard to the debt that Hydro holds, on page 55 there's a note about Hydro's \$645.7 million. I actually looked at Hydro Tasmania's financials just recently, and from their annual report, they note \$700 million owed to TASCORP, and you have noted that it is \$645 million. I am interested in has that amount been revalued? I assume that Hydro Tasmania will keep paying principal and interest as agreed, but at this stage, Hydro's loan has a book value less than face value. Could you explain that difference to me?

Mr WELCH - Again, that's part of our Treasury business, we market value all the client loans so the value of the client loan will vary as interest rates fluctuate. I am not fully across Hydro's financials but I think most of those would be at amortised costs in their books and where the main difference would be. Most of their loans are on interest only where they would repay the principle at maturity, unless they refinance the debt at that point.

Mr BAKER - In simplistic terms, on Hydro's accounts they are recorded at face value because we market value account our asset and liabilities for our Treasury activities. With interest rates rising, the market value is less than the face value of those loans. The difference is purely in a difference in accounting treatment.

CHAIR - In the case of the financial liabilities - what TASCORP actually owes - the value of bonds owing has fallen by \$780 million, but this in a sense can be called an illusion because over time the value of what is owing will increase until maturity when the value of the bonds will equal whatever the face value is. Is that a correct assessment?

Mr WELCH - Yes, also the fall in values from 2021 to 2021-22 was there was a maturity of a benchmark bond. There was \$1.1 billion going out in maturity as well, so there was a natural fall in size. But then you have fluctuations that are then topped up with any other issuance we have done into the marketplace and a change in valuation according to interest rate changes.

CHAIR - In terms of the unfunded superannuation, is that a similar sort of situation that if interest rates rise the liabilities fall, even though the payments to be made each year do not change?

Mr FERRALL - I probably would not comment on that one.

It is not a TASCORP problem.

CHAIR - That is probably more a Treasury problem. We will come to liability and super later.

Does TASCORP pay dividends and tax equivalents on income before or after unrealised losses?

Mr WELCH - After.

CHAIR - I want to go Treasury and Finance, the general governments debt which is the largest now, as we mentioned earlier. Can you describe, Treasurer or someone from your team here, the arrangement between TASCORP and the General Government, including the term of the loan or loans - I assume there are more than one - whether fixed or variable rates and what was the interest paid in 2022? Page 55 of the table we have been looking at suggests the loan moved from \$1.7 billion to \$2 billion over the 2022 year and does TASCORP have specific borrowings which are on-lent to the General Government?

Mr FERRALL - Treasury and Finance approximately have about 35 bond loans from TASCORP with various face values from \$45 million, \$13 million right through to \$400 million as some of the higher ones.

The table I have here are the most recent figures which are a face value of \$2.64 billion totally outstanding with a weighted average interest rate of 2.34 per cent so that is the average interest rate across the board.

The rates vary. We took significant loans out early when there were quite low rates. More recent, obviously, as rates moved, the cost of debt is higher and that is reflected in the 2.34 per cent weighted average interest rate.

I am not sure I can give you the figures for individual payments or the payments over the last 12 months in terms of what the cost has been.

Do you have that, Ignacio?

Mr WELCH - I have not got it with me but we can come back with the income that TASCORP derived from those loans or interest expense from the Department of Treasury and Finance's perspective.

CHAIR - It would be helpful to have that.

Are there some fixed and some variable rates or are they all fixed or all variable?

Mr WELCH - They are all fixed; fixed bonds.

CHAIR - Do you have any specifically borrowings that are on-lent to the General Government?

Mr FERRALL - This is the portfolio of the Government's loans.

CHAIR - Are they all different departments?

Mr FERRALL - All the borrowings are taken up by Treasury and Finance, not by individual departments. This is effectively the portfolio that Treasury has borrowed from TASCORP.

CHAIR - What are some of the purposes for those?

Mr WELCH - There are not individual purposes linked to the borrowings. The borrowings are effectively what the Treasury needs to fund the activities of government over all. That includes both recurrent, where we are effectively making operating losses and also capital. There is not a specific link between the individual borrowings and projects on the other side.

CHAIR - It is for operating recurrent and capital expenditure?

Mr FERRALL - It is for the cash needs of the government overall.

CHAIR - The government broadly.

Mr EDMUNDS - Can I go back to the Mersey? Is that alright?

CHAIR - Yes, you can do that.

Mr EDMUNDS - On your projections, will there be a dividend in the tenth year of the Mersey fund?

Mr FERRALL - Yes.

CHAIR - How much would it be?

Mr FERRALL - I have a figure somewhere. I think it is approximately \$22 million.

Mr BAKER - As at 30 June, the projected tenth-year dividend payment \$21.6 million. That actually increased from \$16.6 million, the year before. That had a few things and this is a risk-adjusted return. The duration, or as the length of the investment shortens, the amount of risk reduces. There is a bit of a risk-adjusted return. We have also optimised some of the surplus cash flows we have into high-yielding assets. Obviously, the increase in the cash rate for those funds that we hold for dividend payments has increased significantly over the last 12 months as the Reserve Bank has increased the cash rate.

The tenth-year payment is expected to be \$21.6 million.

CHAIR - Well short of what it costs to run the place. It is about \$90 million annually at the moment, isn't it?

Mr FERRALL - I am not sure what the cost is to run the Mersey at the moment.

CHAIR - That was the dividend that was paid this year.

Mr FERRALL - It is indexed every year. That goes up by 3.5 per cent a year.

Mr FERGUSON - I will just add to that, Chair. Under the deal, it was a very good deal for the state, of course, because it was entirely plausible a Commonwealth-owned hospital could have ceased operation overnight, or that under a lesser deal the state could have simply taken it onboard with no upfront cash payment. I think the largest single financial transfer between the state and the federal government at the time. Notwithstanding the fact it was a very good deal, there is a recognition the deal will expire, or at least the funds will expire after the expected life of when it was set up between 10 and 12 years, current looking at 10. After that the state would resume it under normal activity-based funding where the state would fund, and Treasury prepared to, continue to fund the health budget to meet the 55 per cent of activity-based funding and federal government at 45 per cent. We would certainly expect and as Treasurer we do continue to maintain the view that ultimately it should be 50/50, not 55/45.

As the market continues to change, it is plausible that final year return will, in fact, change. It could go up. It could go down. But there is a recognition across government that it will be effectively resumed at a normal health funding after the expiry of the fund itself.

CHAIR - We will take it up further in Estimates. It is not really a question for TASCORP. Once money is gone, it is gone.

Just a point you raised on page 10. This talks about - down the bottom there -

TASCORP's funding strategy of issuing bonds in advance for clients' needs, and at times, strong invested demand, position us well for a strong funding and liquidity position.

We talked about that earlier. This is the last sentence -

As of 2020-2021, new loans predominantly made to Department of Treasury and Finance with advances rising by \$600 million to \$203 billion.

Can you talk to us more about how that decision was made and what the benefit is of the additional - why was that decision made?

Mr FERRALL - Could you clarify, which decision?

CHAIR - Sorry. I think the Auditor-General mentioned this in his comments too, about the additional \$600 million that has been put into the new loans.

Mr FERRALL - There was a decision effectively taken by the previous Treasurer to cashback special purpose accounts, is that what you are trying to work through?

CHAIR - That's it, yes.

Mr FERRALL - Essentially, as the committee would be aware, the special purpose accounts hadn't been cashbacked for some time and so we would undertake an annual borrowing effectively as at 30 June in an accounting sense, so that there was cash supporting those accounts. In the period when we had the very low interest rates supported by the Reserve Bank, it seemed a reasonable and prudent approach to fully cashback all of those accounts. That's why there was some additional borrowings through that period.

CHAIR - So, that's the only purpose that's really been increased for, to cashback the special deposit in trust funds?

Mr FERRALL - Well, I'd have to check in 2021 whether we were borrowing to support the activities, which I believe we were, in terms of the cash requirements of Government as well; but there was probably a more significant borrowing than we necessarily needed to undertake, as I said, to support the special purpose accounts, so that we now have those fully cashbacked.

CHAIR - Okay.

Mr EDMUNDS - Obviously, we've got GBEs here all week and you're the first one. How many of your GBE clients are operating under a letter of comfort?

Mr FERRALL - During the pandemic, there was a broader support provided by the Treasurer to all of the entities and so at the moment we have all of those entities - are supported by that Treasurer's guarantee.

Mr EDMUNDS - Is that something that will likely end as we come out of COVID-19 or do you think that will keep - ?

Mr FERRALL - Treasurer, are you happy for me to -?

Mr FERGUSON - Yes, I am happy for you. Mr Edmunds, this is your first GBE hearing, so I acknowledge that and congratulate you on your election. I'm quite happy for the Chair of TASCORP to just answer those one at a time but to make it clear as well that, as I said in my opening statement, those guarantees that were provided were unconditional and irrevocable, in terms of providing the comfort that was required for those times. Certainly, I'm comfortable with Tony also elaborating on some policy thinking around the future for that which will continue; but we are open to considering advice. No decisions have been made, but we are open to considering advice about whether there are future ways to contemporise those arrangements.

Mr FERRALL - At the onset of the pandemic there was an overarching letter of guarantee provided by the then treasurer to TASCORP. That provided a guarantee of the obligations of all of the businesses up to an agreed amount, at the time. That effectively assisted the TASCORP board to undertake its duties through that period - particularly given that, at the acute phase of the pandemic, there was certainly concern that many of the entities would be suffering significant revenue losses and potentially having to find other means of support. So, that was, effectively, why that arrangement was put in place at that time.

That letter of guarantee is still in place. I did mention this last year, Treasury and TASCORP are looking at alternative means of trying to deal with that arrangement. From a TASCORP perspective, it's unconditional and irrevocable, so from a TASCORP perspective organisationally we would be looking for an alternative support framework rather than just saying that the guarantee would be removed.

There are various options that Treasury and TASCORP have been looking at. Again, it is ultimately a matter for the Treasurer to consider some recommendations from Treasury, potentially. The sort of things we are looking at is potentially replacing the letter of guarantee with some form of embedded legislative guarantee within the TASCORP act, which might be ensuring guaranteed support for the entities if TASCORP lends to them. That is a similar approach to what is undertaken in some other jurisdictions with their central buying authorities. There are some different models. The approach we have at the

moment, where we sort of have the overarching letter of guarantee, we also have some entities that have specific guarantees and will have some specific guarantees going forward; so, it is a bit of a mixture in approaches and what we are looking to do is to find a standardised, simple approach that would deal with the support required for all of the entities.

Mr EDMUNDS - Are they sort of different because, when we go through the annual reports, some GBEs potentially need that letter more than others, but for even part of the pandemic? So, you sort of want to simplify across the board?

Mr FERRALL - Yes.

Mr EDMUNDS - You obviously have lendings to local government as well? Have any local government loans got the letter of comfort?

Mr FERRALL - They were supported as well.

Mr EDMUNDS - So, it was just across the board as well. Thanks.

CHAIR - Okay, going back to the General Government being the major customer at the moment, presumably TASCORP, when it takes on a client or a client seeks an increase in their borrowings, must ascertain what the client needs over the foreseeable future. I assume TASCORP assesses that. But, in the case of the General Government, what is the time period of that future view?

Mr FERRALL - From a TASCORP perspective, TASCORP looks at the General Government sector forward Estimates, effectively. That gives TASCORP an indication of the potential borrowing over the next budget plus three years. TASCORP feeds that into its own decision-making and forward planning, but quite clearly, it depends on what the Government needs as to the actual borrowing that takes place. This financial year, it is more likely that the state will borrow less than it has indicated. If there was a situation where the state needed to borrow more than indicated across the forward Estimates, TASCORP makes sure it is in a position to be able to provide that as well.

CHAIR - I haven't looked at the forward Estimates to see, but are you suggesting that the forward Estimates indicate that there will be less borrowings needed next year?

Mr FERRALL - No; what I have alluded to is that, from a state perspective, we have a particular level of borrowing that we have indicated in the current Budget for this year and, given the level of borrowing year-to-date that has been needed, it is more than likely that we will borrow less than we have indicated in the current forward Estimates.

CHAIR - How long a horizon do you look to in this?

Mr FERRALL - Well, we have the Budget, plus three.

CHAIR - It is just that period. I suppose it is a positive effect, if you have less borrowings with the higher interest rates, that should balance itself out a little bit?

Mr FERRALL - Are you comfortable for me to continue, Treasurer?

Mr FERGUSON - Yes, of course.

Mr FERRALL - Look, that is an unknown; you are asking how much interest rates are going to go up and how much less will the borrowing level be - so, I think it is an unknown. Our most recent borrowings, obviously, are currently higher market interest rates than our earlier borrowing; but what might happen over the next six or twelve months is partially in the hands of the Governor of the Reserve Bank.

CHAIR -How do you and TASCORP assess the risk? When you are determining how you are going to invest your funds and that sort of thing, what is the risk profile that you focus on?

Mr FERRALL - I will ask Heath to answer in terms of the forms of investment that we make in relation to our cash and the risk profile of that, if that is okay?

Mr BAKER - We have a very conservative risk appetite. Our investment in our Treasury activity is about liquidity, so maintaining liquidity and ensuring we have access to funds as and when our clients require it.

The majority of our reinvestment on our Treasury activity is predominantly in the big four Australian banks, so that would be in short-term liquid assets that we can realise at short notice if an unexpected liquidity requirement comes through. We have a very conservative risk approach with our Treasury activities and the primary driver is liquidity.

The Mersey has a slightly different risk appetite because it was more of a term investment. We had an investment horizon out to 10 years, once again, predominantly in cash and fixed interest investments, so bonds and investment grade plus rating that they must hold. Once again, being a central financing authority, preservation of capital is our primary concern, so it is very modest.

CHAIR - What has been the rate of return on the Mersey money?

Mr BAKER - The rate of return on the Mersey is currently 2.31 per cent.

CHAIR - That is in the last 12 months?

Mr BAKER - Is the current return, yes, as at 30 June, actually the 2021-22 return was 2.31 per cent.

CHAIR - Do you have a table since that money has been invested, what the rate of return has been? I remember asking this right back, it seems like a 100 years ago but it was not quite that long ago, when this money was first received from the federal government

and we talked about what sort of rate of return you would need to actually make the money last the distance. Then, we were talking about 10 to 12 years. We have already mentioned that is not going to be the case, we are going to make a dividend payment on the tenth year which will be less than the amount that is currently being paid.

Have you got a summary of the rate of return over the last period of investment and any expected future return, if you can, on that?

Mr BAKER - Not to hand. It is something that we could put together. I do know that on day one, the rate of return had to be 4.11 per cent to ensure a full 10th year dividend was paid. Back in 2017 when these monies were brought through, we were in a rising interest rate environment, so there was an expectation that interest rates would rise. Subsequently, what has happened, no-one could predict the pandemic which brought interest rates back to 0.1 per cent.

As Ignacio touched on before, we have done a lot of transactions to protect the 10th - year payment through that period.

CHAIR - As I understand it, a significant portion of that \$735 million from memory, I think that was the amount -

Mr FERRALL - It was \$731 million, I think.

CHAIR - Yes, \$731 million, close. That was invested over a longer term so you would have locked in a higher interest rate on a lot of it, I would have assumed.

Mr FERRALL - You have to recognise that effectively it is a profile which always requires some erosion of the capital. When the Mersey Community Hospital Fund was established, we took a prudent and risk-averse approach to the funds. We did not invest in funds which could have led to a significant erosion of the capital in a loss sense, which again dictated the sorts of products that we were looking at, were effectively cash-based products that we invested in over that time.

You could have taken greater market risk in regard to an investment and potentially got a higher return, but I am not sure the Committee would have been too pleased if TASCORP came back and said, look -

CHAIR - Whoops.

Mr FERRALL - It has not quite turned out as we thought and the capital has been eroded to the tune of \$300 million because the market has crashed overnight.

CHAIR - I am sure we have had this discussion in previous years around this table too. I understand that there had to be some conservatism in the investment there, but it would be helpful to have the rates of return, acknowledging that the pandemic has had a significant effect.

Mr FERRALL - We can certainly provide that.

Mr FERGUSON - We will take it on notice, if that's okay Chair. If we can provide through the day we will.

CHAIR - That's fine. As we know TASCORP, is a state-owned company and can receive instructions and guidance from the shareholder minister, the Treasurer. In regard to some of these decisions that are made, which you need to have certain expertise to work in, does TASCORP wait for the minister to indicate to TASCORP what the general government might need or does TASCORP itself with the knowledge and expertise in the area determine what's best and respond? What is the interface between the shareholder minister and the organisation?

Mr FERRALL - I can answer that from a Treasury perspective. Treasury has an internal committee which is basically the Financial Assets and Borrowing Management committee, which effectively determines the need for borrowing within year, and also determines the nature and form of any investments that Treasury make on behalf of the Government. That is done under a term of reference which is effectively signed by the Treasurer, so we operate under a term of reference as a committee and we report to the Treasurer from that committee on an annual basis.

On a day-to-day or even on a month-to-month basis, the Treasurer does not provide direction or guidelines to the committee, we operate within that framework. Similarly, in terms of the day-to-day and month-to-month cash needs of Government, that is managed by Treasury and there would not be need to reference the Treasurer directly. If there was anything that was unusual or things were not running as we would have expected from a budget management perspective then putting my Treasury hat on, I would be reporting that to the Treasurer. The Treasurer also gets regular and continuous reports and budget updates regarding the status of the general government budget so there is not a day-to-day interference if that's what the question is.

CHAIR - 'Interference' may not be the word I would have used, but guidance, instruction or anything like that. Thanks for that. If I could go to note 16, page 59, with the TT-Line vessel replacement fund, as I understand it, TASCORP basically just manages the fund, the transactions are all managed through TT-Line. Assuming that there is not a lot left in there, as they have made a number of payments on the new vessels, as I understand it, do you expect that the balance of this which is now \$41 million will be spent the next financial year? This fund will then basically disappear.

Mr FERRALL - That would be the expectation.

Mr BAKER - Yes, just to clarify one point, the fundee is actually the Crown; it is a government fund.

CHAIR - It was parked with TASCORP so that the greedy Labor government could not get their hands on it. That was it.

Mr FERRALL - No I do not think you agreed to that.

CHAIR - That is what was said at a certain time back in the history books, anyway.

Mr BAKER - Our current understanding is that the next progress payment for the ships is due in early December and the vessel replacement fund will be fully withdrawn at that stage to make that progress payment.

CHAIR - So that will then disappear out of TASCORP's records entirely?

Mr BAKER - Yes. The fund will close.

CHAIR - In terms of TT-Line needing further borrowings to fund the vessels, do they have borrowings with you at the moment?

Mr BAKER - No borrowings at the moment, we have a borrowing limit in place in readiness for them as and when they require the drawdowns for those new vessels.

Mr EDMUNDS - Is it riskier for your organisation to deal in the euro? Do you have policies in place for lending into a euro market, like you would with pounds or US dollars?

Mr FERRALL - We do not take the foreign exchange risk effectively, so we hedge. We are not taking foreign exchange risk on it, from TASCORP's perspective at all.

Mr EDMUNDS - How is that different to say if you were buying off a US shipbuilder in US dollars?

Mr FERRALL - We would take the same policy approach. The hedge arrangements were put in place virtually as soon as TT-Line made the purchase.

Mr BAKER - The intent of the foreign exchange hedging that we have in place is to convert that foreign currency amount into Australian dollars. TT-Line already knows what their Australian dollar commitment is, i.e.; to buy the 50 million euro they need to pay it next month, they already know what the Australian dollar equivalent is and that is hedged in advance of the payments. So, the Australian dollar cost of these vessels is locked in. We do not actually issue bonds in foreign currency; this is purely a foreign exchange hedging strategy to give TT-Line the euro that they need to make the progress payments.

Mr EDMUNDS - How do you factor in the choppy waters for foreign currencies, if you do that? If you are looking at longer term?

Mr FERRALL - You can take a contract that gives you a fixed Australian dollar cost going forward. That is what happens, effectively.

Mr BAKER - This is taking the volatility out, so you have a known cash flow.

Mr EDMUNDS - Do you get TT-Line to seek that, or is it done at your end?

Mr BAKER - Due to the size of this transaction - it was about 400 million euros/dollars - TT-Line transacted that through us, and we transacted that on a back-to-back basis with the market. We have a larger number of counterparties that we can deal with. It is a significant transaction, so, TT-Line did work closely with us around the foreign exchange hedging requirements of these ships.

Mr GAFFNEY - Is the TT-Line borrowing purely to do with the *Spirits* or do they also borrow funds to do with the improvements to the ports in Geelong or Mersey; or is that with TasPorts?

Mr FERRALL - I think those questions should probably be directed to TT-Line, in terms of their borrowing requirements. At the moment we do not have any borrowings.

CHAIR - TT-Line don't have any borrowings?

Mr FERRALL - TT-Line do not have any borrowings from TASCORP.

CHAIR - At the moment. There is a facility though, to enable them to.

Mr GAFFNEY - Okay.

CHAIR - To go to some of your people; it is a small staff, of 22. Bearing in mind it has been a pretty stressful time, I imagine, trying to deal with some of the volatility in the markets, you have to focus on employee wellbeing, including additional training, and flexible ways of working which continues to be a high priority. Can you talk a little more about that? There is more information on page 20 of the annual report about the mental health and wellbeing work that you are doing. Can you talk about this a little bit further and give us some more information?

Mr FERRALL - I will make some comments to start and then Heath can follow up in more detail. TASCORP has had a number of staffing changes, particularly in the last two years. Post the pandemic, like most organisations, staff are more mobile and people are making different choices in life. We have had various internal staff movements, some departures and - positively - several new and additional employees. Our employment has gone up slightly; as at 30 June 2022, it was 21.4 and at 30 June 2021, it was 19. Heath can give me a current update, but I think we are slightly below that now because we had two departures.

Mr BAKER - No, we do have two vacancies, or we will have two vacancies.

Mr FERRALL - We have been doing quite a bit of work internally to try and support our staff. We are an unusual business in a Tasmanian context. There is nothing else like TASCORP in Tasmania and there are limited entities that are similar across the country. It is always quite challenging to get the staff with the necessary qualifications and skills that we need, but we are doing quite a lot of work with our existing staff to upskill them as well. In

terms of matters such as flexible work, TASCORP takes quite a flexible approach to enabling employees to work flexibly. In terms of some of the mental health support that we have been giving - Heath, you might give a couple of comments on where we are at, and some of the internal work you are doing with the staff across the board.

Mr BAKER - This is a key focus coming out of the pandemic. Being an operational business, TASCORP had not always lent itself to having flexible working arrangements. We need staff in the office, talking to each other, due to the style of business that we have. The pandemic meant that we needed staff to work from home over that period. Through that period, staff felt that that was a positive, being able to have some flexibility. We have introduced and maintained and updated our IT suite to ensure that staff can work from home remotely and still have connectivity between each other.

One of the bigger challenges is about training. We have quite a few new staff, so we have spent a lot of time and resources in the last 18 months updating and upskilling people with training and training courses.

CHAIR - Just on the training, Heath, is there much suitable training available in Tasmania, or does it have to be done online, or do people have to travel for it?

Mr FERRALL - TASCORP is doing quite a lot of work of cross-skilling internally, and so some of that is effectively called on-the-job training, or people training internally. Also, a number of our staff go to externally-facilitated courses. There is probably not too many in Tasmania, in reality; they do tend to be Sydney or Melbourne-based.

Mr BAKER - One of the new recruits that we hired was a specific human resources specialist to assist us with that training and development. A lot of those soft skills, that type of training can be done locally. But, a lot of the markets-related training that we're undertaking is remotely, via online courses. One of them is the Australian Financial Markets Association, based out of Sydney. It is product-specific.

It has been a keen focus. We have had a very disruptive two or three years, as every business has. It is not unusual to have a bit of staff turnover. We are seeing it in most businesses that we interact with. We are trying, because of the specialised nature of our work force, to ensure that we can meet those flexible working arrangements that people are now accustomed to, and how we can we build that into our business.

Mr FERRALL - I think you have to recognise as well the nature of the staff we have. They are in high demand around the country, as well. We will always have mobility as a challenge.

CHAIR - And it is a tight labour market at the moment. The Audit Office also finds that these sorts of specialist skills are not necessarily easy to find.

Have you got a cost of the training that you have delivered?

Mr BAKER - During 2021-22, training expenditure was \$41 375, or 1.44 per cent of total staff remuneration.

CHAIR - Does that include their travel cost where they had to travel?

Mr BAKER - Travel is minimal for training. As I say, we had utilised online training courses, and most of those providers had that. For example, this financial year we have actually flown someone in to do some specialised training, rather than send staff off. Next year the training costs will be slightly higher again, because of those factors.

CHAIR - I think there is value in having face-to-face stuff rather than having it all onscreen, because we all get a bit tired of that. I am sure the minister is finding that challenging today, being online. He is muted. You are muted, minister.

Mr FERGUSON - Thank you, I am just glad to be here at all.

CHAIR - No worries. If I can just go to the gender mix of your workforce, I am interested in how you work toward a more gender-equal workforce. You have made significant inroads in this. But when I look at the organisational chart, you have a number of women across the workforce but there is only one in the more senior management level. When we talk about the gender pay gap, it is apparent that that is a bit of a challenge. What are you doing to try and attract women into these more senior roles? Obviously, increasing them into your organisation is the first step and it is good to see there is a greater number of women working within the organisation but what are you doing at the senior levels?

Mr FERRALL - You are correct, we are improving, we are not at the point we would like to get to in this matter. It is challenging organisationally, specifically to TASCORP because it does tend to be a male-dominated industry we recruit from, which does make it challenging. The comment I would make is we are doing what we can to make our organisation more attractive to all staff effectively. That is why we are doing things like expanding flexible work and we are very open to more family-friendly arrangements, in terms of our employment we may not have been open to some years ago.

I would also make the point - and I am careful how I would say this - but we would never employ somebody because they were female. We employ the best people for the roles, whether they are male or female. We are not actively trying to recruit females to roles, unless they are absolutely the best people for the role and is what occurs when we do recruit. As I said, we are working on it and will keep working on it, but we will always recruit the best people. Again, I do not think anyone here would expect us to do anything other than employ the best people for the roles we can.

CHAIR - That is not in dispute, however, a workplace that makes it more acceptable for women to apply for a position, can make a huge difference to who applies.

Mr FERRALL - And that is what we are trying to do. You have to be an employer that is attractive effectively and so, you have to put in place arrangements and it is not just females that people -

CHAIR - Men are parents too.

Mr FERRALL - - actually need and want in a modern environment. If you are operating as an entity that basically says, look, we are a 40-hour a week entity and you must come into the office, we do not have any flexibility, then in the modern environment you are not particularly attractive. We are ensuring we are as attractive as possible. Heath and I have numerous discussions whenever there is senior recruitment to ensure we have attracted the best field possible and if that best field does not necessarily include females, then the conversations I would have with Heath are about, what have we done to try and make sure we are an attractive place for people to employ.

Ms LOVELL - If you would not mind elaborating on some of the flexible work practices you have in place. What some of those things might look like and how they are arrived at.

Mr BAKER - Obviously, the biggest one is the work-from-home, the ability to work-from-home on a number of days, the flexible working hours. As I say, we are an operational business, so we do need to enter into deals in the market and being able to settle deals. There are limitations on some roles but flexibility in hours as in if there is a requirement to leave or have appointments, we are extremely flexible from that perspective. But as a small staff of 22, it is always a hard balance on providing the utmost flexibility and still running an operational business. We have instigated ways we can mitigate that. We have upgraded the IT infrastructure that everyone now has laptops. We have provided the appropriate equipment at home that they can access our servers securely. Obviously, we have very large cash inflows and outflows, so security is number one. There was a lot of upgrading we needed to do to the IT infrastructure. We are open, flexible. To touch on the recruitment, the philosophy I have put in place is that - and we have had quite a few vacancies so we have advertised. If the shortlist comes back and it is full males, the question I would go back to the SMs with, as Tony comes to me - if not, why not? Why isn't there a female there? We should be ensuring there is a female in that short list to ensure we are not overlooking or had the unconscious bias we have just assumed they have not met the criteria of being the best person.

Ms LOVELL - It is a small workforce and I notice you have only 10 per cent of your employees who are part-time. Are part-time hours something you are open to as an organisation for women, or job-share arrangements or that type of thing where flexible working hours is one thing but if you are also trying to manage a household and still do a 40-hour workload it is not sustainable or not attractive?

Mr BAKER - We have three staff currently on part-time hours and that is purely to accommodate their requirements with young children.

CHAIR - Are they are all women?

Mr BAKER - Two women, one male.

Ms LOVELL - That is good, even better.

Mr BAKER - Once again across the board, the options are there and we have to balance it with that role. Unfortunately, there are some roles where we cannot offer as much flexibility as other roles.

Mr FERRALL - The operational requirements of TASCORP, in terms of interacting with a market which is not flexible does not lead you to the same choices in time shifting you might get in some roles and does become a challenging barrier. It does not mean you cannot do job-share, as you alluded to, and it does not mean you can't have flexibility, but it just needs to be sometimes worked around some of those parameters.

Ms LOVELL - Thank you.

Mr EDMUNDS - This might be related but on page 26 there is the line item about plant and equipment which has obviously gone up a lot. Is that due to generally being locked down and then also having to set up home offices or is it some other reason because it is a quite a big jump?

Mr BAKER - It is quite a big jump, but it is quite a small number in the context of -

Mr EDMUNDS - Is that home offices and generally renewing your IT from being shut down?

Mr BAKER - I will have to take that on notice. That would be CFO is not jumping in and tapping you on the shoulder to let me know - or is it the right-of-use assets?

Mr WELCH - Yes, it is.

It is largely due to the fact we are in the process of moving offices and we were taking a new lease out on new premises. It is really a (inaudible) on the asset side and the liability side. I do not have the right page. The right of use asset has gone up -

CHAIR - It is on page 60.

Mr FERRALL - You will get the liability on the other side.

Mr WELCH - And you have the liability on the other side; that is the main reason.

CHAIR - If I can go back to the flexibility arrangements - what parental leave arrangements are there for TASCORP employees?

Mr BAKER - There are parental leave arrangements.

CHAIR - That is really good to know.

Mr BAKER - We have a range of policies that cover issues such as parental leave, I just need to pull it up.

CHAIR - Someone might be able to do that from behind.

Mr FERGUSON - We will have that through the day for you.

CHAIR - Thanks, Treasurer.

With the increase in flexibility arrangements, particularly working from home and the IT upgrades, I notice you have one lonely IT officer who is a woman, which is fantastic. IT is another male-dominated area.

Mr BAKER - Yes, she was one of our new recruits; that was a new role we put in place because of the heightened cyber security IT requirements of our business. We have an IT manager who comes probably under the structure of an operations manager.

CHAIR - Is that Jeff Daniels?

Mr BAKER - Yes, Jeff Daniels; he is the senior IT person but because it is a developing area we have put on an extra body in that IT space to support Jeff to deliver, monitor and maintain our IT infrastructure.

CHAIR - What is the role of the IT officer; what does she do?

Mr BAKER - It is predominantly the day-to-day issues. I cannot access my laptop but it is the rolling out of new infrastructure and dealing with our IT partners. It is a development type role. It is a more junior type role -

CHAIR - I sense that.

Mr BAKER - but there is a scope there for her to learn and grow and expand.

CHAIR - In terms of the broader question, maybe the main responsibility really falls to Jeff Daniels here. Because of that expansion and because of the nature of spreading access to the data that you hold, what approach are you taking to cybersecurity, in protection of the data?

Mr FERRALL - There has been a heightened focus from the board on cybersecurity. In fact, it was only at the last meeting that we had a detailed review and a full report from Jeff on the steps that had been taken and how that was working. Again, I would need Jeff actually in terms of expertise to give you the detail behind that and I think Heath would as well.

We have certainly lifted our effort in terms of cybersecurity. We are very conscious of the significant risks and we will continue to get regular reporting at board level, updating in terms of any changes, any risks. If there are any effectively-attempted penetrations, they are all reported to the board and we monitor those.

CHAIR - I am sure there have been.

Mr FERRALL - If you run an organisation at the moment you will have had an attempted penetration of some shape or form.

CHAIR - If you say you have not, you are not looking. That is right. Just with regard to your consultancies, I know there is only one consultancy with only \$7000. I am interested, was that related to the IT stuff or was that something else?

Mr FERRALL - We will get the information of what that one was.

Mr BAKER - It was either to do with culture, some culture training -

CHAIR - That might be linked back to the person you flew in to do the training.

Mr BAKER - No, we used a local person for the HR stuff, Gwen Pinnington -

CHAIR - That is all right.

Mr BAKER - But as I say, exactly what that is -

CHAIR - You do not use external consultants for the work, the financial work you do? That is all done in-house then? There was only a small number and I thought you must do the rest of the work in-house.

Mr FERRALL - We do not use consultants for the normal activities of TASCORP, but there are occasions when we do need consultancy support but we are not a high user of consultants, as you can see.

CHAIR - No.

Mr BAKER - Most of that expertise and that is why we say, there is a lot of job specialty within the business, that knowledge is held internally. As I say, we really only use consultants when it is outside the spec of TASCORP. Mersey was probably one of those occasions where we engaged a consultant to ensure that the investment strategy was aligned to market best practice, back in 2017.

CHAIR - They used that then? Not recently? Out the outset?

Mr BAKER - At the outset, yes.

CHAIR - Other members? Did you have one, Luke? You go. Nick says he has not, he has not got a Dorothy Dixier for us.

Mr EDMUNDS - I am on page 55 of the Auditor-General's Report and Financial Statements and I quote from beneath table 11 on page 55:

PNFCs in industry sectors with significant infrastructure, such as Hydro Tasmania and Tas Networks, accounted for 97.2% of total debt held at 30 June 2022.

PNFCs with debt had a weighted average current ratio of 0.46 consistent with the 2020-21 result of 0.47. This outcome is still below the benchmark of 1.0, which indicates a net working capital deficit. Of the 7 PNFC entities that held borrowings at 30 June 2022, 5 held current liability balances that exceeded their current assets. Maturing short term debt for these 5 entities is expected to be refinanced during 2022-23 in line with the entity's Treasury Risk Management Policy and Master Loan Facility Agreements with TASCORP.

Is it a concern that of seven public non-financial corporations that hold borrowings, five have current liability balances that exceed their current assets?

Mr FERRALL - Not from a TASCORP perspective, no. I think you would need to ask the questions of the individual entities in relation to their financial position. I think the issue of having current liabilities maturing from the effect of having those current liabilities, from a TASCORP perspective, are we in a position to provide them with the funding on a short-term basis if needed? The answer to that is yes, we do have capacity to do that. In terms of the individual entities' balance sheets and their debt position effectively, you would have to ask them about that directly, rather than through TASCORP.

Mr EDMUNDS - Is it a concern that PNFCs with debt have a weighted average current ratio of 0.46, which is below the benchmark of 1.0, which indicates a network in capital deficit?

Mr FERRALL - I think I just answered that.

CHAIR - Yes, they have the money to give them.

Mr FERRALL - TASCORP ensures that our operations in the market are such that we can meet the needs of all of our clients. Heath, and others, have regular meetings and liaison with all our clients, during which they identify their cash needs in the short term and the medium and long term. We ensure that we have the capability to raise those funds as and when needed by those entities, or we already have the funds raised. So, the fact that some of those entities have high current liabilities is not necessarily a concern to TASCORP because we know that we are able to fund them when they need the funding.

Mr EDMUNDS - But, it is in the Auditor-General's report? They do not put things in writing for nothing. So, you do not think it is a concern?

Mr FERRALL - Not from a TASCORP perspective.

Mr EDMUNDS - Yes, thank you.

CHAIR - Maybe for those particular entities, yes. So, just a follow-up from Luke's question, you said that you have regular meetings with the entities that have borrowings with you. Is that a scheduled arrangement or do you think, 'Oh, TasNetworks is getting an awful lot of debt on their balance sheet'?

Mr FERRALL - I will start and Heath can continue. There are regular meetings with all of the entities and at a board level, we get a report at our monthly meeting, which effectively details the meetings that have occurred and with the different entities. It provides some commentary in relation to how they are performing or issues that might be of concern and all those things, but Heath has a regular schedule with all entities.

Mr BAKER - As pointed out, there are three to four clients that make up the majority of our on-lending, so we do have regular scheduled meetings. One is with Treasury through the FABMC, a meeting we are in attendance and we have regular meetings set up with Hydro, TasNetworks and TasWater. Then, on an ad hoc basis, when new requirements come through, we meet and discuss with them on multiple occasions.

CHAIR - So, is that at your initiation, or is that just a standing arrangement, if you like?

Mr BAKER - It can be both. There are quite a few standing arrangements in place, just to ensure that we are touching base, making sure. We also read a lot in the media that keeps us informed.

CHAIR - In terms of the volatility we have seen in the market, has there been an increase in meetings with these entities that have carried a lot of debt?

Mr BAKER - Around their future requirements, yes. As Tony pointed out earlier, the Government's borrowing requirement is unlikely to be what was detailed in the budget. So, for example, our borrowing program for the year was forecast to be somewhere between \$2 billion to \$2.5 billion that we would need to issue into the market this year. As we communicate with the market and investors directly, we need to keep them informed of our requirements. We keep in regular contact to understand what is impacting, what is the timing of the requirements (a) to ensure that we can keep the market updated; and (b) to ensure that we have got enough liquidity on our books to meet our clients' requirements, if and when required, if we cannot access the markets. Markets have been volatile.

I will respond to a couple of outstanding items. The consultancies were for our HR consultant, Gwen Pinnington, to come in and do some work with us. With regard to the parental leave, staff after 12 months continuous service, are entitled to 12 weeks paid leave.

CHAIR - That is for either parent?

Mr BAKER - Yes; and additional access to unpaid parental leave on request on return. There is also a return to work, so there is the ability to come back on a part-time basis to transition back to full-time, for those that are full-time employees.

CHAIR - Thank you for that.

Mr EDMUNDS - Back to what you said about having, perhaps, a slightly more hands-on role related to some of the commentary of the Auditor-General, do you have to keep a closer eye on factoring in the letters of support we spoke about earlier? These organisations are run by professional people; but when they have got a letter like that, do they get more ambitious, do you have to keep them in check? Is that why you are catching up?

Mr FERRALL - I will give a broader answer. Notwithstanding the letter of support, TASCORP takes the approach that all the entities are analysed and the board considers whether the board would be willing to lend to them. The letter of support is only part of the equation. If, even with a letter of support, the TASCORP board is concerned about the level of borrowing - it doesn't believe it is prudent to lend to that level - then we instigate discussions with Treasury and also with the Treasurer, to ensure the Treasurer is aware of the level of borrowings and, potentially, the concerns.

We don't take an approach that it is guaranteed and therefore we will lend; we go through a full analysis for any additional lending to take it all in context.

CHAIR - On that point, during the last couple of years, have you had to raise any concerns regarding the level of borrowings with any of the entities with the Treasurer?

Mr FERRALL - We have raised with the Treasurer where there are new borrowings in some cases where, from a TASCORP perspective, we would not necessarily consider them to be a bankable or market lending. We have raised that with the Treasurer on occasion.

Mr EDMUNDS - Do you expect with the volatility in interest rates ahead of us that that might happen more often?

Mr FERRALL - That is a difficult question. The entities we lend to have long-term portfolios as well. By way of example, the Treasury portfolio has a term really of about 7.9 years. Where there is short-term market volatility, that is not necessarily going to significantly impact on the overall pricing or costing of the portfolio; but if you have a sustained period of higher interest rates, then it does start to impact.

Mr EDMUNDS - UTAS went direct to market rather than coming to TASCORP. Do you have any commentary on that? Is it because they could get 'a better deal elsewhere'?

Mr FERRALL - We were working with UTAS, and we did considerable work with UTAS in relation to the borrowing. They made a decision or a choice to effectively access other finance. I don't believe that they would have accessed finance any cheaper than TASCORP could have provided at the time. It was a choice they made to go elsewhere, other than TASCORP.

CHAIR - My limited understanding of that is that they purchased green bonds as their predominant borrowing. You might not know that, but taken from what I read. What benefit would there be in purchasing green bonds, from a borrowing point of view.

Mr FERRALL - I don't want to specifically comment on the UTAS borrowings - that's a matter for UTAS. From a TasCORP perspective, the analysis that we undertook at the time, the cost of the UTAS borrowings would not have been of significantly greater or even lower than TasCORP could have provided, so it was on a par; but, we believe we could have provided a slightly better borrowing cost. Now, that was our analysis of the market at the time, so it's not perfect. I cannot specifically comment on UTAS borrowing.

Mr FERGUSON - I might just jump in there as well, Chair. Thanks, Mr Edmunds, for the question; I do understand the question. We will just decline the opportunity to make any comment on that entity's decisions that it quite properly can make as an autonomous organisation. However, it has access to borrowings - should it need them - through TasCORP. That does not mean that we insist on it or overplay our hand; we recognise their effective sovereignty as an organisation to choose where they borrow from and to whom they sell bonds; no problems here.

Mr EDMUNDS - I am not completely across the green bonds part, but does that put pressure on you? There's a lot of pressure on superannuation funds et cetera, where people need their money to be ethical and things like that. Where does that place you in that market?

Mr FERRALL - We are actively monitoring the market in that regard. The feedback that we get at the moment is that there would not be significant benefit in Tasmania effectively issuing a green bond because we are already green, and we are already effectively bankable from other parties as a green entity. So, from the analysis we have done to date, there's no significant benefit in the state issuing particular or identified green bonds but we are continuing to monitor benefits in the market. Clearly, if there was a benefit to the state we would. It's not cheap and it's not an easy path to down either. Given that, from our perspective we get the benefits that we already have effectively because of Tasmania as an entity, it's not something we are actively pursuing - but we are monitoring.

Mr EDMUNDS - In the reporting period have you rejected any applications for finance from GBE's or local government?

Mr FERRALL - No.

CHAIR - With the new benchmark bonds that were purchased, I understand there are 34 different investors for that. Are you able to say who they were, the new investors in the benchmark bond purchase?

Mr BAKER - I can say that is a combination of banks, asset managers, offshore institutions, central banks. The predominant purchasers were domestic Australian banks because of the requirement to hold - in their terms - quality liquid assets under their regulator. Semi-government bonds - which we are classified as - are the highest yielding asset class there. One of the other measures that the RBA put in was some funding facilities for the Australian banks. That is now unwinding, which means they are having to buy more semi-government bonds and Australian government bonds in their portfolio. We saw quite

big demand from the big four banks, the regional banks, and some of the offshore banks operating in Australia buying our paper. But I could not give you a name-by-name.

CHAIR - I am interested more in the classes of people, if you like, or organisations.

If I can just go back, you said you lost a few staff. Do you actually do exit interviews for the staff when they leave? In these very tight employment markets, they can be poached by other entities and other government entities similar to TASCORP, that may be able to pay more. What exit process do you use with your staff that leave?

Mr BAKER - Yes, we have implemented a formal exit interview. As mentioned previously, we have had a very stable workforce in the leadup to and through COVID-19. Tight labour markets, yes. There has been a general theme where some have moved for opportunity. TASCORP being a small organisation does not always mean there is a career progression. We will train staff up and for them to get the next move, it is a big jump from an officer to a senior manager role. They need to go out into the market and get broader experience. Yes, we have lost a couple staff to other government departments.

CHAIR - Tasmanian government departments, right?

Mr BAKER - Yes. Both on a salary and a career progression. Then we have lost a few moving interstate. As I say, uncertainty through that period. People coming out of COVID-19 meant a lot of people were looking, and a lot of people found there were a lot of opportunities out there. We have limitations on what we can do on a remuneration sense. It is not all about remuneration. Hence why the focus has been on employee engagement, what else we can do to make it a more a workplace people want to come here and work.

Tasmania has had pretty good appeal. We have recruited two or three from mainland Australia, which has been positive.

CHAIR - What sort of work have they come from to here?

Mr FERRALL - Other central borrowing authorities.

CHAIR - State-based ones?

Mr FERRALL - Yes, in other states.

CHAIR - You have been poaching them as well?

Mr FERRALL - Well, no.

CHAIR - Sorry.

Mr FERRALL - We have been fortunate to be able to show them the benefit of living in Tasmania.

CHAIR - Okay. I know you have had a fairly stable workforce and the exit interview is a new initiative in many respects. Is it to try to understand why people might leave?

Mr BAKER - Exactly, just to ensure we are not overlooking something we have missed we can easily implement. Obviously, I am not going to stop staff from progressing their career if we cannot show. Career progression in TASCORP does need staff turnover. That has been the one positive with staff turnover. Over the last 18 months we have lost seven staff. We have seven new staff in the organisation and 14 staff in new roles.

CHAIR - Some have moved up through the system.

Mr BAKER - Correct. That has created opportunities for people to move into different roles. Hence why I mentioned before, training is something that is pretty big for us at the moment, because 14 of those 22 staff are in a steep learning curve in new roles. That has given them opportunities. Hopefully, that stems the turnover a little bit.

Mr FERRALL - It is positive, because when you have a small organisation with no turnover, you do find people effectively blocked of opportunities because there is no change. The opportunities Heath spoke of in terms of people going into new roles, growing and developing is actually positive. It is just disruptive at the time.

CHAIR - It would be nice to keep them in your own organisation, invest in the people.

Mr FERRALL - Yes. But you just cannot run an organisation like that.

CHAIR - No.

Mr FERRALL - The reality is, TASCORP is small. We will always have people coming, going, changing. Because we are small, when you have even two or three moves it can be quite disruptive and a challenge. To be clear, we are not concerned organisationally that there are any issues around TASCORP. This is just a matter of what is occurring more broadly in the market and people making changes.

CHAIR - I guess the question that you are alluding to is, is there no underlying cultural problem sort of pushing people out, or encouraging them to look elsewhere?

Mr FERRALL - No. In fact, the surveys we have done on culture have shown it is a very positive culture internally. Like every organisation, there are things we can do to improve and we will keep working on them.

Mr BAKER - That is why we have brought in the external consultant just to make sure of our view. Coincidentally, we have a couple of our staff presenting to the board today at a board meeting and a strategic workshop. Some of those staff will be presenting to the board on our purpose, value and giving a perspective from the staff perspective to the board. It has been a focus area over the last 18 months.

Mr EDMUNDS - I have a stock exchange update regarding Basslink acquisition, it says Bass Link acquisition update.

Leading Australian energy infrastructure business, APA Group (ASX: APA), confirms it has entered into documentation to potentially acquire Basslink Pty Ltd (Receivers and Managers Appointed)(Basslink) and agreed documentation with Hydro Tasmania and the State of Tasmania in relation to the ongoing operations of Basslink.

Does that mean that TASCORP has taken on risk on behalf of Hydro?

Mr FERRALL - This is not a TASCORP matter.

Mr EDMUNDS - If it is Hydro, doesn't that affect TASCORP? If Hydro's risk or debt exposure?

CHAIR - They have not taken on extra debt, have they?

Mr FERRALL - No.

CHAIR - The question is, have they taken on more debt?

Mr EDMUNDS - TASCORP has not taken on any extra risk with this move?

Mr FERRALL - No. It is a question for Hydro in terms of risk/debt creation. There is no change in TASCORP's exposure to Hydro.

Mr EDMUNDS - Hydro has not come through TASCORP for this?

Mr FERRALL - No.

Mr EDMUNDS - Thank you.

CHAIR - Along that line and it is future thinking, we know the Government is spruiking a number of major CAPEX programs, one being the stadium and the other one being the Marinus Link. What sort of impact or requirement for TASCORP to think about what might be needed to facilitate those should they be progressed?

Mr FERRALL - There are a set of decisions that need to be made beforehand. You have some underpinning assumptions in your question which may not hold true. It is a question of looking at the future and then TASCORP will provide funding if needed or if required by the Government. It is not something we deal with at the moment.

Mr FERGUSON - That is a fair way to respond. Chair, in each case with any large capital project, whether it is in the General Government sector or as part of one of the GBEs or state-owned companies, these matters would be dealt with looking at borrowings on an emerging basis. In the case of Marinus, while we have struck the terms of an agreement

with Victoria and the Commonwealth, it still does need to go to FIB in approximately two years time at which point we would be engaged between the relevant businesses and TASCORP. The same in relation to the stadium on an emerging basis, but we have an expectation the state would provide half of the capital cost, but we are still looking for the Commonwealth to play a role there. When those things become financially realised at that point we would engage through TASCORP.

CHAIR - That is more for the Government to worry about than TASCORP at this stage? How they might be funded?

Mr FERGUSON - Correct.

Mr EDMUNDS - Going back to what we were talking about before. You have not taken on any responsibility for interest rates swaps in this arrangement, but have you ever done it previously?

CHAIR - The arrangement with Basslink?

Mr EDMUNDS - Yes.

Mr BAKER - The answer is, yes. We have assisted Hydro out on a number of occasions novating some swaps they had with the market, where the market wants to exit those swaps, we have stepped in and novated them to us and then created the same exposure to Hydro through ourselves on a back-to-back basis. Yes, we have facilitated. No direct exposure to Basslink per se, that some of the arrangements they have got on the back of Basslink we have assisted them for exit the market positions that they have.

Mr EDMUNDS - Is that something potentially on the cards if it was to have happened recently as well?

Mr FERRALL - There have been no discussions with Hydro on any of those matters at this point.

Mr BAKER - No; and with the Basslink matter now being resolved, it's unlikely. But once again, I think it's probably a question for Hydro.

As I say, our role here is to add value to our clients and managing that risk; so we will wait. That's part of the reason we have regular contact with clients with those sorts of exposures, just to understand whether there are ways that we can help mitigate the risk for them and the state.

CHAIR - If there are no further questions, we will wrap it up.

Thank you, Treasurer; you can stay or leave the room - whatever you like -and we will reconvene at 11.15 on MAIB.

Thank you for your participation here, and I thank the Chair and the CEO for their contributions on what's a fairly complex area that takes most of us a bit of getting our heads around.

Mr FERGUSON - Thank you Chair and committee. I think there were three questions that we said we'd come back to the committee on. If we don't have them through the day, we'll take them on notice. I look forward to staying in touch with you. I will see you at 11.15 a.m.

The committee suspended at 10.46 a.m.



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESS SCRUTINY COMMITTEE A

Motor Accidents Insurance Board

Tuesday 29 November 2022

MEMBERS

Hon Nick Duigan MLC
Hon Luke Edmunds MLC
Hon Ruth Forrest MLC (Chair)
Hon Mike Gaffney MLC
Hon Dean Harriss MLC
Hon Sarah Lovell MLC (Deputy Chair)

WITNESSES IN ATTENDANCE

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

Mr Don Challen AM, Chair

Mr Paul Kingston, Chief Executive Officer

The committee met at 11.15 a.m.

CHAIR - Welcome back, minister. We are here for our public scrutiny of MAIB. I invite you to either ask your team at the table to introduce themselves or for you to do so. I also invite you to make an opening comment and hand to either the chair or the CEO if they wish to also make opening comments.

Mr FERGUSON - Thank you, Chair and good morning to you and your committee. I welcome and introduce you to Mr Don Challen AM, Chair of MAIB and Mr Paul Kingston, Chief Executive Officer.

It is always a great pleasure that I have the opportunity to outline the achievements of the Motor Accidents Insurance Board during these hearings, particularly the fact that, again, MAIB premiums remained the lowest in Australia. This is despite the MAIB providing arguably the best overall no-fault benefits to those injured in motor vehicle accidents in the country, and achieving consistently high client satisfaction results which, no doubt, the committee will want to explore today.

I am also pleased to indicate that there are no general premium increases from 1 December, nor will there be from last December and nor will there be from 1 December coming. As from 1 July 2022, the highest premium for a standard motor vehicle in Australia was \$591, compared to Tasmania's current premium of \$282. Naturally, that is the largest component of what a person will pay on their annual motor vehicle registration.

The general trend of reducing claim frequency and average claim costs reflects the ongoing road safety improvements including infrastructure works, education campaigns and enforcement activities, all of which are supported by MAIB in different ways. It is Tasmanian motorists who are receiving those direct benefits positive outcomes.

To the committee, despite the ongoing uncertainties and challenges presented by the pandemic as well as the volatility in global investment markets, the MAIB continued to maintain its service provision in order to maximise the continuity of care for clients and their families, and preserve the long-term sustainability of the scheme. The MAIB continues to support people impacted by road trauma, with a high client satisfaction rating of 81 per cent.

During the financial year, the MAIB supported 1923 people involved in motor vehicle accidents. This is a welcome reduction from the previous year with 240 fewer people injured on Tasmanian roads - despite what we are all very familiar with, and that is an unusually high and tragic road trauma rate this calendar year.

The MAIB is well positioned with regard to its long-term financial position, and the committee will be pleased to know the funding ratio is 131 per cent, while consistently providing strong returns to government. The MAIB continues to work with the Road Safety Advisory Council as well as Tasmania Police, to implement highly effective advertising and public education messages, combined with appropriately targeted enforcement activities.

The board provides annual funding of \$4.1 million to the council and has funded this initiative since 1996. In addition, the MAIB continues to provide significant contributions to a wide range of community organisations across the state, with \$5 million provided to improve road safety injury management as well as broader community support.

A major component of the MAIB funding is the Injury Prevention and Management Foundation. The Foundation funds research, education and service programs aimed at prevention of motor accidents, or at least reducing the severity and improving the management of injuries from motor accidents.

I congratulate and thank the MAIB on the exceptional service that it provides the Tasmanian community, it really is a Tasmanian success story. It would only be good and reasonable for me to pay a particular thanks - but he will not want me to do so - to the outgoing chair, Mr Don Challen, who continues as chair until 17 December. He will retire as chair after 12 years of dedicated service to this organisation, leaving it in very good shape. I appreciate his efforts and those of his colleagues on the board, in particular.

I am happy now to take your questions, Chair and committee.

CHAIR - Thanks minister. So, it is our last time, Don?

Mr CHALLEN - Yes, it is. Last of many.

CHAIR - I would just like to focus on the financial performance first and then we will come to some of the other matters - and committee members will also engage, I am sure. As alluded to by the minister, I would like to explore this a bit further, the item of interest, particularly in the financials this year, are the large investment losses. I am interested in what the consequential effects of those may be. Investment losses, as noted, were \$85 million compared to investment gains of \$256 million in 2020-21 and note 4 on page 26 has all the details about those matters.

It is the unrealised losses due to market movements and shares, et cetera, of \$106 million, which has resulted in the \$85 million loss from investments. I am interested in the consequential effects of that may be, acknowledging that these are matters that are dealt with over time. Also, does it mean because there is a loss here, that MAIB will not remit any income tax equivalents as a consequence of this 2022 result?

Mr FERGUSON - Thanks, Chair, and I will throw to my chair to respond in detail, noting that, like so many large capital funds like superannuation, for example, global markets did turn in the financial year. It did take the edge off some of the very big gains that were achieved in the previous year, but it does not change the fact that the dividend policy of MAIB is not reflective, which is unusual, in comparison with its peers in other GBEs and state-owned companies of dividend policy. In respect of MAIB, a dividend policy is based on the long-term financial position and based on the funding ratio. I invite the chair to provide that level of detail for the committee.

CHAIR - Just to be clear, I was not talking about dividends, minister, because I understand there is a different arrangement on top of that income tax equivalents.

Mr CHALLEN - Minister, clearly the 2021-22 year was a very difficult year on investment markets. We had budgeted for profit before tax for that year of about \$80 million and the outcome was a loss of \$74 million. The big component of that was investment income, which actually showed a loss where we had budgeted for a positive number of about \$92 million. The outcome was slightly softened by the fact that, because interest rates went up over the year, our claims of liability fell because the rate at which we were discounting future cash flows was higher. Consequently, the claims for liability was lower and that led to a little softening of about \$26 million in our claims expense relative to budget.

It was a very difficult year. That said, if you look at it in the longer term, say over the last five years, it is the only year in the past five years in which we have thrown a loss and it followed a profit of \$303 million in 2021 and I think in our sort of business you need to smooth things over a number of years because the volatility of investment markets can produce some big highs and some big lows occasionally in individual years.

We have positioned ourselves for situations like that which emerged in 2021-22. We do that with a strategic asset allocation. The way we place our investments is designed to cope with the ups and down of investment markets over time. Because the application of tax goes only to realised gains and losses, we will still pay some tax equivalent payments of about \$22 million this year, even after that large loss last year. Obviously, there is a difference between the accounting for gains and losses in the financial statements and for tax purposes. I have the impression you are okay with the way the dividend policy works.

CHAIR - Other members of the committee would appreciate some more detail around that, myself too. Just before you go onto the dividend policy if might, in terms of the, I think you said \$22 million was expected in income tax equivalents tax next year. Will it drop away?

Mr CHALLEN - The year we are in 2022-23.

CHAIR - Sorry, this financial year now, so you cannot actually effectively carry forward a tax loss when it's an unrealised loss? Is that what you're saying?

Mr CHALLENGE - We could carry forward a realised tax loss. I do not have the number in front of me, but there's a complicated process that's involved in getting from the reported loss before tax to the taxable profit. The big difference between them is that taxes only apply to realised gains and losses, not unrealised gains and losses, and, by far the largest part of that movement last year was in market valuations on investment markets, the vast majority of which is unrealised.

CHAIR - And could turn around.

Mr CHALLENGE - Absolutely, in fact is turning around already, pretty much as we sit here.

CHAIR - Okay, so we can go to the dividend policy. That would be good.

Mr CHALLENGE - Like all government businesses, we pay a dividend to our shareholder based on our profit after tax - and it's just the accounting profit, the reported profit in the financial statements. Because we are subject to much more volatility in our outcomes than other government businesses, for many years we have had an arrangement where the dividend is not applied to last year's actual profit after tax. It is applied to a five-year average of the last years and the four before. The idea of that is it attempts to smooth the actual outcomes from one year to the next, and it has worked extremely well for both us and the government for many years.

We also are very reliant on our capital to maintain solvency to underpin the financial strength of the business. Our dividend policy also recognises the importance of solvency. We target a solvency ratio - that's the ratio of our investment assets to our liabilities - of between 120-145 per cent. The dividend policy sets a little range in the middle of that target where the dividend payout ratio is 50 per cent of after-tax profit, smoothed after-tax profit. As the profit moves up beyond that central range towards the top of our target range, so the payout ratio goes up. If we are building up excess capital there's a process that automatically takes it out again and pays it to the government as extra dividend, and it works -

CHAIR - Is this part of the usual dividend, not an extra dividend?

Mr CHALLENGE - No, it is just the ordinary dividend, it's embedded in the ordinary dividend policy. If we have bad years, a sequence of bad years, it works the other way too. If we head towards the bottom of that target range of solvency ratio, the dividend payout ratio drops below 50 per cent. The idea of that is it helps us recover that capital we need to maintain our solvency.

CHAIR - Members may recall there was a special dividend taken out by the Government when there was the big profit year.

Mr CHALLENGE - There is a history of governments both requesting and accepting special dividends from the MAIB that goes back for a quite a number of years. In recent years, we paid a special dividend of \$100 million in 2014-15. We paid a \$50 million special dividend in 2019-20.

It is important to emphasise that both of those special dividends were actually at the initiative of the MAIB board. In earlier years, they have been at the initiative, probably, of the Treasury or the Government. In fact, I may have been guilty in an earlier life myself.

Those two recent large ones have both been at the initiative of the board. The first one, that \$100 million in 2014-15, was when we had a sequence of very good investment returns and had built up a lot of excess capital. This was in days before we had the current dividend policy. The board made a decision because we had substantial excess capital, we should offer up a special dividend to the government to take us back nearer to our target. The 2019-20 one was slightly unique. It was the year in which the then treasurer agreed to the current dividend policy. The board, at the time, assessed in view of the fact we now had a dividend policy that would help to keep us in the target solvency range, deal with the upsides and give us some recovery in the downsides. We had a look at our capital position at that time and offered up \$50 million because we felt we had \$50 million more capital than we needed at the time.

It is possible we will get special dividends in the future, but it is much less likely than it has been in the past, because we now have a dividend policy that does it pretty much automatically through the ordinary dividend.

Ms LOVELL - In relation to the forecast dividends, I notice from the budget papers the estimated dividend for 2021-22 was \$48.3 million. In your annual report, you are on track for \$30.9 million. Are you expecting there will need to be an adjustment then, in the forecast dividends over the forward Estimates? Or are you expecting you will be back on track to pay those dividends as expected?

Mr KINGSTON - The \$48.3 million was paid in 2021-22 but referred to the previous financial year. The \$30.9 million that was quoted in the budget is the dividend in relation to the 2021-22 year, which we will pay in December this year. We pay them in the next financial year.

Ms LOVELL - That would be \$39.9 million?

Mr KINGSTON - \$30.9 million is actually the -

Ms LOVELL - It was forecast for the \$39.9 million, is that the one in the budget with 2022-23 we are looking at?

Mr KINGSTON - I am not sure about the budget figures, we give budget updates to Treasury as we go through and those figures change over time as our financial position in the year unfolds. We work out our dividend to be paid at the end of the financial year. That \$30.9 million will be paid in December this year in relation to the 2021-22 year. The \$48.3 million would have been what the estimate was in the year before, what we paid the year before for 2021. We are always one financial year behind in our payments. That \$30.9 million is set to be paid in December. It will not change. The payment for this year

will not be known until the end of this financial year. We will pay that in December next year.

Ms LOVELL - To clarify, that will be the dividend for the 2021-22 financial year, but it is paid in 2022-23?

Mr KINGSTON - It is paid in December in 2022.

Ms LOVELL - Right, thank you.

Mr CHALLEN - If you look at the MAIB dividends in the forward Estimates, they are beyond the 2022-23 number which is fixed based on 2021-22 profit. Those numbers are all based on our forecasts of our profit in the out years. In turn, we assume - if I can use this term - normal investment returns for the purposes of forecasting our profits. It is odds-on that there will be some significant differences from those forward Estimates as markets evolve and things pan out.

Ms LOVELL - Alright, thank you.

CHAIR - In the budget papers, I know you do not have them in front of you, but I will just ask this about the MAIB income tax equivalent for 2021 was \$9 million.

Mr GAFFNEY - What page are you on, Ruth?

CHAIR - It is in the budget papers. I assume that was on an accruals basis and that is what will be paid in December, as has been discussed. I am looking at the questions and some have been answered in the comprehensive answer you gave.

With the liability for outstanding claims - it is an actuarial calculation of \$1.3 billion. MAIB aims to have enough to cover somewhere between 120 per cent and 145 per cent of its outstanding claims. At the end of the year, as you said, it stood at 131 per cent. Last year in the annual report you reported a funding ratio of 133 per cent. That has only gone down by two per cent, despite all the investment losses which is quite amazing. How did you manage to do that?

Mr CHALLEN - It is a bit like a glacier, it moves very slowly. The funding ratio is essentially one very large number divided by another very large number and it takes a lot really in the movements in the numbers to shift them. Year by year, both the investments available and the claims liability are moving as valuations change. Investment assets are shifting because valuations in markets are moving all the time. The claims liability is shifting quite a lot because the interest rates in the market we use to discount a long series of cashflows out - maybe eighty years into the future - for servicing our claims, is shifting a lot.

You can see in the annual report there is a little table on page 4 that shows what has happened to the claims expense over the year to the 30 June 2022. In a movement of \$26 million-worth of revisions over that year, there was \$120 million-worth of change just due to economic factors - inflation rates and the discount rates, the interests from the

market -so both those numbers are shifting but we tend to get equilibrating movements. Poor investment returns tend to be associated with higher interest rates. Poor investment returns lower the investment assets number. Higher interest rates lower the claims liability estimates. The two are moving and to describe it as a glacier is probably the best way of thinking of it - it takes quite a lot to move it.

CHAIR - I might take you to note 14 regarding outstanding claims which is on page 41. There is also some other information on pages 45 and 46 in the notes to the financials I will refer to.

I notice there is a large increase in the expected nominal value of the future claims from \$1.6 billion to \$2.15 billion, but the discounted value of future claims only increased by \$18 000. A note on page 46 intended to explain this further with itemising changes in actuarial assumptions and changes in economic assumptions, which is touched on. I do not understand what it means, can you explain this note to me further? Further, note 14 effectively, and can you confirm the discount rates used by the actuary each year? As I understand, it is a bond rate. If so, if the rates fall then the future liabilities will rise.

Mr CHALLEN - Correct.

CHAIR - Would you please give an explanation on this note?

Mr CHALLEN - This is actuary's black art but I will do my best. If you look at the 'all claims' down the bottom of the table on page 45, that first line - 'expected future claim payments (inflated/undiscounted)' is an estimate going out into the far future - maybe 80 years or so - of what it will cost us at the cost of the time to meet our claims liabilities. Some of those will be meeting the needs of someone who has been catastrophically injured a few years ago, but 30, 40, 50 years into the future. The reason that number has gone up so much between the two years reflects additional claims and it reflects extra inflation, way out into the future, in terms of the costs of servicing those claims.

The next step is that we discount that to present value so we apply a range of interest rates to that stream of claims going out a long time into the future. You can see in the next line the discount to present value is the amount by which the total number is reduced by the discounting process. Then we add on a few things like claims handling expenses and a risk margin that takes into account the uncertainty of these numbers.

On page 41, you can see the sequence of interest rates that we use to discount that stream of future payments that reflects our claims liability. Looking at the 2022 column, for instance, you'll see that rather than there being a single interest rate that is used, we have what is basically a yield curve. Year one costs are discounted at 2.54 per cent, and year two costs are 3.43 per cent, and so on, until we get out to about year nine or ten, where we just apply a flat number of 4 per cent. That reflects the actuary's view of what market interest rates are going to be doing over the next few years. While we are on it, you can also see that in the table there are the inflation rates that we use to inflate the numbers out into the distant future.

CHAIR - That tells us that nobody has any idea after 10 years.

Mr CHALLEN - It is not so much that we do not have any idea. It is that the actuaries tend to adopt long-term assumptions about what markets will do once we get out beyond 10 years. Nobody is really capable of forecasting that far out in the detail that we can in the early years. In part, that reflects the fact that we have a lot of market information about what interest rates will be over the next four, five, six, up to 10 years, because there are lots of instruments in the marketplace that are bought and sold. Those are readily observable interest rates in the market. Beyond 10 years, there are very few instruments out there that you can buy and sell, and where you can, the market has no depth, so you cannot put a lot of reliance on the interest rates.

CHAIR - What were the discount rates then?

Mr CHALLEN - That column of interest rates are the discount rates.

CHAIR - Right, okay. Can you explain how and why the nominal amount of future claims increased so much? Is it just due to inflation, or was there an increase in the cost or complexity of the claims?

Mr CHALLEN - There will be a component that is a reassessment of the cost of individual claims. All our claims are reassessed at least annually, and the bigger ones every six months or so. We look at individual claims. We look at what is happening to the client, how they are travelling, whether they are likely to need more or less support. We look at the cost of providing that support. A component of that \$500 000 increase between years is just reassessing the cost of individual claims. But most of it is reflected in that table that we were looking at on page 41 in higher inflation rates out into the future being used to reassess the individual payment years.

CHAIR - Just to clarify, then, where people are on the lifetime care arrangements, there is a regular review of their needs? We know that sometimes other treatment or support options can become available that may require additional investment in their care, and that is how it works?

Mr FERGUSON - Correct. We look at them claim by claim, each individual claim.

Mr EDMUNDS - I was going to ask one about the dividend policy you talked about before. In your experience, how does that benefit you as a board, the predictability is that the main benefit?

Mr CHALLEN - If you go back to the time before the current dividend policy was established, we were in the position where we had a few really good investment years. We built up excess capital and there was a process for running us back to what we thought was reasonable by providing a special dividend to government. There was no mechanism if we had a run of very poor investment years, we would have had to put up our hand to government and ask for an injection of capital, which probably would not be terribly popular.

That was a worry to us that there was this asymmetry between what happened when things were going well and what happened when things weren't going well. We asked the Government to consider the dividend policy that we have now because it automatically deals with the situation. If you get a few good years then the dividend payout ratio goes up and we pay higher ordinary dividends and that, over time, brings our capital back to the target range. Equally, if we have two or three bad years and we are dropping down towards the bottom end of our target solvency range, the dividend payout ratio will drop, the dividends we pay will fall accordingly and we will recover capital by the same mechanism.

From the board's point of view, it is a risk mitigation strategy. It provides a mechanism for the Government to be paid higher dividends when things are going well but equally for us to recover our capital when things are not going well, without the Government having to put their hands in their pockets.

Mr EDMUNDS - How many years have you had it in place?

Mr CHALLEN - Since 2019-20.

Mr EDMUNDS - Three or four years. You are finding it works well for all parties?

Mr CHALLEN - Yes, I think the Treasurer, who happens to be with us today, is happy and the secretary of Treasury has offered no complaints. It is working very well.

Mr EDMUNDS - It is something you could potentially go across other GBEs?

Mr CHALLEN - I don't think it has a similar application in other GBEs because -

CHAIR - Except maybe TASCORP.

Mr CHALLEN - Possibly, but TASCORP has the advantage of the Treasurer's Guarantee on all its liabilities so it doesn't really need much capital, in fact, it hasn't got much capital. We are in a position as an insurance company where we need to be solvent all the time. There has been experience in some other jurisdictions where governments have taken large special dividends from MAIB-like organisations and then a couple of years after they have gotten into trouble and governments have not wanted to stump up additional capital to restore their solvency. I hadn't thought it through but it doesn't immediately jump to mind that it has an application to any other government businesses.

Mr EDMUNDS - What is the forecast for this year?

Mr CHALLEN - We are at 131 I think, our solvency ratio, so we will still be at 50 per cent but towards the top of the range.

Mr FERGUSON - To add to that, it is working, Mr Edmunds, thanks for your question. It is working exactly as intended when the change to the policy was put into effect. If you take a look, because I think you might, at the range of dividends that are paid by government-

owned businesses to government, this has one of the most stable profiles going forward in dividend predictions, noting that it will continue to rise and fall based on the funding ratio depending on where it lands in each year.

As this is a business that is managing long-term risk and long-term asset it made so much sense for this business to have a dividend policy which reflects the ability of the business to return to Tasmanians based on long-term trends and what are moderate and small movements over large value of capital investments. It does lend itself to an insurance company which is exactly what MAIB is in deference to other businesses which are more active in trading in their respective -

CHAIR - We lost you, minister.

Mr FERGUSON - I also saw the screen went blank, so I will pick up where I think it went to.

Just agreeing that it is an appropriate dividend policy for an insurance company - which is what MAIB effectively is - managing long-term risk and based on actuarial evidence about what the long-term provisions need to be, which is rather different from our other government owned businesses which are more active in markets respective to those businesses.

CHAIR - I think Luke also wanted to know what was the dividend payment that you were going to pay in December this year?

Mr CHALLEN - It is \$30.9 million. The funding ratio is 131.1 as at 30 June just gone. Were it at a 50 per cent dividend rate, it would go above that if we got to 132.5. We are close to it, but haven't got there yet. That \$30.9 million is what you get by taking last year's after-tax profit, smoothing it with the four previous years, and then applying the 50 per cent dividend rate; you get \$30.9 million.

CHAIR - With regard to the way you are managing and making sure you have the money you need and are solvent all the time, it is fair to say that overshadowing MAIB like any other organisation like this - an insurer, effectively - is the possible effect of interest rate movements as they affect investment returns and the cost of future liabilities. Particularly in light of the volatility at the moment, has MAIB made any particular change over the last 12 months to adapt to this changing world and put any other systems in place to manage it?

Mr CHALLEN - The short answer is no, because we were well positioned for these sorts of circumstances. The issues that we worry about all the time are inflation rates and the impact that will have on the cost of our claims. We are feeling that, at the moment. We are also feeling a bit of pressure that is coming because NDIS has become a big player in the market for the provision of care, which is where most of our costs are. Inflation generally is an issue we are watching and we are concerned about at the moment.

Investment market returns are always an issue for us; but we deal with that by positioning our investment portfolio so that we are well placed to cope with the ups and

downs of markets. It is really about a strategic asset allocation that gives us broad coverage of assets and does not put too many eggs in the one basket.

The other issue is interest rates in the market, because they affect our claims liability. There is nothing much we can do about it, it is only a matter of being aware of it. It can be frustrating at times, when things are otherwise going well with the business, to see interest rates falling and your claims liability going up and claims expense wiping out a profit in a year. That is life at the MAIB, and we are very used to that. Right at the moment, the biggest issue we are watching is inflation.

CHAIR - You led into the interaction with the NDIS. I am interested in how that works because before NDIS, the care for people with significant disability as a result of a motor vehicle accident was funded, as I understand, through MAIB. How do you work with NDIS and how do you determine who pays for what?

Mr CHALLEN - In theory, there is no overlap between the two schemes. We are only liable for people who incur personal injury in motor vehicle incidents, and NDIS doesn't have any responsibility for people who are injured in motor vehicle incidents. The theory is that there is no overlap, there is a clear boundary between us.

The practice is ever so slightly different, because NDIS has, on a few occasions, picked up costs for a handful of our clients who we were not able to fund. For instance, our act only permits us to pay for modifications to people's houses. We can't build a purpose-built house for someone. That's the way the act works. NDIS can build a purpose-built house, and I think we have one case where we weren't able to do something and NDIS came in and gave some additional support - but it's unusual. As I say, it does happen but it's pretty rare and the theory is that there should be no overlap between the schemes.

Ms LOVELL - Can I ask a follow-on to that?

CHAIR - Yes, sure.

Ms LOVELL - So, no overlap, but is there a point where, if somebody is injured in a motor vehicle accident and ends up with an ongoing disability as a result of that injury, does MAIB continue to be liable for supporting that person? There's not a point where it becomes an NDIS responsibility?

Mr CHALLEN - No, we cover them for life. Someone who is catastrophically injured in a motor vehicle accident, someone who needs lifetime care, our scheme will cover them until they die. We've quite a number of claimants who we expect to be with us for 60 and 70 years - people who were injured in their late teens or something like that. They might be seriously injured and they might have serious disabilities but nevertheless, they've got good life expectancy, and that's just what we do. We look after them forever.

Ms LOVELL - Good. Okay. Thank you.

CHAIR - Just on that point, Don, you said that you can't build purpose-built facilities but you can make modifications to a person's home. I understand there are some residential facilities that some MAIB clients reside in. Can you tell us about how that works?

Mr CHALLEN - Yes, although I might get Paul to do that, he's closer to that than me.

Mr KINGSTON - We have three purpose-built facilities around the state - one in Hobart, one in Ulverstone and one in Launceston. The first one was built in the early 1990s, so we've had many decades of these facilities. The facilities have several purposes. Included in it is support 24/7, which is outsourced to Anglicare, which has been our partner for over a quarter of a century in running those facilities. That is for those who are catastrophically injured, who - particularly in the past - for whatever reason couldn't or didn't have an option to go back to their home or their community, so they've come to our facility. We deliberately have spare capacity in all of those facilities, in case someone gets into that situation where they can't go home, so we can provide that to them to look after them for life.

Currently, and probably over the last 10 years or so, most people return to their homes. That's a better outcome for them because they're back with their family and their community, getting to do community activities. They have a better quality of life, they have better outcomes physically and mentally, and so that tends to be the preference now. But, we still have these facilities and we have people who have been in there since they were built, so they have been in there already for many decades.

CHAIR - Who built the facilities?

Mr KINGSTON - MAIB did outsource to builders but we built the facilities. We own them outright and we've spare capacity in them 24/7. We also have a series of independent living units, which are sort of around the outside of that property. They serve several purposes. Sometimes it's for people coming out of hospital. We might be modifying their house, getting them ready to go back to home, so we can allow them to settle out of hospital. It is better to be out of hospital as quickly as they can and get used to living together in one of our independent living units, getting some care, to transition back to home.

We also can use it for clients who are in between homes or are struggling to find accommodation. We have a few clients using those - this is, in effect, rent that we provide them. We can also use them as respite care. A lot of families are looking after their loved ones a lot, it's their choice and what they want to do and we can help them do that; but we can allow them to bring their loved ones into those independent living units and the family can get some respite. They can look at other interests or do other things and not having to be looking after their loved ones all the time.

It fulfils quite a few different purposes for us and, as I said, we have spare capacity because more people are going back to their family homes, which is great.

CHAIR - What's the capacity of each of the facilities?

Mr KINGSTON - Each of the facilities generally have five or six in that 24/7 care and then we have a range from about four independent living units up to about 10 or 12, depending on the centre and how much land we had around that. They're quite large facilities for now, with the land, and as the chair said, we continue to open them and will in the future, so we have that capacity to offer any future clients coming in. We fill that capacity - not all of it, but most of it - with clients from Anglicare from other funding sources. It could be workers compensation or NDIS or wherever, where they cannot get facilities, we allow them to have some of their other clients come in, to make it more of a shared facility, so there is more activity and it feels more like a home for our people that are there. Usually, we have those on short-term contracts so that if we happened to have another client that required it, we could bring them into our facility as a priority.

CHAIR - Do you charge NDIS or workers compensation for that or how does that work?

Mr KINGSTON - No, Anglicare would work that out with the other funding source. The arrangement we have with Anglicare is that our bed day rates are what it costs us per day to look after that. It transitions down as we have more in the home; so, if we have more people in a home, we are actually paying less per bed day rate for everyone, so we get some benefit. We are not directly charging the other client because that is not something that we want to get into. They are funded from elsewhere, and we do not really want to be trying to interfere with that space.

Mr EDMUNDS - With NDIS coming in, workforce demand is - do you have any involvement or do you have any feedback from Anglicare about how they are going in making sure that those facilities are appropriately staffed? There is obviously so much demand across disability services.

Mr KINGSTON - Workforce pressures on anything in health, attendant care, allied health, hospital is difficult for us, particularly, as you get to regional areas. There is more pressure to find workers. We have a panel of attendant care providers, Anglicare is one. We have other providers on that panel and we work with all of them to try to make sure they have capacity in the regions where we need to get to our clients. The biggest impact for us over recent times was when COVID-19 hit and trying to get to people, because with people in their homes, trying to get care to them was actually quite difficult. We did a lot of work with our providers during that time to help them. We bought PPE or hand sanitiser or worked with them to do telehealth to try to continue services to our clients.

That has faded. Even though COVID-19 is still with us, it is not having the same direct impact on services as it had 12 or 18 months ago. There are pressures; it probably comes back to client choice. In some regions, we do not have a lot of choice. They have to go with which provider has services in that area, but that is something that we are continuing work with, so with our panel, we are just about to establish our panel for the next four to eight years.

Our new panel starts next week. We will be increasing our panel numbers from three providers to five. We have just gone out to have to tender to do that. One of the things we

are doing there is paying for accreditation for those providers who were not already accredited to the levels that we wanted, not so much NDIS, but some other industry accreditation to get some of those small players into the field and to be set up to be able to provide care. That will actually support the whole industry, not just us, but we see that as a good step to try to keep the industry alive so we have someone to call on when we do need to get care to people.

Our cancellations have not dramatically increased. Occasionally we get cancelled shifts for all sorts of reasons. Our service providers have done a fantastic job in keeping service to clients over the last couple of years, so, no major issue, but just like everyone at the moment, trying to find workers consistently and in regional areas is an ongoing battle that we will continue to work with our providers to provide to active clients.

Mr EDMUNDS - The facilities themselves, are they quarantined from any kind of potential sale down the road? How are they protected to make sure, or is it just that the demands on MAIB mean that they will always have clientele?

Mr CHALLEN - They are on our balance sheet and we need them so there is no prospect of them being sold. It is not something we would contemplate.

Mr KINGSTON - It provides us with too much flexibility for care and options for people, so we have deliberately kept capacity spare - well not deliberately, but we have not cut back when we did have spare capacity. We have spare land around each of those facilities and we are holding that as well. In fact, we are looking at committing to a large capital upgrade of all three facilities. We are in the process of design to upgrade each of the three facilities. These are not small upgrades, we are talking about trying to completely redesign them to modern, contemporary care.

In some cases, they were built two or three decades ago. We are actually looking to do the opposite, which is invest more in them and have even more and better, and probably more flexibility. Those things I talked about with the independent living units, probably utilising them more for families who are in the community, finding different ways of helping people utilise those facilities going forward.

CHAIR - In terms of the digital connectivity for people living in these facilities, particularly during COVID-19 and needing to have some telehealth type arrangement, is that already in place, or is this part of the upgrade?

Mr KINGSTON - It will primarily be part of the upgrade. We managed to keep a carer in those facilities during COVID-19. The attendant care providers were largely there with the client. They sacrificed quite a lot with their own personal life to make sure we kept care, but one core part of the new capital upgrade is to find different ways of using technology to help people help themselves, not just in those facilities. We will definitely upgrade greater technology use to those facilities.

The core focus will be on helping people have as much independence as they can. It will be utilising technology within the room, so people can take care of their own life and

have a bit of independence. It is not to save costs of attendant care - that may well occur - but it is to give them that level of independence. We are looking to use that in people's homes as well as we prove that. Particularly in regional areas, we might be able to use technology to help people who might have to have somebody come for an hour or so to help them to remember to take tablets, or to get into a routine. There is a lot of technology nowadays where you can do that automatically and remotely to help the person help themselves, so they can get visual reminders from lights and sounds and other things to help them manage their own lives. That's the new technology we will be looking to bring into facilities and then potentially rollout to our clients who are living in their homes.

CHAIR - Because of the sensitive nature of some of the data that you hold, what particular attention are you paying to cybersecurity?

Mr KINGSTON - Cybersecurity is a core focus for us, as it is for anyone who holds personal information. We have to hold personal information of our clients to be able to help them get medical care. It's not something we can take and then remove because we are constantly dealing with their medical practitioners and what services they need. So, over the last 12 to 18 months, or probably 18 months ago, we had a series of tests done to see if people could get into our systems, by external experts -

CHAIR - Quite a few hackers?

Mr KINGSTON - Yes, it must be a good money. A penetration test is what it is called. Also, through our internal audit we had an extensive audit of our systems and, as it always does, that identified a range of things we could do better. There are always things in cybersecurity that you can do better. There's no perfect answer. So, for 12 to 18 months we've been investing heavily in redesigning the access to our systems. We rely on Networking Tasmania as part of the government platform for the external component, but everything inside we manage. We've put in place significant changes to our systems regarding patching, operating systems around access and passwords as well as physical security.

CHAIR - Two-stage authentication?

Mr KINGSTON - Multi-factor authentication is coming into our system. So, all those steps we need to be doing we're rolling through and we've got a large works program that reports regularly through to our audit committee and the board on the steps that we want to do. There are hundreds of steps to do and we're prioritising those as the technical staff and the consultants can tell us which is currently the most important to do. We work through those priorities and then go through the next ones, which is constantly changing.

The board has allocated to us significantly more money for software solutions to monitor. We are just in the process of putting in a brand new system which will monitor threats and is monitored by an external body that does this for many organisations around the world. It will tell us where we're getting pushed and prodded and then recommendations about what we do to protect that. I would say we're maturing. We are definitely not at the top end, but for a small organisation I think we do reasonably well and

we are always looking for that next thing to do. As you say, we have a lot of personal information of Tasmanians to protect.

CHAIR - Are you aware of any data breaches?

Mr KINGSTON - We're not aware of any data breaches, no.

CHAIR - Are you aware of any attempts?

Mr KINGSTON - The penetration testing and the most recent software put in gives us ideas of people who are trying to do things like password entering. That can be a combination of maybe somebody forgetting their password and re-entering it, but also - and the numbers show us it's probably more than just inadvertent passwords. There is activity out there now that we'll be trying and we have seen some. When we get that we then try to close that access point off and go to the next one. There has been no breach that we are aware of and nothing that has got close, as far as we know. The reality is they are out there all the time, trying, and as we see issues, as they get identified by experts in the field - we are a very small organisation, 45 staff, so we're not going to hold that expertise in-house. However, by getting those consultants to do that monitoring for us we should be able to hopefully get in front of most of them over time.

CHAIR - Does anyone else have a question of other areas?

Ms LOVELL - I would like to go into another area, yes, thanks Chair. Noting that MAIB has a significant focus on road safety and invests in this area in various projects, does the MAIB board have a view on the introduction of mobile speed enforcement cameras in the state?

Mr FERGUSON - Thank you for that question, which is an important one, if I can begin, and Don can jump in. We are actually on one page here, because it has been a sense of joint commitment and roles here.

I would like to commend the MAIB for its continued support of the Road Safety Advisory Council. That is the central trusted source of road safety advice to Government. Speed is a factor in nearly a third of crashes as one of the fatal five, it is the most prominent one and so, the MAIB as a member of the Road Safety Advisory Council has guided Government to get on with the introduction of the new automated traffic enforcement cameras. Noting Ms Lovell, they will enforce not just speed but also a range of other dangerous behaviours. They will be there to complement the fixed cameras which will continue to be in place. I invite Don and Paul if you would like to discuss the MAIB's role, including the resourcing of that.

Mr CHALLEN - Paul sits on RSAC and it might be most efficient if he takes this.

Mr KINGSTON - The reintroduction of mobile speed cameras in Tasmania, as the minister has said is making new multi-technology focused and able to in the future do seatbelt use, mobile phone use, automatic number plate recognition which helps us with

uninsured vehicles, has been a joint effort of police, state growth and the Road Safety Advisory Council.

I have sat on the steering committee with police and State Growth to push those changes in. That new technology, we believe, will have a significant impact on the moderation of speed around the Tasmanian road network. If you look at the Tasmanian road network speed monitoring and it is not a full monitoring of the road system but they do have a lot of counters with State Growth out there that give a bit of an idea. It has been increasing, by about half to one kilometre each year. The road safety experts will tell you that for every one-kilometre increase of the operation of the speed cross the road network, you will get about a 4 per cent increase in road casualty. That is just the normal behaviour you would expect.

The perception of getting caught, under surveys done through the Road Safety Advisory Council we fund, have shown that people's perception of getting caught has decreased as we only had fixed cameras there for a while. The reintroduction of this new technology will make a big impact and will hopefully slow everybody down. You have normal road users doing normal speed, and the risk takers doing ridiculous speeds are still going to do what they do. It is everyday motorists just being a little bit slower. If we can reduce that by having the cameras out there anywhere anytime - there are over 300 sites assessed for placement of those mobile speed cameras - people believe they will get caught anywhere, they will slow down, and we will get fewer accidents, and fewer accidents means fewer claims for us, which is what we want.

It has been a big introduction with a lot of changes to systems for police to get that through. That is why there was quite a bit of work and now that there is in place, we are fully supportive through RSAC and working with the minister to identify future cameras and that future technology use which hopefully, will be in trial sometime next year. Again, people distraction has increased as a major factor in road crashes and if we can get people believing they will be caught using their mobile cameras, mobile phones and not wearing their seatbelts - which isn't the biggest issue, but is creeping up in some of the fatalities.

CHAIR - I find it really weird, it is such a no-brainer.

Mr KINGSTON - It is strange, in Queensland where they have introduced this technology just before us, they actually when they first put in the seatbelt usage, they had footage of people doing up their seatbelt behind their back and then sitting on it so it would not beep. A lot of effort to not wear your seatbelt which will save your life if you're in a crash, or will give you a very good chance of saving your life in a crash. We are hopeful that behaviour will also be hit and we see that as the next level to try to address this year which in terms of fatalities has been a horror year for Tasmanians.

The reality is that serious injuries and fatalities combined is only very slightly above the long-term average. We have just had this unfortunate shift between serious injuries and fatalities, but we want to bring those down and are fully committed to the continuation of the roll-out of those cameras over the coming years.

Mr EDMUNDS - On the higher statistics this year, how is that affecting you?

Mr KINGSTON - It has not had a significant impact on us, in fact, our claims have dropped. What we are experiencing over the longer-term is, generally, the number of crashes is slightly declining. The last few years it has plateaued. The number of personal injuries occurring from crashes have dropped. The number of serious injuries from personal injuries have also dropped. Our claim frequency is dropping significantly. For every thousand vehicles on the road in 2021, we had 3.8 claims. In 2021-22, it was down to 3.3. That is a pretty significant drop when you are down at those figures.

This year, to date, at the end of September, we are at 3.2. There are three reasons for that. One is, the number of registered vehicles continues to grow, so we get a little bit of a drop. The absolute number of claims has dropped, as the minister noted in his introduction, we had 240 fewer claims from 2021 to 2021-22. That is not COVID-19 impacted, that is absolute drop in claim numbers, which is great. It helps us not have to look after as many injured Tasmanians. Then the third part of it is - safer roads and safer cars. With cars, we still have the oldest average age vehicle fleet in Australia. As new cars are coming in, we are getting a bigger kick up in technology savings compared to some of the other states. The significant investment in roads, as can be identified particularly on the Midland Highway between Launceston and Hobart.

CHAIR - You cannot go over 60 kilometres per hour for nearly all of it, so crashes are pretty non-serious for most.

Mr KINGSTON - It is a good road safety measure, just keep the roadworks on the road. Those improvements are making even fewer crashes. We are still having crashes, but less personal injury and that is continuing to go down despite - there is no going past the number of fatalities this year is just a horror for the people affected - however, as I said, the total number is sort of steady of serious injuries and fatalities.

Mr CHALLEN - The mobile speed cameras and enforcement activity generally is probably the area where we can make the most difference now. We have seen a lot of work on the roads to improve the safety of being on the roads and what is going on in the Midland Highway now will have a long-term benefit. Just having the traffic divided down the middle will pay off huge dividends. As Paul says, the big changes in the safety of cars that occurred a decade or so ago, airbags and those sorts of things, are still working their way through the Tasmanian fleet. We are going to see some improvements from that into the future. It is really about what drivers do when they are behind the wheel. How aggressively they drive, their attitude to other road users, whether they observe speed limits and drink driving restrictions. Whether they put their seatbelt on. Whether they text underneath the dash board as they are driving along.

CHAIR - Or like this when they are driving along.

Mr CHALLEN - We have all seen a lot of that and that is the area where we can make the most difference. This modern technology of these new mobile cameras has the potential to make a big difference. I think we will see it in the surveys. As Paul referred

earlier, to the survey results of people's expectations about how likely they are to get caught speeding, for instance. We want to see that number going up. We want to see people thinking the chances of getting caught are higher and higher over time. There is a big contrast between those numbers in Tasmania and in Victoria, for instance. In Victoria, you do not see speeding on the roads much because everybody has an expectation that if they do, they will get caught. We have not yet got ourselves in a position where we have that expectation in Tasmania. We can make a big difference just with this new technology.

CHAIR - Drivers in Victoria tend to let each other in too, when they are merging which is a bit of a problem for Tasmanian drivers, it seems.

Mr CHALLEN - It is a culture thing.

CHAIR - It is a culture thing. Can I just ask what the average cost of a death is, as opposed to an average cost of a lifelong claim? I know that depends on the age of the person.

Mr CHALLEN - I am sorry to tell you, but they are cheap. Deaths do not cost much at all. We pay funeral benefits and occasionally -

Mr KINGSTON - Maybe, dependencies. We do not have an actual specific cost and we do not measure it specifically, because it is not something we have ever got into. We are not structured. We pay what we need to, and are not worried about -

CHAIR - What do you cover in the death of a person?

Mr KINGSTON - It is funeral benefits, which is about \$11 500 or \$12 000 is the maximum we pay. Then, sometimes dependency, depending on the relationship with family members that are left behind. That can be probably \$50 000 to \$60 000. There is not a lot of money in that. The person can bring a one-off claim under a different act - the Fatal Accidents Act 1934 where they can claim for dependencies and lost income. We are talking under \$100 000, for most. Our most expensive lifetime care claim - which, at the moment, requires two 24/7 attendant care workers plus nurse support - discounted and inflated, will probably cost us about \$27 million. In actual terms, it is probably \$60-80 million. That is the sort of range. Even with the less catastrophically injured, we are talking into the millions to look after. Financially, it is not generally a big impost for us, but obviously the impact on the family is significant.

CHAIR - The reason I ask is that we have seen 48 deaths in the 2021-22 year. I am not sure, this is in a financial year, not a calendar year. This calendar year has been an absolute shocker, as you have said, and it is not over yet. We may see in this current financial year, sadly, an even higher number there.

The reason I asked about the claims cost is that sadly, deaths do not cost the scheme a lot. They cost the families enormously. Do you have any insight as to why we are seeing more deaths, particularly when you look at the Midland Highway? You can't speed on that in most parts at the moment; not that you should, anyway.

Mr CHALLEN - There haven't been any recent incidents on the Midland Highway.

CHAIR - No. Mostly because there's a very restricted speed there. But do you do work on where the fatalities occur? I also want to extend that question to other vehicles like ATVs. I noticed some commentary about ATVs in your annual report. Is an ATV crash considered where they are not registered and/or if you have a registered vehicle on an unregistered road - like a beach or something like that - are they covered? I am interested in the amount of coverage you have.

Mr FERGUSON - I will ask Mr Kingston to respond, but just for the benefit of the record, and not wanting to pull anybody up, but it would be worth mentioning we have had, as of recent days, 48 people die on Tasmanian roads.

I fully and respectfully appreciate nobody is making light of roadworks on the Midland Highway; but we actually have had a death on the Midland Highway this year, and it was in a roadworks zone. It will, no doubt, be investigated and reported on at a later time. But it does, I think, reinforce the importance of why, as frustrating as those roadworks are - and it has been reflected through our hearing - those speed signs and those hazard signs are there for a reason. It is unfortunate that there is, perhaps, some belief out there that the roadworks are sort of an unfair inconvenience.

I know nobody here has said that today, but I wanted to bring that into the conversation for clarity of the record as well, noting that it would not be that long ago that many of us would recall more or less week after week, we had the head-on collisions on the Midland Highway, which was one of the leading causes, or one of the leading circumstances, for people dying on Tasmanian roads.

We are having a terrible year. The last time I saw the figures, we were something of the order of more than 60 per cent up on fatalities on the five-year average. It is a very significant outlier year, this year, based on trends. That is why our combined efforts are very much focused on reducing people's decisions that they are making which are leading to the 'fatal five'. Most crashes in Tasmania, are occurring through decisions made behind the wheel rather than the infrastructure itself, or the weather, or some other freak kind of event. I will mention that, and pass back to Paul.

Mr KINGSTON - Thank you minister. To answer your last question first, in terms of ATVs - ATVS can be registered with us, they can be registered or they can just be insured. If you are on a farm, you can just pay an insurance amount, which is obviously smaller, and that means you are covered with us. If it is insured - we cover, we respond. We respond anywhere in Tasmania; in fact, anywhere in Australia. Private road, public road, it doesn't matter to us. Once you're registered, you're covered with us.

CHAIR - That's the vehicle registration, as opposed to the location of the incident?

Mr KINGSTON - Correct. Even with an uninsured vehicle with a third party - so, not the driver or owner is involved - we still respond. It's only maybe the owner or the driver, if

they knew that it was unregistered, they'd be the only ones we wouldn't cover. We do cover quite a bit.

With ATVs, if they happen on farms, the workers compensation policy would respond first and they may well have recovery rights against us. We do not get involved in every single ATV accident.

CHAIR - Where an ATV crash occurs on a road - and, sadly, we have had a number of those over the years which have resulted in fatalities and serious injuries on roads, not on farms, and even with under-age drivers - how is that dealt with?

Mr KINGSTON - Again, if a workers compensation policy does apply, normally on a road - it depends on what they are doing but we would respond - and we have. Workers compensation claims are pretty high with ATVs, so a lot of them do go there. It's surprising we haven't seen a massive increase in that, over time.

The numbers are very small; you are talking about a handful, so in a year it can look a little bit different to others. But, leading into the fatalities this year, we don't do road safety policy, that is in the Department of State Growth; but through my role on RSAC, we do look at this. They have looked very heavily at the fatalities this year and there is no specific, unusual trend that stands out.

Our numbers are very small - 48 is still way too many, it is 48 too many - but they are small in a statistical or trend sense, so you do get these ups and downs; and, really, what we have seen is that every type of accident has occurred. Some years we won't have pedestrian fatalities, some years we won't have ATV fatalities; but we have had almost every type this year. There are no demographics, vehicle types, particular roads, particular infringements - there is nothing that stands out as being unusual proportionate to what we would normally have.

CHAIR - You cannot target a particular area, is what you are saying?

Mr KINGSTON - Nothing seems to be coming up. Tasmania Police has been responding. You have seen them in the media every time we have had a fatality, they try to roll out with an enforcement - if it was about speed or mobile phone use, they try to do that to make the point, but it has been all different types of causes and areas, unfortunately, this year.

CHAIR - When you have an ATV incident on a public road that's not related to work, does that ATV need to be registered or insured to be covered?

Mr KINGSTON - Yes.

CHAIR - If it was one that was not registered or insured then they are not covered?

Mr KINGSTON - Not the driver or owner; but if there is another party, a passenger or someone else who is injured, we would still respond for that other passenger. With that,

the third-party nature of our scheme still picks it up. The only person who wouldn't be is the owner and/or the driver, if the driver should have known it was not registered; otherwise we will cover everybody else injured.

Mr CHALLEN - An unregistered ATV shouldn't be on a public road, obviously.

CHAIR - We know that, Don. But, you're not from the country. Moving on to page 17, it says 'MAIB has approximately 40.5 FTEs', so, a fairly small workforce:

76% of whom are female. Twelve staff members work part time using ongoing flexible work arrangements to help them achieve work/life balance and accommodate family commitments.

It is a feminised workforce, which is a bit unusual, even in this field I would have thought. However, it's great to see that there are a lot of women working there and some flexible work arrangements. Do you have an organisational chart that shows where these women fit, with regard to dealing with the gender pay gap and that sort of thing?

Mr KINGSTON - We do have an organisational chart but I can tell you what it is; it is pretty easy to do. It is pretty well split throughout the organisation. Our executive team - which is four - is 50 per cent male and 50 per cent female. Our leadership team, which brings in some of the senior managers, is eight, and that is split four and four as well. On the board, over the last few years, we either have had three females, two males or the other way around, for the last half a dozen years. It is fairly well split throughout the organisation.

Most of our teams are between five and eight people and it is pretty well split. In fact, when we get into claims areas, that is where it is more predominantly female; and that is not unusual in insurance claims. We don't have many insurers based in Tasmania of that size, but that's not unusual for the claim side. Generally, throughout the business it is very evenly split all the way through. I can only think of one team that is probably male-dominated and that is the IT team which is fairly traditional and we only have two internal staff, the rest are contractors who we have in.

CHAIR - Do you have any women working in your IT team?

Mr KINGSTON - No, not at present. We have had people in the past work very closely with IT on the reporting but we have two IT staff members - both happen to be male.

CHAIR - Only two?

Mr KINGSTON - Yes, two.

CHAIR - In terms of your flexible work arrangements, can you describe a bit more how that works and what your flexibility measures are, and a bit about your parental leave scheme?

Mr KINGSTON - Flexibility and workers have been helped along with COVID-19, obviously, it forced us to be more flexible where we work and how we work. As soon as COVID-19 hit, we immediately had staff at home. We only had five staff who were mobile and had laptops at the start and within three weeks we had everyone set up at home using our IT equipment -not their own. We helped them set up in their home in terms of their desk set-up and their ergonomic assessment. We have continued that and we still are in that state - we have about 60-70 per cent in the office at any one time and 30 per cent working at home on a rotation.

For many years, we have been very supportive of parents - usually mothers - having flexible arrangements to work, to go part-time. That is why we have such a large number who are part-time, but we do have some males who are also part-time. Coming back from maternity leave we generally allow the staff member to choose what they want and they can build back to full-time over that five years. That is allowed at a national employment standard, but we are very active in allowing them to do that.

We have several clauses in our work arrangements where we have compassionate or special leave to help people manage through things. We have had domestic violence leave in our EBA for many years - well before it was required in national employment standards.

Parental leave - again, we have had that in our arrangements for some time. Staff can access the government-funded scheme and over and above that. Depending on how long they have been with us, they can get up to 13 weeks of paid leave on top of that and we allow them to take up to 52 weeks made up of leave without pay to take a full year off. There are some extra arrangements if they have some particular needs and we can extend that by another two months. We are very flexible on how they come back to the workforce - we want them to come back and work as they can. COVID-19, obviously, has enabled us to do that better than we did in the past. Some of those part-time staff can extend or contract their hours and work from home where they need some flexibility looking after young ones or sick family members.

CHAIR - I will go to employment wellbeing, acknowledging that, particularly some of your claims assessors will be dealing with some pretty confronting information and quite distressed families. How do you look after your people who are particularly exposed to that potentially vicarious trauma?

Mr KINGSTON - Yes, it is an impact. Our staff are dealing with people at their lowest and that definitely has an impact on them over time as they are dealing with hundreds of clients over a period. For many years - since I have been there - we have been running mental wellness or resilience courses to help our staff. The most recent range was presented by Road Trauma Support Tasmania which we actually fund. We have funded for their existence. They are a great organisation that helped general Tasmanians to deal with road casualty. They have come in and helped staff, not only work out how to help clients during those situations, but also to recognise for themselves triggers that might arise in dealing with stress and build-up of what they have to see and deal with clients, so we have run those courses.

Very recently, we got very good feedback from staff that it assisted them.

Where we have had staff, who have had some issues, it does not matter if it is from work or at home. We have our normal EAP services, but in a few cases, we have funded additional counselling well beyond that to help people get themselves into order and to find a way through. We are very cognisant that the type of work they do can be quite challenging over times and one of the reasons why those staff work only standard work hours; we do not usually use overtime. They are not there outside of 9-5, Monday to Friday. It is also why we have moved to a more team environment over the last eight years, so as a team they are handling claims and it gives them a chance to work with the people next to them, just to take that stress off, particularly after confronting call for whatever reason that might be, they are with their staff. In fact, we refitted out our office just before COVID-19 hit, to have the teams closer together and more open so they could just do that to de-stress. We find that is one of the best things to do to sort of share that experience and just be able to find a way in dealing with that immediate issue.

Mr CHALLEN - All that said, the feedback I get from the staff is they find it very rewarding work. They are helping people who are in difficult times of their lives. When you help someone put their life back together and get back to something that looks like normal, there is a big payoff, in terms of feeling good about it. You can see that in the longevity of our staff. Our average employment period for our staff is over 10 years and we have 19 of those 45 people who have been with us for more than 10 years.

CHAIR - They are in the claims area?

Mr KINGSTON - Indeed.

Mr CHALLEN - Predominantly.

CHAIR - That is a positive thing. I do not need to know all the details, you should not even probably have it yourself but the number of employees that have actually accessed the EAP?

Mr KINGSTON - I think last year it was a couple and the year before - during COVID-19, I think it got up to about 8 or so a year. It ranges from probably about 2 to about 8 over the last few years. As I said, we have provided some specific counselling people in certain areas. We have reissued our EAP services and we actually had the EAP provider do training to try to get people to engage. Sometimes EAP can be seen as just a light touch for counselling if someone's really struggling and from that training run for all staff last week, people had a much better understanding of what they could provide. We are hopeful that where they need to, they will access that more, but it is a small number - around that 10 per cent would be an average - of staff each year accessing it. We do not know who, obviously, just the numbers.

CHAIR - No, I know. I hope you do not know who.

Mr KINGSTON - No.

CHAIR - I would be concerned if you did know who.

Mr DUIGAN - We touched on it briefly earlier with the ATVs, but on the issue of unregistered and thereby uninsured vehicles, presumably there are a few ATVs out on the road, but there are a lot of cars. What is the role MAIB has in ensuring further compliance with registration?

Mr FERGUSON - Thanks, Chair and Mr Duigan. I will ask Mr Kingston to jump in. It is actually an area of concern. I know we did discuss it earlier, because if the person is driving an unregistered car, it also means they are driving an uninsured car. For the purposes of the medical benefits of people in the vehicle, in particular as Mr Kingston outlined, the owner of the vehicle or the driver if they ought to have known that it was not registered. There are allowances for other users, which I do not think you are asking us to explore, but it is a concern because there is no grace period. It is an insurance product and important we do reinforce the message to Tasmanians: if the car is not registered, for whatever reason - good or not good, or if the person is not able to afford the registration, even though we have moved now to allow people to pay quarterly - then actually the car should not be driven at all because it is a danger. To the driver and to other road users.

In respect of your question, I will ask Paul to elaborate. There is quite a successful partnership that now exists between MAIB and with my other hat on as Minister for Infrastructure and Transport in the Department of State Growth to try to curb down the number of vehicles that are on the road (a) illegally and (b) not being insured. Under this partnership, MAIB is helping State Growth to fund the provision of equipment in the transport inspector vehicles you may occasionally see driving around the roads and highways. While they are not intended to be a replacement for police because they are providing an enforcement role for the transport sector on road, those cameras are in place.

Also, to confirm that the new cameras that we are rolling out, the eight that are currently on the road - which is expected to increase to 16 in the future - will also have the capability of inspecting vehicles that are moving past those cameras and being able to quickly assess if they are being driven without being registered legally and properly. They are a couple of different ways that we are doing this.

Increasingly, State Growth now is sending, not just letters, but SMS's to registered owners of vehicles so that they can be in no doubt that they need to be mindful of the status of their vehicle. Pleasingly, I am advised by State Growth that when a person does receive that information that they have been detected driving an unregistered vehicle, 70 per cent of them get re-registered. That is a good outcome but there is probably room for improvement.

Paul, if you have anything further to add from your point of view. I didn't know the dollar amount that MAIB provides to State Growth for that partnership.

Mr KINGSTON - We provide just under \$200 000 a year, it was a \$195 000 in 2021-22 and when this first started in 2000 the detections of unregistered were over 3 per cent of

the detections for unregistered and now it is consistently running well under 1 per cent. As the minister said, we get well over 70 per cent of those, largely, once you are told because you have just forgotten to register. We want them in the system, the Motor Registry wants them registered, I want them insured, I want to cover them if they have an accident. We are getting more and more in and the automatic number plate recognition software of the new automated transport traffic cameras will significantly increase the number of detections.

At the moment the transport inspectors are getting several hundred thousand detections a year. The automatic number plate numbers will significantly increase that and it gives us greater reach to catch those people. The vast majority want to be registered; they have just forgotten so it helps them get to there.

CHAIR - Not having the sticker is often seen as a factor in that, it has been like that for some time now.

Mr FERGUSON - Some of us still miss the stickers. The move to quarterly payments genuinely has assisted. The feedback from the community sector has been exactly that: that more people are able to manage their cash at home, at least to be able to keep their car on the road for the next three months.

CHAIR - Any final questions for anyone? Any closing comment from you, minister?

Mr FERGUSON - Thank you for the time today. I don't think we took any questions on notice, did we?

CHAIR - No.

Mr FERGUSON - Thank you and a good discussion. In particular thanks to Mr Challen, I don't know if he will shed a tear for having completed 12 GBE scrutiny sessions but I think he mostly enjoyed the House of Assembly ones. This year will have been as enjoyable as any other.

CHAIR - I nice way to finish for him.

Mr FERGUSON - We wish him well for the future.

CHAIR - I acknowledge Mr Challen's long participation in this place in various roles across the table from me, I know that. Thank you for your time today and we will close the hearing.

The committee suspended at 12.44 p.m.



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESS SCRUTINY COMMITTEE A

Tasmanian Railways Pty Ltd

Tuesday 29 November 2022

MEMBERS

Hon Nick Duigan MLC
Hon Luke Edmunds MLC
Hon Ruth Forrest MLC (Chair)
Hon Mike Gaffney MLC
Hon Dean Harriss MLC
Hon Sarah Lovell MLC (Deputy Chair)

WITNESSES IN ATTENDANCE

Hon. Michael Ferguson MP, Deputy Premier, Treasurer, Minister for Infrastructure and Transport and Minister for Planning (via Webex)

Mr Stephen Cantwell, Chairman

Mr Steven Dietrich, Chief Executive Officer

Mr Neale Tomlin, Corporate Affairs and Strategy Manager

The committee met at 1.30 p.m.

CHAIR - Welcome back, minister, to the government business scrutiny of TasRail. I invite you to introduce the members of your team who are here in the room with us and to make some opening comments before members have questions for you.

Mr FERGUSON - Thank you, Chair. Good afternoon to the committee and I am pleased to introduce to you, Stephen Cantwell, Chairman of TasRail; together with Stephen Dietrich, Chief Executive Officer and Neale Tomlin, Corporate Affairs and Strategy Manager.

Thanks for the opportunity to provide some brief opening remarks. The business's rail, logistics, freight, terminal and ship loading operations are critical for the state's manufacturers, our heavy industries, as well as freight-forwarders so they can reach their export markets safely and efficiently. Despite challenges in some markets in 2021-22, we saw TasRail deliver its second highest rail tonnage and ship loading volumes on record. TasRail operates more than 100 rail services per week for its bulk container and forestry customers. To put that into context, TasRail transported just under 3 million tonnes of freight last financial year. Working with the mining sector TasRail loads 650 000 tonnes of bulk minerals from the port of Burnie - just a single shipment below the record set in 2014.

The Government recognises the critical role of rail logistics in the Tasmanian economy and, along with the Australian Government, has set about a record and sustained network investment program. TasRail is successfully delivering tranches 2 and 3 of the Tasmanian Freight Rail Revitalisation Program, including contract execution with Tasmanian firm, COVA Haywards, to design and construct the new minerals ship loader at the port of Burnie. The contract was executed in August last year. Work commenced immediately and I was pleased to join with the new federal Minister for Infrastructure, the honourable Catherine King, to tour Crisp Bros & Hayward's Launceston facility in August to view the major construction underway. Building on the success of the capital program, the Tasmanian and Australian governments have committed to three new rail projects, totally \$168 million in value. I am pleased to inform the committee that the Australian Government, prior to the election and since, has recognised the importance of that investment and has funded those projects on an 80/20 basis, which is really very good for Tasmania.

While I know that TasRail has its hands full servicing industry and delivering a record capital program, I am also pleased that our team was able to find the time to support our important tourist and heritage railways. Noting that we are just concluding the 150 Years of Rail celebrations, last year TasRail donated six locos of historical significance to groups including Don River, Derwent Valley and Launceston and north-east railways. To remove the financial and logistical burden of safely transporting these locomotives, TasRail covered the cost of the cranes, heavy haulage trucks and project management.

So, thank you to the committee for the opportunity to make those introductory remarks and I'll pass to the chairman, Stephen Cantwell, for his own brief opening comments.

CHAIR - Thanks, minister.

Mr CANTWELL - Thanks, Deputy Premier and good afternoon committee. Just noting the premium on time for questions, I will just provide one observation on one segment of the TasRail business. This relates to the statistic in our 2021-22 Annual Report that 98.9 per cent of our six daily intermodal services met their planned freightability target - meaning, our customer's freight was available to be unloaded at the agreed time. 98.9 per cent freightability is a remarkable performance and one any freight rail organisation would be very proud of. However, the strategic collaboration required to deliver that result should not be underestimated. It takes a sustained commitment over time to network infrastructure investment from the Tasmanian and the Australian governments; an effective partnership between TasRail and the civil contractors that deliver the Network Renewable Program, which has been on foot now for a number of years; importantly, a motivated and disciplined TasRail team; and great relationships with our manufacturing, forestry and freight-forwarding customers who access our six daily services on the north-south corridor. It is a remarkable result, and one that certainly would be the envy of any of the main line railways. It is the outcome of multiple sectors of the economy and government all pulling in one direction. Thank you, Chair and committee, for providing us with the opportunity to make these introductory remarks.

CHAIR - Thank you, before we go to the questions on border freight task and those sorts of things, I would like to go to the financials and read a bit and by way of introduction to the question, I am going to ask you a little bit. The financials themselves are pretty straightforward, TasRail basically breaks even on the operating cash flow basis as per your cash flow statement, page 43. Capital expenditure uploads of \$65 million needed for capital contributions - the minister referred to this - which we accept \$30 million came from the General Government, \$33 million from the federal government, an additional \$4.2 million was provided by the General Government and that was used to help repay TASCORP \$4.2 million, leaving TasRail free of borrowings.

Depreciation of \$7.5 million would have produced a loss of \$4 million, but the below line CAPEX at \$46 million was immediately written off, making the loss for the year \$50 million. Basically, this is the pattern each year the below line CAPEX does not have any enduring value, so anything that is spent is immediately written off.

In terms of the casual read of the financials, one can perhaps understand and perhaps scratch their heads a little to understand this. Basically, TasRail makes losses each year roughly equivalent to the below line CAPEX, which is immediately written off. This means TasRail is completely dependent on new equity each year, but nowhere is there a clear statement about where TasRail is headed, in terms of the revenue, the capital need, future capital expenditure, et cetera and in many ways, it could just be like another government department.

The losses do not bother me, that is the nature of the business TasRail is in. Mostly, TasRail could do more to promote what it does and the record you have just described in your opening comments. You talked about the amount of tonnage that has been transported on TasRail and the efficiency with which that has been done. Are you aware, were there any works done to estimate the costs that would be if that extra 500 million tonnes were transported by road rather than rail? I am trying to get an understanding of the actual value here that is perhaps, not actually evident in your financial report.

Mr CANTWELL - A good way to respond might be to share some metrics in terms of market share and so forth. In Tasmania, 70 per cent of the contestable intermodal freight market is on rail. On the Midland Highway, what that translates to is about an avoidance of 180 000 B-double truck movements a year. If you are driving a mid-sized passenger vehicle between Hobart and Launceston, you do not have to weave in and amongst 180 000 B-double trucks to find your way north or south as the case may be.

The circumstance you described where each year after the investment, from what we call the IOP program - followed by a not immaterial asset impairment - is not uncommon across all the Australian rail networks with low volume freight networks. It is the high-volume mineral and coal networks that are sustainable in their own right and indeed, it is a phenonemon across the world. What is different is the accounting treatment of the contributions variously made by governments to the below rail infrastructure.

Here in Tasmania, the model used is that the contributions come from the government and to conform with the accounting standards at the end of each year, the assets are impaired and written down to their market value. On the mainland and in Queensland, for example, there is a commercial framework in place where the government not only provides the operating and investment capital to top up the difference between the revenue that can be collected from the train operations and the cost of maintaining the capital and operating the system with a commercial contract, which includes the cost plus a notional return on assets. The government business enterprise then returns the return and depreciation component back to government as a dividend. It is a purer commercial model but it is circular.

The point to make is that it is a common characteristic of government policy, certainly across the Australian jurisdictions, that there is - for want of a better description - a renewal capital subsidy and an ongoing operating subsidy that relates to the below rail infrastructure. As to your question about the long term and the sustainability of the business, the proposition that TasRail puts forward is that there will always be a requirement for what we call a BRIC - a below rail infrastructure contribution - from

government. This is akin to the contributions that are made to the road infrastructure. Our objective is to make the above rail business at least break-even and in the longer term, be in a position where it can renew the capital required to undertake the business.

That has been a fairly long journey since 2009 when TasRail in its current form was established. Over that period, the freight volume has been built back to 70 per cent of the intermodal market share. There has been significant volume growth in services provided to the forestry business. The third sector leg of the business is the north-west minerals business where TasRail continues to provide services to that sector of the market.

Our corporate plan outlines future plans for further investment in the infrastructure and the services that we provide. I am not sure, Steve, whether there is anything -

Mr DIETRICH - I think you have covered it very well, Stephen. The below-rail function is really an economic asset and it sounds a bit counterintuitive but the bigger the loss, that means more infrastructure investment.

CHAIR - More money being spent.

Mr DIETRICH - When you consider our original infrastructure investment program, IIP tranche 1, tranche 2, tranche 3 were on the basis of a 50-50 split between the Australian Government and Tasmanian Government, so for every dollar the Tasmanian Government put in, the Australian Government invested a dollar. That is great for Tasmania, great for jobs, great for the community.

Tranche 4, which we have just agreed through both the Australian Government and Tasmanian Government budgets, is now on a split of 80-20. For every 80 cents the Australian Government puts in, the Tasmanian Government only has to put in 20 cents. We have that commitment now in place which has seen TasRail in the best position it has ever been in regard to infrastructure capital funding, out to basically 2028-29. We have never had the business in that position before.

In terms of really understanding the performance of the business, it is where we break it up between the above rail and the below rail. There are a lot of benefits of a vertically integrated business, where we can manage the business both from above and below rail to get the best outcomes for the business, customers and all Tasmanians. Our focus on the commerciality of the business is certainly the above rail sector which is driven by volumes. When you mentioned 500 million tonnes, it is actually 500 million net tonne kilometres. We do about three million tonnes per annum, which effectively makes us probably the biggest intrastate state transporter of freight in Tasmania. As Stephen said, that basically is equivalent to 180 000 B-double movements which you can equate to almost 300 movements per day.

CHAIR - In terms of the cost comparison between road and rail, we are spending a lot of money on the roads at the moment, particularly, on the Midland Highway if anyone has driven up there. Also, a lot of it relates to maintenance.

Mr DIETRICH - We did a study about five years ago and we are probably due to do another one. That study suggested the reduced cost of maintenance and trauma on Tasmanian roads that the TasRail business was delivering at that time based on the volumes, was avoiding \$16 million to \$18 million worth of costs.

CHAIR - In maintenance?

Mr DIETRICH - In maintenance and trauma.

Mr GAFFNEY - I am interested in what you said about the dollar for dollar and that it went 80-20. What levers did you pull to be able to get that? Is it part of the national roads freight strategy? What did you do to be able to get that?

Mr CANTWELL - It is part of the Commonwealth contribution to the rail infrastructure. It is not tied to the national road funding mechanism. As a Queenslander visiting Tasmania, I can say to Tasmanians it's down to the good effort of the TasRail team, the relationship that has been developed between the Commonwealth and the demonstration that the money is well spent here in Tasmania. Every time the TasRail folk go back - and there's a very rigorous acquittal process in place between TasRail and the Commonwealth to demonstrate that the money is well spent - to talk to the Commonwealth about more funding, we are able to demonstrate we have done precisely what we have said we had done.

The capital is spent on time, on budget. It is targeted at single points of failure which translates into a safer, more reliable railway. As I said in the opening statement, that's measured with regard to the reliability, the on-time arrival; the removal of speed restrictions from the network, and the reduction of mainline derailments across the network. We are able to demonstrate a curve which shows increasing net tonne kilometres, so our customers are willingly coming to the railway to use the railway as its service levels are improved.

On the same set of axes, we can draw a reduction in derailments, a reduction in speed restrictions across the network and this then is provided to the Commonwealth and gives them the evidence that they need to go forward to say to those who approve and endorse the spending, 'Look, these Tasmanian people are taking this money and spending it wisely, and its translating into sensible economic outcomes for the state'.

Mr GAFFNEY - My follow-up question to that would be, you said this arrangement lasts until the next iteration of the contract, until 2028-29, did you say?

Mr CANTWELL - Yes.

Mr GAFFNEY - And for my benefit and for other members, what might be Queensland's comparative relationship or another state's comparative relationship when you say we are 80-20, what might be the other states, so we have an understanding of how significant it is?

Mr CANTWELL - I would say there probably is not a comparable relationship between the mainland states. I am actually on the Queensland Rail board, and what one typically observes is that mega projects are negotiated. There's a negotiation between the state and Commonwealth and there's an agreed share of contributions, where the states themselves take care of their equivalent contributions, so there isn't an IIP, there isn't that kind of parallel framework in the state. I would say to you, particularly in relation to the regional lines in NSW, Queensland and Victoria, the states would invest comparable amounts of money in the support of their regional networks, possibly more I would say.

You know, as a person who has been involved in the rail sector for a long time in Australia, I often say, it might be politically incorrect, but Tasmania punches well above its weight, in terms of what it is able to achieve. I have the advantage of being able to benchmark the outcomes in other rail environments to what we have here.

Mr FERGUSON - I will jump in if I might as well, Chair, and thanks Mr Gaffney for the question. For the benefit of the committee, I think you will find it useful to know that now in tranches 1, 2 and 3, we are actually exceeding \$353 million of joint state and federal funding. Not all of that, but much of it is 50-50. Then in the federal budget 2021, we were able to get the next set of projects funded on that basis, that 80 per cent federal, 20 per cent Tasmanian government funding that amounts to \$168 million. Taken together, it is very large, over half a billion dollars, for freight rail revitalisation.

While the good work of TasRail has been recognised, also my Department of State Growth has helped to negotiate some of these things at officer level. Ministers also talk about these things and have been reaffirmed by the previous outgoing minister Barnaby Joyce and the incoming minister Catherine King.

CHAIR - We do spend millions of dollars on upgrading our roads as we have alluded to. In terms of the TasRail below rail network as the most important thing, what would TasRail's wish list be for major works to actually make it more reliable and more futureproofed? I am not saying you need to improve your liability, it seems to be pretty good - but the rail is old and there are a number of areas that are still quite tight in the curves and things like that and flood damage that has occurred at various times including the last, probably beyond the end of the financial year this year.

Mr CANTWELL - We have to be mindful that generally, the infrastructure we have is designed to the century-before-last railway technology, so our grades and our curvature are very old. The focus has been on making what we have safer and more reliable and what has won the market share.

As we approach the end of IOP3 and IOP4, the work that has been done to remove single points of failure and improve the reliability of the network, the curve tapers off. We will be approaching the position where we can contemplate curve and grade easings, but the half a billion dollars the Deputy Premier referred to that has been spent on the network, the equivalent amount of money would be consumed very quickly on a small number of projects to ease kerbs and grades. We would be really starting to talk about mega dollars.

You have the choice of spending the money to improve the safety and reliability through the full length of a corridor or spending the money, for example, on the southern end of the corridor from Brighton through to Launceston up towards the Rhyndaston tunnels where there are very severe grades and very severe curves. There is nothing like it in the world left, from a technology standard, and half a billion dollars would not go very far in straightening and flattening that 50 kilometres. That gets us 50 kilometres of the way of the several hundred kilometres between here and Launceston.

Our nirvana, and you asked the question, would be to commence kerb and grade easings. We would look to target any such investment from where the best bang for the buck would come. We would have to look at the north-western mineral province to see if investment in strengthening the track and reducing curvature and grades would be best spent there. I suspect probably it is the northern line as it is our busiest corridor. That would be an ultra-long-term program and we would require generous governments to continue to see the value. The value is certainly there from the world's aspiration around a carbonless future and so forth. Rail has a lot to offer.

CHAIR - Going to the decarbonisation program, you acknowledged that there are not any suitable engines at this stage to put on our tracks. It is interesting that there is a lot of battery-electric underground mining equipment that also requires a lot of power and all those things I do not really understand, not being a mechanic. Things like torque and stuff like that. I do not want to get right out of my depth there, but I was about to step in.

What do you expect that to look like, particularly with the below rail infrastructure that, I would imagine these engines will not be any smaller? Or will they? Because, is it the engines and/or the carriages, or the wagons, that create the challenge on the curves?

Mr CANTWELL - Yes. The less curvature and the less grade, the less horsepower required. If you want to get technical, less adhesion at the rail. The less force at the rail to move.

CHAIR - And that is wear and tear.

Mr CANTWELL - Yes. Well, that is right. When the adhesion - the amount of force asserted at the rail - is greater, if it is steeper and curvier, your rail moves out quicker, wears out more quickly, your maintenance is greater and you require more horsepower to move the load.

In terms of the language we use for the carbonless future, it is 'alternative fuel locomotives'. There has been a lot of work done and we have done a lot of work inside of TasRail looking at the options for the future. They range from battery-electric locomotives through to hydrogen powered locos and in between there are biofuels and all sorts of other variables. We have done detailed research engaging probably the best experts in the world. The conclusion we have come to at the moment is that alternative fuel locomotives become very corridor-specific.

To be quite specific, what we are working towards is a conversion to electric locomotives on the Fingal to Railton to Devonport corridor - the cement haul - because it is grades. These locomotives can regenerate power on the downhill and consume the power on the uphill. It lends itself to that sort of traction. The other technologies, the hydrogen technologies, alternate fuels there, but generally speaking, there is no other technology that on the development curve, would be accessible in a production vehicle in the period between now and 2030. We are well beyond the seven-year sort of development time frame, and actually, we are in no different position in Tasmania to any other railway around the globe. There are hydrogen fuel locos, hydrogen fuel trains operating passenger services in a sort of prototype, not-for-production mode in Europe and so forth, but that equipment is not suitable for deployment in our environment here in Tasmania.

Mr FERGUSON - It would be worth noting in the budget brought down this year, the Government actually allocated \$15 million to TasRail for upgrade of eight of the legacy locomotives. While not the most exciting, outward-looking announcement, it was actually of great significance to TasRail, which specifically sought that funding. That project has commenced and you may care to know more about it with other questions. One of the arguments for overhauling those eight legacy locomotives was to allow TasRail to avoid ordering new diesel locomotives in the meantime and looking at technology that might allow a delay. Sorry, if you would have gone ahead and ordered new diesel locomotives, it would have led to a potential delay in transitioning a zero emissions fleet or lower emissions fleet. That is one of the arguments used in favour of that very exciting project.

Mr CANTWELL - I think, Deputy Premier, that program allows us along the way to pivot to an alternative fuel should that become viable. While we're starting with the first couple of locomotives, conventional diesel-powered locomotives, we do have the option as technology evolves to pivot towards a lower emissions fuel.

CHAIR - You're talking about swapping out the power source rather than changing over the engines, is that what you're saying?

Mr CANTWELL - It's changing over the engine.

CHAIR - The chassis will stay the same but you put in a different -

Mr CANTWELL - The chassis stays the same, new engine. If biofuels become viable, then it is possibly a similar internal combustion-type engine. If hydrogen fuels become available, it will be a variant on that. So, we're monitoring very closely the technology developments as they unfold. There's a lot of effort going into this space, so things may emerge more quickly than one would anticipate and part of our strategy is to maintain the degrees of flexibility that will allow us to pivot quickly should the technology facilitate that.

CHAIR - With these 17 TR class locomotives that you're extending their life, what sort of life extension of the chassis and the parts that are not the engine do you think this will create? If it's only going to be five years more, then it becomes a bit of a moot point. You're going to have to buy new locomotives anyway.

Mr CANTWELL - The bodies upon which we're renewing these legacy locomotives are more than 50 years old, 50 or 60 years old. A well-maintained superstructure has an almost infinite life, specifically the TRs. They are about eight years old, so they are a very modern locomotive by -

CHAIR - Yes, right. I meant the ones you're updating. Legacy -

Mr CANTWELL - The legacy locos. They're circa 50 years old, the sub-frames and properly maintained they're kind of an infinite life.

CHAIR - So notionally they could continue well into the future with an alternate fuel source if it became available?

Mr CANTWELL - They could, but it may make economic sense if production vehicles become available, more widely available, that the economics switch then away from overhaul and renewal to procurement of new locos. In that way, the way that this program is structured, the investment that's made in modest overhaul and renewal is a no regrets investment.

CHAIR - Okay. I'll go to you, Dean.

Mr HARRISS - I have a question about people. I notice here you've got mental and physical health, are you seeing an increase in the mental side of health? Some areas that - how has your company dealt with that?

Mr DIETRICH - Thank you, Mr Harriss, for the question. It's a very good question and one that's dear to my heart and very important to the business. We have trained, experienced mental health first aiders right throughout the business and we're about to do another cohort of training over the next six months. That's performed through an organisation I sit on the board with, which is the TrackSAFE Foundation board, a national board, which is all about mental health and suicide prevention.

Throughout the business, we promote mental health. For every meeting we have in TasRail, we have a safety value share before we commence the meeting and we're also now including a mental health share. So, safety value or mental health share. We've had people such as SPEAK UP! Stay ChatTY come out and do numerous talks to all our people in all our depots, to look out for the signs. It's okay not to be okay and to look out for the signs of anyone who's maybe not on top of their game or a little quieter than normal, and to look out for depression or anyone who's having a bit of a hard time.

Throughout the business, we also have Rail R U OK? Day. R U OK? Day is a national day but we also have a dedicated one to the rail industry, which is national and we promote that through the business but Rail R U OK? Day is every day in TasRail. We certainly promote it. Mental health is extremely important and it plays a part, even in human factors. You'll notice we've had some LTIs last year. Some of that is the world we live in, uncertainty, COVID-19; it has impacted a lot of people. From a mental health perspective within TasRail, it's an essential value of how we operate and how we interact with each other.

Mr CANTWELL - We also have an independent counselling support.

Mr DIETRICH - We also have the Employee Assistance Program (EAP) which is provided to anyone and anyone of our staff members' families as well.

CHAIR - You have 268.9 FTEs. How many actual employees do you have - that is, FTEs?

Mr CANTWELL - We have 270.

CHAIR - So, most of them are full time?

Mr CANTWELL - Yes.

CHAIR - I am not asking you for details, just a high-level number of the number of staff who have accessed the EAP in the last financial year?

Mr DIETRICH - We do have those numbers. Without being a definitive answer, it is in the order of 15 to 20 people who have accessed the EAP throughout last financial year and we've had some more this financial year.

CHAIR - Has that increased over recent times?

Mr DIETRICH - I would suggest so.

CHAIR - You probably don't know the reasons why - I am not suggesting that you should - but have you seen a particular blip during the COVID-19 period?

Mr DIETRICH - Absolutely. It is confidential by nature, in terms of the service that's provided but we do see an increasing percentage towards people accessing it for personal reasons outside of work reasons.

Mr FERGUSON - While I've been minister with responsibility for TasRail as a shareholder minister, I think for four years, I have become aware in that time of the increasing focus by the business on the Circle of Safety principle. These have been increasingly brought to people's notice as well, so it has been an increased focus.

I was recently briefed that in the next staff engagement survey which will happen early next year, there will be a fresh and new focus on staff mental health and wellbeing as well. With better awareness comes the better opportunity for people to feel that they can report or reach out for support. Naturally, no-one at the table is in possession of the EAP information other than, perhaps, some headlines about the number of people who might be using it anonymously coming with that information. I do believe, and I credit the management team here, Chair and Committee, because it has been a very deliberate focus - even my meetings that I have with TasRail start with a safety or value share so it's not just for decoration. It's very much part of the ethos of management and something that I've really strongly supported and really welcomed.

CHAIR - Thank you.

I will go to Sarah and then to Nick and then Mike.

Ms LOVELL - I wanted to follow on from the comment you made about the lost time injury frequency rate, and you mentioned that in the context of talking about mental health.

Do you have a breakdown of the percentage of that rate, the percentage related to physical injury and the percentage that's related to mental health?

Mr CANTWELL - Yes. Last year we had five lost time injuries in TasRail. Our target is zero; and we don't apologise for setting a target of zero for lost time injuries. One of those five lost time injuries was a person in an office environment who pushed down on a coffee plunger and the glass broke and that person's hand was cut. That was a lost time injury.

The other four lost time injuries were all in our infrastructure maintenance area, all but one I think. They were all slip-trip falls, manual stress-type injuries. One person injured themselves while using a sledgehammer. Another person grabbed the rail on a truck that wasn't properly fastened to the truck and fell backwards.

Steve, you will have to help me with the other two.

Mr DIETRICH - We had a rolling stock maintainer on the traverser with the tug that did not quite align the traverser correctly and the tug slipped and fell slightly into a pit and it caused some bruising. The other one was a contractor, the significant level crossing program we have been delivering, the concrete platforms and the surface renewals. The level crossing itself where the traffic crosses is one big concrete slab now. The contractor, for reasons unknown, decided to climb on top of the slab to lash chains from the crane. The concrete slab is covered in plastic to protect the ridges where the rail will ultimately be glued in. He didn't realise there was a ridge there and, inadvertently, his foot went into the plastic and into the ridge and he had a fall.

Ms LOVELL - Further to that, and these might not be reported as lost time injuries; but have you had any reports from locomotive drivers who have had an injury either contributed to or caused by the TR class locomotives and the ergonomics in those engines?

Mr CANTWELL - In the last three years we have had one lost time injury associated with ergonomics in the TR locomotives; and we have had nine instances where we have received reports and we have given drivers time out, off the locomotives to allow a pain or a twinge - we call those a suitable duties response, where we have acted proactively, somebody has reported that they have a twinge in their shoulder or their wrist or somewhere and we have said, 'okay, we will take you off the locomotive roster and you can do other work', typically that is office work or something to give them time out to recover. So, only one lost time injury but we had nine other instances where people have come out of the roster for a short period of time.

Ms LOVELL - Three years ago - was that when this class were introduced?

Mr CANTWELL - No, the TR class locomotives were introduced in 2014, they are about eight years old. By way of context, in the procurement process there was a consultation process with drivers and other drivers and maintainers of the locomotives. At the time, TasRail - I was not part of the organisation - flew several drivers to the US to the Progress rail facility to sit with the designers of the cabs and so forth to sign off on the configuration of the cab. Notwithstanding that, after the cab configuration was signed off and the locomotives were introduced into service there were a number of complaints and soft tissue injuries reported from train drivers.

In 2016, TasRail engaged the services of an ergonomist in response to those complaints and had a full review of the locomotive cab configuration in all 17 of the TR class locomotives. That was immediately followed with the implementation of all recommendations from that process, again involving drivers in a consultative process. That resulted in some modification to the position of the throttle handle but, more importantly, a reinforcement of the notion that physiology of the driver community isn't homogenous. There are many configurable elements within the locomotive cabs -the seat height, position and angle - so that the driver's position can be properly fitted with the controls of the vehicle. A big part of that cab modification process was instructions to the drivers on how to configure the locomotive to suit their shape and size.

We saw, then, over that period, a significant reduction in the number of reports of concerns from drivers. In about 2019, there was a little spike up and our response to that was, 'what can we do to assist the driver community?'. We found that some of them needed to be re-trained, needed a refresher in how to configure the driver stations and so forth. TasRail embarked on a re-training program, producing videos for drivers and so on. Then there was a return down to small numbers. I would say that over the period that the TR locomotives have been in service, so the full eight-year period, there has been a reported concern of this nature, one, in every 475 trips that the locomotives do. So, for every 475 trips the locomotives do, one driver might report a concern with a shoulder, or an elbow -

CHAIR - How does that compare with other locomotives?

Ms LOVELL - Yes, that was going to be my next question. Nine incidences that required time out in the last three years, how does that compare with other locomotive types? Is that a typical number, or is that higher than you have seen in the past?

Mr CANTWELL - You mean other types of locomotive in operation in the TasRail environment?

Ms LOVELL - Yes, either currently in operation, or in operation prior to the TR class?

Mr CANTWELL - Or on the mainland?

Ms LOVELL - Yes.

Mr CANTWELL - In terms of Tasmania, specifically, we're not aware of any concerns raised in relation to the DQs or the 2050s. We should say, though, that 90 per cent of the freight that's moved in Tasmania is moved by TRs. So, the smaller number of - we call them 'legacy locomotives' - they only handle 10 per cent of the services. For the mainland, I can't share specific numbers, but I can share the new MGRs, the new generation rolling stock that has been introduced into the Brisbane suburban network required a retro-fit of the seat, even though in all jurisdictions there is a cab committee, and we do have on foot, all the time in Tasmania, it is a standing committee in TasRail, our rolling stock committee. Our drivers and other people involved in rolling stock are consulted continually about improvements to the rolling stock. That happens in all of the other rail jurisdictions on the mainland. While I can't quote numbers in terms of incidents being reported by drivers, I can share that there have been similar cab modification programs to what we've seen here in TasRail.

Ms LOVELL - I suppose that's my question. I would assume with any new stock - I'm not an ergonomist, or a train driver, but I assume there are always going to be tweaks and things that need to be made. You don't know how something is going to operate until you're in it, and in it for extended periods of time. The question is really in relation to the TasRail workforce in particular, is this class of locomotive causing problems for drivers that might be able to be remedied or avoided? Is it a problem with this particular class of locomotive, do you think? Is it something to do with the demographic of the workforce? What's at the bottom of this seemingly higher rate of - discomfort, even - being caused?

Mr FERGUSON - If I could speak for a moment and then allow the chair, or the CEO, to continue answering your questions. Can I clarify that I believe, unless I heard incorrectly, a reference to lost time injuries? The advice I have and the gentlemen will clarify, or correct me, there hasn't been a lost time injury on the TR class since 2019-20. In the previous two reporting periods there have not been any lost time injuries reported, but there have been, I think I heard reference to the number nine. My brief shows that we've had nine, or the business had, nine notifications in the last reporting period, but not lost time injuries. To answer your most recent question, would the CEO or the chair clarify or confirm that as well?

Ms LOVELL - To clarify, it is those nine reports that you spoke about earlier, not necessarily lost time injuries.

Mr CANTWELL - To be clear, they are not lost time injuries and as the Deputy Premier said, one lost time injury in the last three years and that was almost three years ago. We are proactive. There is a process for all our employees, but in this case, train drivers, to report to us any concern that they have about any aspect of our operation and we will respond to concerns that are raised. In relation to the nine instances of us providing people with the opportunity who have raised concerns about a niggle to take some time out from the locomotive, so they are not lost time injuries and they are not medical treatment injuries, they are just TasRail, as part of its attitude towards the care of our people, has provided the opportunity to, using our language, 'come off the footplate' for a little while, have a spell and do some other work.

Ms LOVELL - That is a very positive response to those types of things because potentially, a niggle can lead to a lost time injury if it is not addressed. I guess my concern is that something has been done that is about addressing those issues that is a more permanent solution than just taking them out, off the job, into another role for a period of time and putting them back into the same environment, that is going to cause the same problem.

Mr CANTWELL - The sorts of things that we do -and this is a continual process - first of all, is to ensure that all the drivers understand what their options are in terms of configuring the cab. Sometimes, a driver might report that the throttle handle is a bit stiff, that will be immediately inspected and assessed to ensure that it is performing as it should, so that the driver is not required to put more pressure than what an ergonomist would say is appropriate.

In addition to that, there is a routine maintenance regime now, and that has been in place since feedback was first received some eight years ago, where every time the locomotive comes into the shops for its service, all the ergonomic aspects, as well as the oil change and the grease and the sorts of things that you would do on a service are checked; so the human factor dimensions are also checked to ensure that the seat height adjuster is working effectively, and the pressure required to operate the controls is appropriate.

Mr DIETRICH - I might add, Stephen, with the reporting of the incidents, that is not a new person every time; that can be the same person sometimes, over the years. With an ageing workforce, most of our drivers are over 50 years old now, that is a risk for TasRail and we are working on that, about bringing in a new cohort of drivers.

CHAIR - Are they all male?

Mr DIETRICH - All but one. I have the number here somewhere, but we have about four or five female representatives in the rail operator ranks, who will ultimately become train drivers. One is training to become a train driver as well, which is great. However, in the last financial year we had nine notifications which were not just all to do with - it could be knees, arms, neck, shoulders, wrists - which is a sign of a healthy culture, which I think is where you are coming from, Ms Lovell. We promote that, because we do look for opportunities to try to improve the cab layout, we do know there have been concerns raised. We sent a group over to Adelaide with some new locomotives that were delivered to One Rail in Adelaide; a driver; the general manager of assets, and another individual, rolling stock manager, to inspect some of the new locomotives and their cab layouts, to get the learnings of what is being built. They were locomotives built by Progress Rail, which is the same brand we have, which are the TRs. We are certainly investigating that and looking for further opportunities.

We have finished in the last year a video which has actual train drivers who then talk about their experience and how they set themselves up for success. That includes that it is no different to even driving a truck or a car for eight hours, that is a long time.

Ms LOVELL - Or sitting at a desk.

Mr DIETRICH - Yes, eight hours at a desk. These drivers can be driving up to 10 hours and need to have a break, to get up and we are trying to encourage them to do certain exercises to help with setting them up for success so they can go home safe and well. We are very conscious of that.

Mr DUIGAN - Thank you, Chair. This was briefly touched on before by you, Stephen, on the issue of level crossings. Lots of us have seen in recent times vision popping up in various places of frightening incidents happening on our level crossings, some of them appearing to be deliberate in nature. Are you able to tell us a little bit about what you are doing about reportable level crossing incidents over the last year?

Mr FERGUSON - Thank you. I will ask the CEO to assist me. He and I jointly launched a Rail Safety Week not long ago at Western Junction. Unfortunately, we have seen a nearly 5 per cent increase in the number of reported level crossing incidents in the reporting period.

Train drivers reported a total of 44 incidents in 2021-22 where road users failed to stop or give way at rail level crossings. That is up from 42 in the previous year and a concern. TasRail works closely with the national association, the Australasian Railway Association and also the Track Safe Foundation, to develop and then push out education material to the broader public. It is also about a public messaging piece.

TasRail is running its program of engagement with the community to highlight the importance of that safety and awareness on the rail network. One broadcaster - who shall remain nameless unless they do it again - even promoted footage on their TV station of a person walking on a rail line, which was a very unfortunate incident.

In 2021-22, this engagement included an extended program of radio advertising in high-profile north-west coast areas, school visits and also the establishment of a long-term safety alliance with the Railton Junior and Cadet Fire Brigade. The number of incidents is going up, we want them to go down. Train drivers reported a total of 44 where there were failures to stop and give way. In itself, apart from the safety of the person on the track or the motorist on the track, it is a risk to the mental health and wellbeing of our workforce.

The built-up areas on the north-west coast in particular, Devonport, Ulverstone and Burnie, continue to be hotspots for offending. Seventy per cent of all the incidents in the state occurred on the north-west coast. It is not without its explanation, given that is a major arterial for freight/rail traversing through populated communities on the north-west coast, but it is still of concern to us. One level crossing collision occurred in the reporting period when a truck contacted the side of a coal train on the Fingal line. That incident was reported to the national regulator as further required protocol.

The TasRail signalling asset manager has recently joined the National Rail Level Crossing Safety committee to ensure that TasRail expressed the latest technologies and initiatives relating to level crossing safety and improvements. The business has recently

completed strategy for level crossing safety and has a committee that meets monthly to review level crossing data initiatives and emerging issues.

Level crossing safety is a current national focus for the national regulator, the Office of National Rail Safety Regulator (ONRSR). In May this year, the ONRSR accreditation audit focused on elements of rail safety national law that are linked to level crossing safety and are applicable right around the country.

The TasRail results from this audit were very favourable but we have to continue to drive the message home because we could very easily have a fatality, which is entirely avoidable on the rail network. Stephen, did you have anything to add to that?

Mr DIETRICH - Thanks, Deputy Premier. That is a very comprehensive update on our level crossing program. Level crossings, road safety, track safety awareness are everyone's responsibility. We try to promote that, and to educate the public and get into the schools. The Deputy Premier mentioned our partnership with the Railton Junior Fire Brigade. It is one of the hotspots of the state for us and obviously, we also have a lot of rail traffic in that area.

Just following road rules and respecting the trains - you do not realise how traumatic that can be for a driver. I have sat in those trains with the drivers and you are just looking ahead, watching the private crossings, and watching the cars approaching the level crossings, just going, 'Please stop, please stop', because we cannot stop, we cannot control it. We are relying on third parties to do the right thing and it is actually quite unnerving.

We have just finished a program of level crossing upgrades, thank you to the state and federal government through the road safety program. In our next round of IRP funding - we are delivering it in tranche 3 - but tranche 4, we will have a series of further level crossing upgrades looking to change passive to active, and even some of our active ones moving to what we call GCP 5000s, which is much more technology.

CHAIR - Can you tell us which level crossings are being upgraded.

Mr DIETRICH - I might ask for the brief on that one but I know there were Morse St in Devonport and Wilmores Lane in Longford to give you two. The main road into Longford, I went there and facilitated that with the contractors and poured some glue.

CHAIR - Some glue?

Mr CANTWELL - We glue the rails in.

CHAIR - Oh yes.

Mr DIETRICH - Glue the rails into the track. The key strategic areas where we are seeing high incidents of level crossing near misses.

CHAIR - That is vehicles, I assume. Let's talk about the livestock issue. Livestock do not cross at crossings, but the incursions onto the rail corridor -

Mr DIETRICH - Again, that is quite traumatic for our drivers. We are seeing increased incidents of livestock in the corridor and weather patterns. We have a fairly strong relationship with the TFGA and promote through their newsletters for farmers to maintain their fencing. We have 1500km of neighbours, that is a lot of people we need to deal with and a lot of fencing. We try to encourage all our neighbours to keep their fences in good order.

CHAIR - The state is one of your neighbours.

Mr DIETRICH - Yes, but it is mainly the farmers in terms of the livestock, of course. It is mainly sheep that come wandering into the corridor. We had a significant issue a couple of years ago, where quite a few dairy cows got into the network. However, we continue to educate, we continue to encourage the farmers to maintain their fencing. We are getting a better database of all the farmers, their names, their phone numbers so we can make a phone call. Do not forget this is all happening at 11p.m. through to 4a.m., and the stock roaming around at night can be quite difficult.

CHAIR - It is like the black Angus cattle you cannot see at night, just ask a road user.

Mr DIETRICH - To help with that process, we have engaged 24 hour veterinary clinics. When there is an incident and to assist the driver, if a qualified professional person who can do whatever is necessary can be called upon - if we cannot get hold of the farm owner - we put that back up in place from a safety perspective to support our train drivers when such incidents do happen.

CHAIR - What do they do with the animal? Do they put them down or do they tranquilise them so they can move them? What do they do?

Mr DIETRICH - It depends on the situation, but depending on the circumstances of the beast at the time, they will make that decision and that is why we have employed them.

CHAIR - You have the list of crossings there?

Mr DIETRICH - Wilmores Lane as I mentioned, sewerage works road in Burnie, Moore Street, just to name three.

CHAIR - Sewerage works road?

Mr DIETRICH - Yeah, that is out at Burnie.

CHAIR - Must be in the member for Montgomery's electorate.

Mr DIETRICH - They are being converted to active level crossings. It was interesting, when I was out at Wilmores Lane, watching the level crossings being inserted, big stop signs.

Out of probably 25 vehicles that went through, only one stopped. When we waved a particular driver down and spoke, and they said, 'Oh, we didn't think we'd have to stop because we saw you guys there with your PPE gear on'. So, that's just interesting.

CHAIR - You're going to stop the train, by stepping in front of it? Great.

Mr DIETRICH - Interesting, the behaviour. Also, through the recent floods, we had to put security personnel on areas of the network because people were using - where roads were blocked at Spreyton and Devonport - they were driving up onto the track to avoid the detours to just save a minute, and driving along the track and then going off at another point. We had to employ security to stop people coming onto the track and driving. On the Deloraine Bridge, when the western line was unavailable for a little period of time, we had a lot of trespass on there, everyone watching the floodwaters. The floodwaters were right up to the platforms of the rail bridge, and there was even someone standing on the outside.

Trespass and track safety awareness are just an ongoing campaign that we need to keep doing. As the Deputy Premier mentioned, we get on the radio, we talk to the community, and particularly with the Christmas trains coming up, we want to really promote Christmas. Again, that is our real message of mental health to the community and supporting Christmas but we have to be conscious of encouraging people closer to the network as well. Trains and people do not mix, full stop.

Ms LOVELL - I had a follow-up question on the level crossing strategy that the minister mentioned, and whether that strategy addresses the issue at Western Junction with that level crossing being blocked quite regularly, I understand? Not so much perhaps a safety issue in terms of crashes, but certainly drivers are reporting that they are coping some pretty significant frustration from people who are having access blocked for significant periods of time while shunting is taking place at Western Junction. Is there anything in the level crossing strategy to address that?

Mr DIETRICH - That is probably more going to be part of our infrastructure investment program. That is a private crossing. To give some context, there have been four incidents logged in the system over the course of the last financial year for that particular crossing. I will be honest, it is growing pains for TasRail. We do need to be conscious that the business is getting bigger: bigger trains, heavier trains, faster trains, and more of them. As part of the -

Ms LOVELL - That is not a bad problem to have, necessarily.

Mr DIETRICH - You are absolutely right, Ms Lovell. That is a recognition of industry, looking towards us as we have built the dependability and reliability back into the network. That particular crossing, yes, it is on our radar. It is a complex one. We understand the concerns and the frustration. It is only for a period of night between, let us say, midnight and 2 a.m. We think this individual may be a nightshift worker. Whatever the case, it does not matter. But we are conscious of it.

We are looking at alternatives, but that is where our infrastructure investment program. When the trains are operating through that area, they are effectively shunting. They are always moving so it could block the crossing for up to 15 to 20 minutes. I could understand that level of frustration when you want to get home.

Ms LOVELL - At 1 a.m. after a night shift, maybe.

Mr DIETRICH - Yes, at 1 a.m.

Mr CANTWELL - If I can just add, it really is an issue confined to one resident, who lives in a legacy household and, just to add to the CEO's comment, we have provided that person with direct contacts to the network control centre so that if they are wanting to get access to their property, and we do happen to be blocked, they can call on a mobile phone, and the network controller can contact the train immediately. We can make arrangements to part the train or to clear the way where those shunting operations might take half an hour normally. If the person makes the call, the arrangements can be made to clear the way in five or 10 minutes.

Ms LOVELL - Okay, thank you.

Mr DIETRICH - If I could just add, while I think of it too, tranche 4 is certainly about renewal programs, continuing with our productivity improvements. There is pressure regarding climate change, and climate-proofing the network. However, we are also looking at the scale of the business and where we need to increase loops, where we have to focus on reducing level crossings where we can, particularly private ones for safety.

With that growth in the business, we will need to consider how we manage interfaces with the community and increasing passing loops. There is a fair demand on that funding, but we will spend it wisely and consider those types of issues that are arising as the business is getting bigger.

Mr GAFFNEY - Following on from Nick's question about the 44 incidents, were there any convictions or any penalties imposed in relation to those incidents? Was anybody caught and fined or mediated? I was wondering, do you do that?

Mr DIETRICH - Absolutely, our locomotives have video footage. If we capture the registration we immediately pass that on to the relevant authorities, being the police. There have been numerous fines and penalties applied to individuals who are clearly visible and we have the registration. If our video footage does not pick up the registration and the driver does, our drivers are prepared to sign a statutory declaration and the police take matters forward.

In this financial year, not in the reporting financial year that the council was looking at, we had another level crossing incident where a car struck the train, the train clipped it and the driver took off. That driver was located later and charged accordingly.

Mr GAFFNEY - Thank you. One of the things that I have not heard as much of recently - it might be because I am not the mayor of Latrobe anymore - one of the things that used to come up a lot was about the weed corridors on railways. I am not sure whether there is a strategy that has improved that situation or I just do not hear about it as much.

Mr DIETRICH - Vegetation management, sensitive area listings, protected species have become a real focus for us at TasRail. It was always a focus but we have now developed technology, we have implemented a system called FULCRUM, which effectively captures all the key points around the network involving protected species so we can, through GPS points, advise our contractors and maintenance crews out on the network. It also identifies areas of weeds and manages those accordingly.

We have also further increased the budget for vegetation management. It is increasing, there is no doubt about it. We have two professional people now who are qualified in this space. We did not have those probably three or four years ago. They have really moved us into a different space, including line of sight and certainly regarding tree management, dangerous trees, vegetation control. We are part of the Weed Action Fund.

We interface with many organisations such as TasNetworks, TasWater, Hydro, in relation to how they are managing their networks. This FULCRUM system is giving full visibility of the network on many levels for vegetation and corridor management. It is an ever-increasing task. One area which is not a revenue generating sector for our business is the non-operational lines. We are getting a lot more inquiries about managing vegetation with the recent weather and the rain. The growth is just unbelievable at the moment. We have good plans in place where we are much more strategic targeting our weed spraying that gives best value for money. When we spray at a certain time of year, that manages the weeds for longer.

Mr GAFFNEY - Has that received positive feedback? Or better feedback?

Mr DIETRICH - Absolutely, from our train driver community and track workers and from the community, but we still get quite a few requests for vegetation management throughout the corridor. We see that rise, particularly, as we come towards summer with long grass and the potential for snakes and that type of thing, people become more concerned. It is like mowing your lawn, in two weeks time you have got to do it again.

Mr GAFFNEY - My final question is regarding something I am interested in. On page 31, I noticed under (g):

There was one disclosed matter that TasRail decided not to investigate during the year.

I am not sure whether it the wording of it, but it sounds a bit funny to me. I looked at it and thought, you had done an assessment and decided it was not warranted to investigate further.

CHAIR - It was in the public interest disclosure.

Mr DIETRICH - We assessed it and with the Ombudsman determined that it was not a public interest disclosure, but it remains a protected action. The confidentiality stays there.

CHAIR - If I could go to the freight table above rail. Looking at your customers - coal, cement, mineral concentrates, logs, general, intermodal and paper. Looking at the mineral concentrates - obviously, a great interest of mine in my electorate and your most profitable line - we know that Venture Minerals is looking to get going again. They originally did strike an arrangement, before your time, to use rail. Wagons were bought to assist them in that task. Since then, there's been a lot of water go under the bridge, and now they've made a decision to cart by road.

Can you outline whether that is still negotiable, and whether TasRail can assist them - because it's quite a number of truck movements per day that will put onto the Ridgley Highway?

Mr DIETRICH - I'm happy to take that. It's a very good question, Ms Forrest, and I'm very happy to give you some points around Venture. Certainly, from a commercial perspective, when they were looking at ongoing operations - and one of the things with rail is it's long term and the investment is for long term - we did have some commercial arrangements with Venture, we're probably going back almost ten years ago, eight years ago.

We don't have a contract with Venture, presently. The decision for them to undertake the method of operation earlier this year - we were certainly engaging with them and we provided options around how that could be - not so much on rail but probably still coming on road because the volumes were very low and they couldn't give a firm answer about ongoing volumes. It's quite expensive to set up a rail operation including sidings, reinstating those wagons. In the month in advance we have to get train drivers on the books and really set up a big operation, and they couldn't give us a commitment about ongoing operations. We asked for a small capital investment, which was effectively putting a RazerTail off the Burnie Port, directly into the Bulk Minerals Export Facility, where we could then deliver the product to the facility and then bring it into our campaign bays and then shipload it; but they chose to use an alternative arrangement. We were looking for a commitment, and a commitment in time frame, and they didn't appear to want to accept that.

CHAIR - The market's been a bit unkind to Venture. They had one shipment to the wharf and they effectively lost millions of dollars in value while it was loaded, because of the crash in the prices. With New Century looking to reopen Copper Mines Tasmania, the Mount Lyell mine?

Mr DIETRICH - That's very exciting. We have a contract in suspension with Copper Mines Tasmania (CMT). We're in dialogue with New Century. I get email updates from the company themselves and we're certainly undertaking investigation. At the moment, the track goes to Roseberry servicing MMG, and then there are about another 22 kilometres of track to the Melba Flats, which is where we would then service CMT.

We're also in discussions with Avebury. I notice Avebury has their open day today -

CHAIR - Yes, and sadly, I couldn't go.

Mr DIETRICH - Neither could I; but we have TasRail representatives there. So, both CMT and Avebury are on our business development pipeline as opportunities for the future on the Melba line as well. We're quite excited about where that may move towards.

CHAIR - How much of an upgrade will the line between Roseberry and Melba Flats require to take that?

Mr DIETRICH - It requires some re-culverts, it requires some reinstatement of level crossings and some renewal of track. We're currently getting those estimates and that's part of our IRP program that certainly can be applied to rectifying that line to open up -

CHAIR - Can tranche 4 funding be used for something like that?

Mr DIETRICH - Yes, absolutely. That's part of the funding instrument, to enable industry and enable new customers. We'll certainly look at that, but it would be in the magnitude of millions of dollars.

CHAIR - I accept that.

Mr DIETRICH - If CMT open and Avebury, we're talking five, ten-year -

CHAIR - Well, Avebury's open.

Mr DIETRICH - Yes, and they convert their volumes once they get up and running, they're talking 50 000 to 60 000 tonnes per annum. CMT - 50 000 to 60 000 tonnes per annum. Suddenly you've got 120 000; we connect that up to MMG, 200 000 and we're in discussions with a memorandum of understanding with Tas Mines about converting their volumes from road to rail, which would potentially bring immediately another 250 000 tonnes onto the network and being directly delivered into the Bulk Mineral Export Facility at Burnie.

CHAIR - Avebury just ordered an electric jumbo. That leads to the ship loading operations, and I know that TMEC has a very close and effective working relationship with TasRail about this, and they made that point to us. Can you update us a bit more on the work that has been done at the Burnie Port?

Mr DIETRICH - Absolutely. As you are aware, between the Australian and Tasmanian governments, we've received funding and we're doing a \$64 million project to replace the existing shiploader off berth 5 at the Burnie Port. That shiploader has been in existence since 1968 - it's a 54-year-old asset now - and we're also going to be expanding the Bulk Minerals Export Facility. Currently, the Bulk Minerals Export Facility can hold about 130 000 tonnes. With the expansion, we'll probably move towards 145 000-150 000 tonnes.

We're well-progressed. It was a fairly difficult time through COVID-19, tendering for this particular shiploader, but I am extremely pleased to say a Tasmanian company won the shiploading manufacture contract, which is COVA Haywards. Fabrication is well progressed out at the Hayward's facility at Western Junction and their subsidiary support companies. The project is on schedule to be delivered with a replacement shiploader mid-next year - July 2023. I'm pleased to say in their recent Australian and Tasmanian government budget announcements, we were the beneficiary of another \$18 million to build what we'll call an additional Melba Line hub facility - potentially at Hampshire - which will be like an inland port. To preserve the space on the port, we'll be able to run campaign cargo out of that particular facility.

CHAIR - Maybe, near the woodchip mill?

Mr DIETRICH - Near the woodchip mill and Tasmania Mines Pty Ltd, and that will provide opportunities businesses in that region. That way, we can optimise the use of the Bulk Minerals Export Facility (BMEF) which is on the footprint of the port. We understand land on the port is precious but we'll be able to then, if a customer says to us we have a ship in two weeks time and we need 30 000 tonnes to load that ship, we can then manage it and stage it and make sure 30 000 tonnes ends up in the BMEF. That might be by campaign trains that run 24 hours a day, seven days a week, coming out of the new facility up the line. So, it really creates that seamless integrated supply chain, so that we can then manage both storage and shiploading activities for these customers and others.

CHAIR - Will that increase the freight cost, or is all one freight task?

Mr DIETRICH - It's all one freight task. Potentially, it could take cost out because we're converting; we're moving in bulk loads. Again, there's a lot of road traffic in that area from Burnie through to Ridgley and beyond but it also supports the road users because we will have the expanded facility to still accommodate those mines that are a bit closer if the rail doesn't work; for example, Bass Metals; Hellyer; Shree, if they get their approvals up; we can support those companies as well through the shiploader facility.

CHAIR - There's also Stellar Resources in Zeehan, they made a positive announcement just recently.

Mr DIETRICH - We are doing Intec Zeehan at the moment, which is reprocessing the slag heaps there. That benefits both the environment and reprocessing and extraction of the mineral concentrate out of that.

Mr FERGUSON - To add to that - that is a very significant question and answer that's just occurred. The shiploader is a game-changer, Chair, in your own electorate, but particularly for the west coast and the economic success of the state in the mineral sector. Its future really will pivot on this infrastructure upgrade. It's better than 80 per cent - it's 100 per cent funded by the Federal Government through an agreement that took place in May 2009 with the then deputy prime minister, Michael McCormack, who made that commitment.

It was very welcome at the time to know that it's on-track. It's employing something like 140 people on that design and construct project right now, so very significant. As the CEO has indicated, an expansion to the Bulk Mineral Export Facility, together with the shiploader capacity, will be able to load at about double the rate that the old one can.

Also, drawing in for the benefit of the community, you will really want to know that the three projects that I've mentioned earlier in our session which are 80 per cent Australian Government and 20 per cent state government; the Melba Line at \$18 million is one of those; the other is tranche 4 of rail, which is, of course, statewide; and the third, that hasn't had a mention yet but which will be of particular interest to the committee - especially to Mr Duigan - is the Bell Bay Line reconnection. That is one that I am very committed to as well, to see the rail line run back into the port, dealing with some redundant infrastructure that's been defeated by some geology. To see rail getting right down to the berth at the port will be a game changer for Bell Bay.

CHAIR - Thanks, minister. Ms Lovell?

Ms LOVELL - Thanks, Chair. Four years ago, there was an incident at Railton with a cement train getting away. I understand that ATSB has very recently released the report of their investigation into that incident. I also understand that TasRail conducted its own internal investigation as well, that hasn't been made public. Were the findings of the ATSB report consistent with your own findings and will you be also making your report public?

Mr CANTWELL - Thanks, Ms Lovell. The answer to the first part of your question is yes, the essence of the contents of the internal TasRail report was made available to the ATSB. We fully cooperated with the ATSB, which naturally we always do in these sorts of circumstances. Anything that was contained in that report was reflected in the ATSB recommendations.

In relation to the report itself, the answer to that part of your question, is no, we have not contemplated making that available publicly, or sharing that report. It was commissioned and completed immediately on the shoulder of the event. At the time the advice to us was that it is best in the interests of TasRail, the protection of TasRail employees involved and who may be enjoined in subsequent legal action if the former legal professional privilege be taken in relation to that report.

In addition, the legal and professional privilege was sought to preserve and protect TasRail's commercial interest in the circumstance where subsequent legal action might need to be taken in relation against the supplier of the equipment, the remote-control equipment. We do not have a plan to make that information or that report publicly available at this stage. What we would say to the committee is that while we would not object to making information available, we would look to time that subsequent to us forming conclusions about the value of the legal professional privilege that is associated with that, both from the perspective of protection of our employees and protection of TasRail's commercial interests.

Ms LOVELL - I have one last question if I have time?

CHAIR - Yes, sure.

Ms LOVELL - In relation to an investigation into the TQAY wagon fleet, where there was a technical runaway incident in Colebrook, what were the results of that investigation into the brakes of that fleet?

Mr CANTWELL - I suspect that is the brake - the ELX valves on the 160TQAY - 164 wagons in that fleet. This is a circumstance where the culture that has been fostered in TasRail where we invite any member of staff to report any issue to us. If it is the issue I think you are referring to, one of drivers noted during a training exercise the effectiveness of the brakes was sub-optimal on those wagons.

In response to that report from the train driver, there was an immediate investigation and assessment of the operation and the efficacy of the brakes on wagons. Of the entire 164 wagons we found that 23 per cent of the wagons were operating at about 44 per cent of their braking efficiency. All of those valves were replaced on all 164 of the wagons. We also altered our maintenance regime in relation to those wagons, where the original equipment manufacturer had recommended a change out of those valves every 12 years. We have halved that and have made the decision those valves will be changed out every six years. In addition to that, our maintenance review regime now incorporates a very specific check of the efficacy of those valves when those wagons come in to the shops for their routine servicing.

We are most grateful, as an organisation, that that driver chose to make that circumstance available to us. For us, it was an affirmation of the notion if you communicate well with your people, you listen to them and you demonstrate you care about them and the information they give, you get dividends and it translates into 98.9 per cent on time arrival and low derailments.

Yes, there was an issue with those wagons; it was called to the attention of the management of the organisation by an employee in the field. We responded and fixed the issue very quickly.

Ms LOVELL - Thank you very much.

CHAIR - I think we are out of time but thank you very much, minister, for your appearance before the committee and to your team at the table. I do not know if you want to make a quick closing comment?

Mr FERGUSON - I want to say thank you to the committee but especially to representatives at TasRail. As I close, I want to commend them for the work they have been doing. If I can remind the committee, that only just over one month ago the state got smashed with some very significant rainfall, it was as bad as six years earlier.

Six years earlier we saw the western line cut for six weeks. This time it was cut for only 11 days which demonstrates two things: the very good value of building a network

resilience with that revitalisation fund. It is actually working and leading to infrastructure which is tougher and more resilient. Secondly, the teams that got our on the ground and resurrected the infrastructure and got services back up and running are a great credit to our state and I wanted to publicly acknowledge them at this hearing today.

The committee suspended at 3.03 p.m.



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESS SCRUTINY COMMITTEE A

Metro Tasmania Pty Ltd

Tuesday 29 November 2022

MEMBERS

Hon Nick Duigan MLC
Hon Luke Edmunds MLC
Hon Ruth Forrest MLC (Chair)
Hon Mike Gaffney MLC
Hon Dean Harriss MLC
Hon Sarah Lovell MLC (Deputy Chair)

WITNESSES IN ATTENDANCE

Hon. Michael Ferguson MP, Deputy Premier, Treasurer, Minister for Infrastructure and Transport and Minister for Planning (via Webex).

Mr Tim Gardner, Chair, Metro Tasmania Pty Ltd.

Ms Katie Cooper, Chief Executive Officer, Metro Tasmania Pty Ltd.

The committee met at 3.15 p.m.

CHAIR - Thank you minister, and welcome back for our business scrutiny for Metro Tasmania. I invite you to introduce your team at the table here and to make any opening statement you would like to make.

Mr FERGUSON - Thank you. First of all, Chair and Committee, good afternoon and I introduce to you Mr Tim Gardner, Chair of Metro Tasmania and Katie Cooper, Chief Executive Officer. By way of a brief opening statement, the committee would be aware that Metro plays a key role of our Government's progression of many initiatives to boost public transport patronage and to reduce traffic congestion. Metro provides a very important service that enables Tasmanians to get to work, to school or training and connect to family, friends and their community.

While COVID-19 heavily impacted on patronage and resultant fare revenue, I believe Metro's key accomplishments in the reporting period included the best ever result in its annual customer satisfaction survey and a restructured training program for bus operators. I wish to quickly mention that Katie and her team, in something of a record-breaking time, have actually trained 40 new drivers. Everybody would be aware of the number of dropped trips that occurred in recent months prior to that recruitment drive, and getting our workforce improved by that number was a very significant achievement.

Metro delivered more than nine million on-road kilometres in a challenging operational environment while still delivering even more services and progressing several critical organisational improvement initiatives that are in the strategic plan. In the reporting period there were 6.96 million passenger journeys. This was 18.8 per cent lower than the last full normal year prior to the pandemic. I think that again demonstrates the lingering effect of the pandemic on public transport. Patronage recovered to 83 per cent, that means a loss of \$2.4 million in fare revenue.

In April, Metro released a request for expressions of interest for the supply of goods and services to support the commencement of zero emissions bus trials, the battery-electric and hydrogen fuel cell buses. Metro also continued to progress the procurement and implementation of a new statewide ticketing system, which included the appointment of a project director, putting in place the project governance, and detailed customer research.

The new system will provide greater payment options and real time passenger information, with live service updates making travel planning more convenient and efficient. To pre-empt the inevitable questions on that, while we are at a sensitive stage on that, we hope to have something very firm to announce in the near future.

During 2021-22, Metro developed an ICT strategic plan, which was informed by a full review of the company's systems and infrastructure. The ICT plan includes a program of investment in modern intelligent transport systems to enable this business to enhance the customer experience to operate more efficiently, to complement the implementation of the new ticketing system and deliver capital and service initiatives.

Metro was very pleased to be a major partner of the Tasmanian JackJumpers basketball team as the home game jersey sponsor for the inaugural and very successful season in 2021-22.

I will close by thanking the chair, Tim, and Katie, the CEO, their respective board and executive team, and all of the staff at Metro for what everybody has put forward to give us some very strong reasons to be proud of them. They are delivering an essential public transport service, and progressing to really modernise this company and improve our services for the Tasmanian public.

I might throw now to the chair, Tim, if you wanted to add to my words? Otherwise, we can go straight to the questions.

Mr GARDNER - Thank you, minister. I am happy to progress to questions.

CHAIR - I will lead off, if that is all right? With regard to the financial position, we know that most of the revenue for Metro comes via service contracts with State Growth and page 33, in the notes of the Financials, describes that about 15 per cent comes from ticket sales. This makes it hard to actually assess profitability without knowing what is in the terms of the service contracts. It is a bit difficult to assess Metro's performance in that regard. Any profits could be a result of a favourable deal with State Growth, for example. So, how are these service contracts framed and determined?

Mr GARDNER - Chair, we have a contract which uses a standard costing model that is built up via the agency. Our contract payments are determined in a form that is consistent across the industry. Metro does not have a particular, unique or bespoke model. There is a standard bus cost model, which builds up, both in terms of operating costs and capital costs of a business. Then recognising that Metro has particular overheads which are unique to the organisation, there are specific allocations for those because we have to run, for example, some network planning service, planning capability, which other general access operators don't have to operate. In effect, our contract is built. The contract we have is consistent with the contracts that are provided by the agency to general access operators.

CHAIR - Just to follow-on from that perhaps in page 34 on the next page of your -

Mr GARDNER - Just one addition, sorry. The only difference is that Metro retains its fare revenue. That is the only fundamental difference. The GA operators, they are paid

under the contract, whereas we receive payments but we also retain our fare revenue as well. Hence, why COVID-19 has an outsized impact on Metro as to the other operators, because we are 20 per cent down on that revenue pre-COVID-19.

CHAIR - What was the revenue pre-COVID-19 in the ticket fares?

Mr GARDNER - In the order of \$15 million.

CHAIR - Okay, so it is heading back up, but still well short.

Mr GARDNER - But still well short.

CHAIR - On page 34, it talks about the Metro service contract with the Department of State Growth that expired on 31 December 2018. An extension has been negotiated to 31 August this year, which we have now passed, obviously. At the date of signing the financial statements, Metro and State Growth were finalising negotiations - that the minister was referring to - with a new service contractor to have an initial term to December 2024 with an option to extend for another five years.

Mr GARDNER - Yes.

CHAIR - It seems to me that Metro hopes the service contracts will allow it to make future profits. I am trying to perhaps read between the lines a little. Hence, past tax losses can be recouped if that is the case, meaning it still makes sense to carry forward the tax on the losses as an asset, the deferred tax losses, unlike TasRail, which we talked to earlier. Is that the approach that is being taken with the agreement, the service level agreement? Or service contract?

Mr GARDNER - Yes. Our expectation is that over the life of that contract that we do return to a profitable position. Otherwise we continue to go backwards as an organisation. So, we have to. We have been challenged through COVID-19.

If it had not been for the COVID-19 impact, we were on the right path. COVID-19 has presented a specific and unique impact on us and we have been working with State Growth, hence you will note the profit that we recorded this year was the result of the one-off payment in part to address that COVID-19 impact.

There is ongoing work between the agency and between Metro about what our sustainable funding level looks like, but that is effectively to address that hole in patronage that has appeared and it seems to have a long tail off the back of it, it is not bouncing back. People are changing their living patterns, their work patterns. Through the investments we are making, we have to change the business and provide the sort of investment in a real time information, modern ticketing system. These things are to attract people back into public transport, get our fare revenue up and get us back into a more financially sustainable position. That is absolutely our expectation over the life of this contract.

CHAIR - Lots of people got financial support during COVID-19, so it is not unrealistic that Metro did also, because you were significantly impacted as many others were. Are you

doing any work in regard to the people who may not have returned to using public transport? Is that because they are now working from home or is it they decided 'too hard, I am going to use my own car'? Some people were very nervous about using public transport when we first opened our borders again, for example. Do you know what is driving that slow recovery?

Mr GARDNER - There is a mix of things, it is not only a single thing. There are actually people who have changed their work patterns. A lot of people are still working from home at least a number of days per week and certain people have made decisions not to use public transport. What we are more concerned about, more interested in, is actually looking beyond that historic patronage base to the broader community. What is the future opportunity?

We have been undertaking broad customer research, market research, beyond the customers we have, to identify in the community who are the cohorts we are not getting to, who we are not appealing to and who can we attract into public transport.

CHAIR - New users, effectively.

Mr GARDNER - Absolutely. Who can we convert and why are they not using public transport at the moment? We have identified a number of market segments. Within those there are a couple of market segments that have identified with some additional incentives they would be more likely

CHAIR - Who are these people, who are the cohorts and what might work?

Mr GARDNER - The key things are the basics of what might work. There are some headline pieces, but the technology investments we are making, pieces on real-time information. Where is my bus? Can I find out on my phone where my bus is right now and I can track it as I can track a pizza or an uber. That is a critical piece of technology improvement to put information in the hands of our customers.

Improving our app and our website regarding access to information, regarding timetable information making all that easier to navigate. That stuff we are working on at the moment. Having a modern ticketing system which allows people to pay with their phone, credit card, watch is another part of it.

Another part is working on safety and actually people's sense of safety both on the bus, but also waiting for buses, bus stops, in interchanges, coming to and from the bus. That is another key piece we are focused on working with the agency, because that is a key part of it.

Mr GAFFNEY - Chair, you might want to stop me after the first couple of questions because it is somewhat COVID-19 related. I do not know whether this is when you want to deal with that or deal with the financials?

CHAIR - No, keep going. You are right, I can circle back.

Mr GAFFNEY - You mentioned about gathering information, what are your biggest user groups at the moment? Let's confine it to the Metro down here in Hobart. What are your biggest user groups on the buses demographically? Are they students, are they old people, are they working class people? Do you know what I mean? How do you do that research and what does your research tell you?

Mr GARDNER - There are two parts to that. One is what is our mix at the moment and we have a strong mix across full fare paying adults who are travelling either for work, either commuting or they are shopping, visiting friends and relatives, so there is that cohort. There is a large student cohort, getting to and from school everyday. Then there is a significant amount of concession holders, of either older age, on social security or who get a concession to ride. Now, we split across those three cohorts. Really, the work at moment is seeking to unpack in more detail where there are opportunities within those specifically to attract and convert users. We have started some market segmentation which is where things get a little complicated.

We break up our data in a certain way that across full fare-paying adult students and concession, we have started looking beyond our customers to the broader market. We have broken that up into different market segments. There are a couple of market segments where specifically, the feedback is that we have the opportunity to grow those through a range of the initiatives we have talked about.

Mr GAFFNEY - Okay, and the next couple of questions. Katie, you might want to chip in here because it is a bit more numbers-wise. Tim, you did mention about safety being an important issue for some and you did mention the elderly, and so, my next lot of questions are around the COVID-19 situation. It was probably just under 12 months ago when the national lift of isolation came into play, as in having COVID-19 drivers on buses, that sort of thing. In the past 12 months, how many drivers have been off sick with COVID-19-related illnesses? You said you had 40 new positions. We were given some information that said quite a number of people left in the last 12 months. Katie, you might update us on some of the numbers there about drivers who have left and drivers who have taken on board and those who have not been able to work because of COVID-19-related issues?

Mr GARDNER - Before Katie can refer to some more detail, I will give some broader context to that. We have certainly been experiencing turnover in our workforce, it is undeniable and the data shows it. However, it is important to highlight our turnover is no higher than any industry average or, in fact, across the broader economy at the moment at the level of turnover of workforce. In fact, ours is below the levels some sectors are experiencing. Secondly, nationally the transport industry is 25 000 drivers short and we are just part of that, experiencing many of the same issues the transport sector is experiencing across the country. It is incredibly difficult to attract and retain people when you have our drivers, and we have some really good drivers, very capable people, who are attractive across all parts of the transport sector, including freight and the like. That is a challenge for us as it is a challenge for everyone, but Katie, did you want to point out some more detail?

Ms COOPER - Thank you. The numbers we have, like everyone, members and staff are affected by COVID-19 the same. Since we first started recording COVID-19 cases in January 2022, we had 192 positive cases amongst staff. We have a workforce of circa 500 in round

figures. During the reporting period though, we have 112 cases amongst our staff and that does not include those who are close contacts, just the actual people who are positive.

We had a number of measures in place to try to support staff during that period particularly, and still masks are optional. They were mandatory for a long time for public transport, now they have an option and a choice, and we still continue to provide them for those staff who choose to do that. Obviously, like everyone else, we and other businesses are just continually looking at our COVID-19 management plan to see how we actually manage that and what that risk looks like for us in the business.

With regard to your other question regarding staff turnover rates, to clarify, there is a difference between what the minister referred to, and what we have colloquially termed, 'operation 40', which was, how do we get 40 people in? We were certainly feeling the challenges earlier this year when, around the March, April, May period, we had dropped trips and what that looked like. That was absolutely challenging. That was related to COVID-19 absences, but it was also related to non-COVID-19 absences and people just being unwell with non-related instances and also staff shortages. There were a number of factors that came into play there, but overall, over the last period of time we recruited and trained statewide - I know you have asked for it in Hobart, but I think I have numbers statewide if that is okay - we are talking about 108 we have trained statewide. We have also had some leave via resignation, retirement or termination and that has been about 113. That relates to bus operators specifically. We have recruited staff into other roles outside that, but that's the majority of our staff.

Mr GAFFNEY - Okay, just on that, thank you. What is Metro's policy regarding COVID-19-positive drivers on the buses?

Ms COOPER - At the moment, we are in that state of change where we are looking at that. We have been offering special related COVID-19 leave, and when the change came across, we are now transitioning to annual leave for staff who are actually COVID-19 positive. They are using that in that circumstance. We do not want people working when they have COVID-19.

Mr GAFFNEY - Any COVID-19 infected driver, who has the right to drive, is my understanding under the national isolation requirements, do they have to mask?

Ms COOPER - We are encouraging them to actually not come to work.

Mr GAFFNEY - Are they required to mask if they are at work and they are COVID-19 positive? Do they have to wear a mask?

Ms COOPER - If they came to work, yes; but we are actually encouraging them to not to come to work.

Mr GAFFNEY - That's fine, I just wanted to know because we have had a complaint that drivers who are COVID-19 infected have not been masking up. I wanted to know what the policy was, because that would impact on some of your passengers who are elderly.

Ms COOPER - Absolutely, we have had staff who have come to work who are COVID-19 positive, and we have asked them to return home so they are not actually at work when they are in that circumstance. This depends on the role of the person across the business.

We have a staff member at the moment, who works in a corporate level role, they can work quite effectively from home. They will work from home, and we will not require them to mask up, because they are in their own residence and working from home, but they are still working.

Mr GAFFNEY - Are masks still provided for people on buses?

Ms COOPER - Yes, for staff.

Ms LOVELL - Can I ask a follow-up to that question? In the circumstances, I understand that if somebody had tested positive to COVID-19, particularly a driver who is face-to-face with the public, they are encouraged to stay home and I understand use their personal leave, annual leave or sick leave. Is that what you said?

Ms COOPER - Yes.

Ms LOVELL - When they do not have any leave available to them, or where they choose not to use leave their annual leave -?

Ms COOPER - We are currently reviewing that at the moment, because we have had COVID-19 leave available. We are in that transition mode at the moment of looking to amend that.

Ms LOVELL - So amend it to what?

Ms COOPER - To being from COVID-19 leave to sick leave or personal leave or annual leave, whatever is appropriate for their circumstance.

Ms LOVELL - If there was a driver, for example, who had used all their sick leave, had no sick leave, and either had no annual leave or did not want to use their annual leave for COVID-19, what would the expectation be?

Ms COOPER - The manager would manage that on an individual basis with that employee.

Ms LOVELL - Is it possible they would not be paid? Would they be allowed to work or would they be required to stay home?

Ms COOPER - Each circumstance would be reviewed on its own merits, but we would be strongly encouraging people who are COVID-19 positive to not be driving in public transport on our buses. If they needed to and that was a financial circumstance, we would look at that circumstance to make sure the person was okay. We would do that through a number of channels, depending on how we need to support that individual. It depends on

their employment status, depends on how much leave they have, depends on their circumstances, and we would assess that to try to support our employees as best we can. However, the blanket overall policy would be that people need to use their sick leave because it is an illness.

Mr GAFFNEY - Katie, you mentioned earlier, and it must be a nightmare, when you have February, March and April and you have staff out. How do you work that out, impacting on your rostering and Metro's ability to provide the services? You're going to have to say, we can't run that because we do not have a driver. How long before - and going back to Tim's point where he said once we get better technology so people can see where the buses are - what time frame are you allowed to let people know that sorry, that bus is not going to run, or that service is not available? How do you do that?

Ms COOPER - It's a normal everyday activity in the sense of our operations officers, who are our team leader level staff, who run the operation on the day. They do an amazing job of what we call 'patching'. They are trying to look at the entire network, to see how do we actually juggle? We can ask other staff who are well to stay back. Would they be prepared to do some extra shifts?

We might realign how a particular route is covered from a staffing point of view so we can add it on to other duties. We would have some staff, if they were available, on standby who may go in and do other duties. We may call people in on overtime and put a call out to see if anybody is available to work. The last resort is do what we call a 'dropped trip' or to not operate the service. There's a lot of work that goes into preventing that from happening.

As for time frames, that can be anywhere from instantaneous or even mid-route, through to being done in advance. I'll explain the reason why. Dropped trips can occur - it depends a little on how much notice we're notified of an employee being unwell. If they give us a bit of notice and we know, hypothetically, calling in sick at 9 a.m. on a Monday, we know that they're going to be off for four days, we get a lot of notice to do the Tuesday, Wednesday, Thursday. Sometimes an operator, or a bus driver, may call in at very short notice. It might be 15 minutes before the start of their shift and they tell us they're not available to work because they're unwell. There are a number of practices that our staff go through to try to cover those duties as much as they possibly can.

What we have been doing - and I think it's a really good step forward - is Metro has been very transparent about what it is being able to do with its dropped trips. Prior to February this calendar year, we didn't notify passengers about how that operates, or we didn't notify them necessarily that we were changing all those services. They didn't arrive, they just didn't come.

Since February, Metro has been diligent about notifying on our Facebook page, when services are not operating. Now, that's certainly resulted in people thinking all of a sudden, it's a brand new thing. It's actually not. It's just we're being really open and transparent, trying to be clear with the customer about when those services are or are not operating. It does bring it more to the reality of people's minds as well.

Sometimes dropped trips can happen for other reasons, not staff absences. It might be that there's been an accident, or a road closed somewhere and that can be very last minute and we then need to also rejig our services as to what can operate, or if we need to reroute it via a different road network to get there. There are a number of factors that we consider.

Ms LOVELL - Just a follow-up on dropped trips. Some data was provided to the Legislative Council for a question on notice in relation to dropped trips, with a breakdown by day, up to September this year. Would you be able to provide the committee with an update for the last two months on the number of dropped trips per day, and by region if you've got it?

Ms COOPER - Well, I can read you all the numbers for September and October, by each region, if that's what you'd like, or I can give you just an overall summary.

Ms LOVELL - So, the numbers for the month, by region, are they?

Ms COOPER - Yes.

Ms LOVELL - Do you have the breakdown by day, at all?

Ms COOPER - No, not in front of me.

Ms LOVELL - Okay, are you able to provide that to the committee at a later date? Would the minister be willing to take that on notice?

Mr FERGUSON - Thanks, Ms Lovell. I'm just aware of how much work went into that last opportune time where that question was placed on the House's Notice Paper. I'm happy to take it on notice on best endeavours, but I can tell you, I know that the business went to a lot of effort to compile that. So, I don't necessarily want them to have to go back and do it all again. I wonder if we could start with the highlight, or the headline data and see if that might possibly satisfy your request. If not, we can take it further.

Ms LOVELL - Okay, yes, I'm happy to start with what you've got there.

Ms COOPER - Sure, okay, for the calendar year up to 31 October 2022 Metro delivered 99.03 per cent of all general access services across the state. In March, April and May we saw the high increase in service disruptions, which we've covered earlier. In September, this year, Metro delivered 99.9 per cent of its scheduled general access trips statewide, and in the month of September, to equal that, we delivered 58 136 trips during that time. The percentage that we didn't deliver, or the number of trips we didn't deliver was 59. So, in October the same year, Metro delivered 99.88 per cent of its scheduled general access trips statewide, and Metro provided 55 538 trips. It did not deliver 77 during that time.

Ms LOVELL - So, 77 in October?

Ms COOPER - Yes.

Ms LOVELL - Did you have a breakdown by region at all, for October?

Mr FERGUSON - Yes, we do. I was just going to leap there for you, Ms Lovell. The data I have - it is only by month - is 75 Hobart to Burnie, 0 Launceston. I know this is not what you've asked for, but to give it some context, that's coming off some very high numbers, hundreds and even thousands earlier in the year. That has been a very significant turnaround in terms of the workforce that had to be rebuilt and bring the new numbers up has actually significantly mitigated that. At the start of the year it was 127 and peaked in March and April at 1000 and 2000; to get it down to that 77 compared to September which was 59 and August which was 116, that is the information that we have. Noting that, Metro delivers millions of trips a year and 99.03 per cent have been delivered to October.

Ms LOVELL - Thank you, I am happy with that.

Mr DUIGAN - Noting all the challenges that have just been outlined, I am wondering how the customers are responding and reacting to the issues?

Mr FERGUSON - Again, coupled with the question from Ms Lovell and Mr Gaffney it has been a time of significant disruption and the business has always been quite upfront. When we saw significant numbers of trips being dropped because of workforce availability issues only - it wasn't the bus or the architecture that failed; it was the workforce which wasn't there to deliver it with a large number of absentees for a range of reasons, including COVID-19 related absences and enforced absences.

Metro very rapidly, and at my urging as well, improved its communications with the public - because moving from very small numbers of trips that were being dropped to hundreds was a really big challenge to people who relied on Metro. Learning the difficult way, I still commend the business for responding as quickly as it did to try to get the message out as early as possible which is one of the frustrations that people did express to me. They accepted, to an extent, that services would not be available because of workforce absentees which were enforced because of COVID-19. They did expect that the earliest possible notice be provided, which were lessons learned and quickly delivered on, particularly through social media.

Interestingly, in all that context and with me being very praiseworthy about the number of trips actually delivered, I am very pleased that Metro customers seem to have responded in a similar fashion. Metro achieved its best ever result in -

CHAIR - There we go again. You we lost you and you might want to come back when you are back on. Metro's best ever year?

Mr FERGUSON - Yes, an impressive 82 per cent of commuters expressed their satisfaction with Metro, which is a Metro record, and that is up on 6 per cent on the previous year. That result is testament to the hard work of the team who delivered millions of services in that very challenging environment.

A quick breakdown, the survey showed that satisfaction was the highest with the service provided by the bus drivers at 84 per cent; personal safety, 81 per cent; cost to use

the service 80 per cent; and the route directness 78 per cent. Noting that State Growth has redesigned the network so that they are more direct and get people to destinations quicker.

I am pleased to see that response to the last metric, as that has been a significant piece of work; not universally endorsed because service changes always lead to mixed feedback. We have done what most customers said they wanted - which is more frequent and more direct routes. That is just one aspect of our work to transform public transport in the state. Thank you, Mr Duigan, for the question. I am happy to elaborate further if anybody would wish to.

Mr EDMUNDS - I want to follow up on that survey. When was that conducted?

Mr FERGUSON - It was in 2021-22.

Mr EDMUNDS - The customer satisfaction?

Mr FERGUSON - That is right.

Mr EDMUNDS - Which months?

Mr FERGUSON - Okay, if you have the detail.

Ms COOPER - We do an annual survey and have done for about the last decade and it was done in October to November 2021. That found that four out of the five respondents reported that they were satisfied with the services provided with Metro overall.

Mr EDMUNDS - Thank you. Circling right back to what you said, Tim, about the demand on the workforce nationwide. When you had the exit interviews with your drivers, was that the feedback they were giving - that it was a competitive market - or was there feedback directly about their jobs that they were moving on from?

Mr GARDNER - There was a mix of feedback. Some of it is retirement; there are people we have who are an older workforce so they're ageing. There are people who are choosing to shift out - resigning, to do other things and other work. Remuneration is part of the mix of decision-making. It is a competitive landscape. There's a mix of things that people are choosing to leave for - generally, either retiring or attracted to other things.

Mr EDMUNDS - Was antisocial behaviour mentioned?

Mr GARDNER - Not in any scale. That is not to say we don't have concerns in our workforce, or concerns about antisocial behaviour. It's a very active piece in our organisation, as it is for bus operators across the board, and as it is for frontline workers across the board. This is a broad societal issue that we're dealing with but, it is fair to say, and Katie, correct me if I'm wrong - our exit interviews are not pointing to that as a reason for departure.

Mr EDMUNDS - How is staff retention going at Metro management level?

Mr GARDNER - It's challenging, to attract people in. It is a challenge to retain people but no more than what we're seeing and hearing across the broader economy. We're constrained as a government business. We can't operate as commercial organisations would, so we have lost some staff to commercial organisations that have much more flexibility and freedom to pay. That is the reality; that is absolutely an element; but broadly speaking, that is one of a mix of things that we are dealing with. We have people leaving during the year.

In terms of management, we have had four managers leave in the period; we've had two members of the executive team - one of those left for family reasons and moved interstate. One of those was attracted by an offer to a commercial organisation by pay and we've had one poached by another operator interstate who we were very sad to lose - as we are sad to lose a lot of our people - and one chose to leave the sector altogether.

There isn't a specific thing that is contributing to loss. We are in a tough labour environment.

Mr FERGUSON - Mr Edmunds, I wasn't sure if your question may have been a question specifically about management which is what I think the answer provided was, or if it was the broader piece around the drivers as well so I hope that it answered the question.

If I can add extra context, I remind the committee that bus drivers, also known as 'bus operators' - most I speak to prefer to be called 'bus drivers' - they are part of a very particular workforce skillset in Australia. Like truck drivers, they're heavy vehicle operators and their skills are very highly in demand now and if you were to ask any bus company or truck company, this would be a key issue for them, and Metro is no different.

Ms LOVELL - I might have missed this but you said 'four managers had left' - out of how many managers?

Ms COOPER - At a rough count, I'd say, 15 or 16 - without doing an actual count.

Ms LOVELL - That is fine. Thank you.

CHAIR - Can I go back to some of the financial information? I noticed that \$5 million was borrowed from TASCORP in the last year - 2021. Given that Metro's profits pretty much depend on money from State Growth, particularly until you can raise the fare revenue, it doesn't make a lot of sense to me that Metro will borrow from TASCORP. Why not do what TasRail does and just get money from the Government rather than have to borrow it; and is borrowing to be the way of the future for Metro?

Mr GARDNER - It is an order of things. If I may, Chair, in the first instance, we had an immediate impact from COVID-19 and the loss of our fare revenue. In that period, there was engagement by Government across all the government businesses about support mechanisms. We drew on that support. We established a facility with TASCORP and we drew down on it to give ourselves immediate relief and to support the ongoing rollout of vehicles, purchase of buses. We continued to then work with State Growth on our ongoing funding and that is a work in progress. We could not wait around, we are a government

business and contracted to supply a service, we have to provide that service day-in, day-out. That was a one-off drawn down on a facility. We clearly cannot use that to fund recurrent operating cost. We did that as a one-off, now we continue to engage with State Growth on our funding.

CHAIR - Okay. Looking at the \$6.8 million spent on capital expenditure, on page 42 of the annual report, of which \$3.8 million was for buses. Is this the eight buses being built partly with Elphinstone's at \$450 000 each roughly, or is that amount? Or are there other CAPEX in that?

Mr GARDNER - Sorry, the six point - ?

CHAIR - The \$6.8 million on CAPEX.

Mr GARDNER - Yes, that is without the specific split. That is predominantly buses. Largely, the buses, from Elphinstone. Bus Tech actually.

CHAIR - Yes, with Bus Tech. Can you outline the reasons why that contract fell over?

Mr GARDNER - No. It is a commercial arrangement between Metro and its supplier. There were contractual conditions. Those contractual conditions were not met. I cannot give you any more information for that. There was \$4.8 million that directly went into purchasing of buses. No, we came to an agreement with the supplier to terminate that supplier.

Just noting that, can I come back to the question about the draw down. We had a fare-free period. Remember, in the middle of COVID-19 which was fare-free? When we immediately lost revenue is when we drew down. It was responding to that specifically to bridge ourselves through that period. We also then needed that funding upfront, because we went fare-free. We lost that chunk of revenue. We actually have a mechanism within our contract with State Growth which actually factors in capital payments. We have continuing capital payments against our buses.

It is not as though we need to keep drawing that down. We did that to fix that and deal with that specific issue. However, our funding mechanism actually addresses our funding of our capital costs of buying the buses.

CHAIR - What will happen to that money, then? Will it just sit there, or will you repay it? What is the plan? It sounds to me, from what you have said it was basically a COVID-19 contingency to fund the immediate expenses and the lack of fare income and that sort of stuff, at a point in time.

Mr GARDNER - That is right. Our outlook is to pay that down. That is our plan. To come back to the earlier comments, our path is to invest in the business and rebuild our patronage and to return the revenues to a level that ensures we can sustain the business and ultimately pay down that debt. That is factored into our financial planning.

That does not put us at any particular risk at the moment. What it means is we just are constrained in terms of our forward investment into business, until we can build the fare revenue or address our contract funding and get any adjustment to our contract funding with the department of State Growth. They have indicated to us as part of our all of our engagement with them, they are very much open and happy to work with us on that and is what we are doing.

Mr FERGUSON - CEO and Chair, you might assist me so we give a complete answer on Bus Tech. The committee will respect your commercial-in-confidence comment earlier in relation to Bus Tech, but the committee would not be aware that since there was last news on this matter, Metro did already receive 100 of the Bus Tech built buses. A further eight have been received and if either Tim or Katie would give an update on the issue on the additional 10. That would not be on the public record at this time and it is worth for completeness, rounding that out.

Ms COOPER - As has been alluded to, the 100 buses was the original order. They have been received and they have been and are in service and in use at the moment. There was an order placed for the 26 buses. That was the one we received eight of those buses and then we suspended and terminated that contract. At that stage, there were 10 that were partially built that were still in the production line up in Elphinstone.

Subsequent to the announcement we had stopped the contract with Bus Tech, we have now reached an agreement with them and those 10 buses that were mid-built are being repurchased by Metro and we have actually had three of the 10. The third arrived last week so we are pleased.

CHAIR - The rest will be completed?

Ms COOPER - The 10 will be completed.

CHAIR - Do you have a time frame for that?

Ms COOPER - We have the three already and they should be done by the middle of next year.

Mr GAFFNEY - I have a question if you are going to the free fare period that Tim mentioned.

CHAIR - I was going to ask in relation, not the free fare period related to COVID-19 but the free fare period related to the Cam River Bridge partial closure. What did that cost the business and how is that to be funded? It may be too early to actually give some sort of indication of whether that is going to encourage people who may never have used buses. You did some work on it, first time users used those buses at the time, or not?

Ms COOPER - No. If I can give you a summary of what we did, if you are happy, minister, with Cam River. That is outside the period we have for reporting -

CHAIR - I understand that.

Ms COOPER - but we received a call to say could we assist with the Cam River problem or challenge that was in Burnie, and Metro did. We relocated some of our buses and did extraordinarily well. A couple of our drivers from both Launceston and Hobart on a couple occasions actually moved up at very short notice to help provide those services, which we and the community were very grateful for. That was also, at least from my memory and Tim, correct me if I am wrong, the first time we have done bus prioritisation in traffic management in Tasmania, which was fantastic.

In that circumstance, it was really an arrangement we were asked to support by the department. The department had asked could we assist with moving traffic along there so we could keep the community moving. That was what we achieved and what we delivered. We were not using it necessarily as or tracking who will be the first-time users for the Cam River. We were doing it to keep the community connecting from one side of the river to the other. We had great positive feedback from customers around how that level of service was appreciated.

CHAIR - With regard to feedback from drivers there, the priority route was basically put through the town which is fine. However, it did mean it had to engage with a number of intersections through the town that was gridlocked, particularly the Falmouth Street intersection with Wragg Street or Simpson Street, whichever one they came out of there and then had to go into the other side of Wragg Street to get onto the Murchison to get into the priority crossing for the bridge along with the ambulances and others. What was the feedback from the drivers about that? I did hear of buses being held up at those key critical intersections.

Ms COOPER - The feedback I have had when I was in Burnie the week before last from our operators, was actually positive in the sense certainly, the first day there were a few teething issues as people were trying to navigate how they got through and for our staff to get used to it as well, but I have not had any concerns raised with me from our staff. I have just had positive feedback.

CHAIR - A school bus was stuck right back at Doctors Rocks and the police had to go and pull them through; mostly school buses, they weren't Metro.

Ms COOPER - I'm not familiar with that I am afraid, I can't answer that.

CHAIR - No, they were the school buses. It was hard, because that is where the road works are, which we talked about earlier, and it is not wide enough to have three lanes to get the police car through and pull the bus through. Mike, you had a question on that?

Mr GAFFNEY - No, I have a question on the annual report. You mentioned the free fare period; was there an assessment after that period with bus drivers about how that was received, how that worked? Did it take away some of the angst with the exchange of money and that sort of thing? It would have been well received by the public.

CHAIR - No fare evaders, anyway.

Mr GARDNER - Broadly speaking, the feedback was very positive. Clearly, the community was very accepting and pleased about the Government decision to provide a fare free period. It was very well-received and that was reflected with our workforce as well.

Mr GAFFNEY - There is a push from the Tasmanian Association of State School Organisations, they believe that bus travel for students should be free. That would take away a lot of the angst. For the amount of money you get through that, which is not a huge amount of money, because you are trying to get kids to school. Is that something that you have considered, to go down that path? That is probably one for the minister; it is something that needs to be considered in the bigger picture of what we are trying to do with education, helping people through the cost of living issue, and the cost that imposes upon some parents. Would the minister like to comment on that?

Mr FERGUSON - I was about to jump in, Mike, and thank you for the question. I appreciate that the question is coming from a very good place. The reasons for not moving on that is because the Government already provides something over \$100 million a year per year as a direct subsidy to Metro and other public bus providers, not just the government owned ones, for buses around Tasmania, including for school children. If any move were to go toward, for example, having no charge of buses at all, you would be withdrawing that amount of money out of the system. We would much rather have our targeted approach which actually supports people, particularly those on lower and fixed incomes who need that extra subsidy to make the trip worthwhile. If we were to just go to blanket free, then we are taking all the fare money out of the system. That would require the state to top it up, and you wouldn't have created any more services or any more direct routes or additional supports.

So, that is the position that we have taken. We did specifically make the decision to do the free bus incentive or free fare incentive, I believe it was back in April of this year, as a deliberate measure to support people with cost of living. Fuel prices were the biggest driver for us at that time. I got the month wrong because it was actually earlier than the federal budget when the then government announced the fuel excise reduction. So, when the federal government did not move on that, that was a good thing; but our steps were taken in the context of trying to do something to help people with the very rapidly escalating fuel prices at that time. We did also say that we hope that it would drive further patronage in people who weren't regular users of Metro or the other public transport providers to give them a go and, perhaps, even find that it's a good value proposition for them.

Mr EDMUNDS - Did patronage go up after the free fare period? Did people say 'oh, I've had a taste of this' and stayed in the system, or did your data show that people dipped in for five weeks and dipped out?

Mr FERGUSON - The figure I had in my mind was 11 per cent but I may need to double-check that. I believe it would be fair to say that it hasn't been sustained because at this date, we are still lower than pre-COVID-19. There is still a level of disruption that has perhaps persisted in the community, and I believe that in part, that can be a change in the way people are working and commuting around the state. Our anecdotal feedback, particularly from older customers via our managers, is that there is still a concern out there

around travelling on buses. I don't want to perpetuate that, but that is a perception that has been reported to me. I am sorry to jump in again and do this to you, but I am just checking my facts, and I am advised there was that temporary increase of 15 per cent during that incentive period.

Ms LOVELL - I had a question about the bus driver safety trial that was conducted at the beginning of this year. I understand there was a two-week trial to reduce anti-social behaviour across the network. Do you have an update on that trial and what the results of the trial showed, and what actions are being taken?

Ms COOPER - We never held a trial. Can I clarify, are you referring to the security guards?

Ms LOVELL - Was that at the beginning of the year?

Ms COOPER - We did a period where we had a security guard on a couple of targeted services for two weeks, but it was never a trial.

Ms LOVELL - Yes.

Mr FERGUSON - We'd want to be careful about how much we say publicly about that, Ms Lovell. I do totally respect the question as well. The business needed to send a pretty clear message to some communities, and we tried to do that in a way that didn't name them up and didn't stigmatise their suburb and names. There was a real issue with a couple of locations, so I am just quite comfortable having a discussion in that context; noting that bus driver abuse and abuse of other customers and antisocial behaviour generally, is a problem for every public transport provider. However, Metro is the biggest, so therefore for us and for this business it's something that we are putting a heavier emphasis on, and it's unfortunate as a sign of our times that we have to do that. It does have an impact on our bus drivers, it has an impact on our passengers, and if not dealt with, can have the effect of affecting our drivers' satisfaction with their employment and, of course, with customers potentially not feeling comfortable.

I will be high-level and then throw to the CEO about the security officer work that was done earlier this year, in a moment. All metro buses are fitted with CCTV, which has assisted in safety and security onboard, and it allows the company to investigate incidents of antisocial behaviour when they occur. We also have a longstanding partnership with Tasmania Police for resources with officers actually following buses, on occasion - customers might not always realise this - and operating plainclothes campaigns on buses, that allow them some targeted enforcement to take place, particularly in those areas and on those routes with higher prevalence of antisocial behaviour.

I can tell the committee that identified that offenders can be banned from travelling on Metro buses, and they can be charged, depending on what they've done. The committee may also be interested to know that I have asked the Department of State Growth and Metro to work co-operatively with Tasmania Police, and more assertively, on developing a possible operating model for some stronger powers to be able to deal with antisocial behaviour for our staff. So, that's under consideration.

I don't have the advice back to me yet, but I'm just not prepared to leave it as it is. I hope that you would expect me to say that. The level of enforcement that we can do at the moment doesn't quite seem to be working with a small number of people on and around our buses. We want to make sure that we do everything that we can to mitigate that risk right down and make it a nicer environment and a safer environment for our workers and our customers. Katie, I'll throw to you in relation to the use of the extra security officers, noting my earlier context.

Mr COOPER - Thank you Deputy Premier. We had a couple of security guards on a couple of services in the highly vulnerable area for a period of two weeks. That was done at the union's request who we had on board the buses. It was not a trial. I am not sure if you have a specific question about them but that was back in March, from memory, but I will check that. Sorry, it was the February/March period.

Ms LOVELL - There might be a different expectation amongst drivers about what the purpose of that was and what outcomes might come of that, but with the indulgence of the Chair I will add to the comments of the minister. The routes we have spoken about are areas in my electorate; I know them really well. The vast majority of people in those communities absolutely do the right thing on buses and it is a small minority who cause a problem, but it impacts as much on those members of the community as it does on the drivers. It is a significant concern for people in my electorate.

Mr FERGUSON - I am agreeing with Ms Lovell and thank you for those comments. We have tried to take that approach and it was a suggestion from the union that the business followed up on. We tried to do that and conduct our public messaging on this in a way that really does treat people fairly in those communities.

Ms COOPER - This issue is much broader than Metro and I think that is where it is really important. It is a societal issue and we are very active in this area and it is not just linked to one suburb. I want to be really clear and respect it is in your electorate we have probably got a little bit more publicity than others, but it actually is a general issue we are experiencing in the number of areas. We are very actively trying to work through it. There is also a misconception it is all youth. Actually, we do not believe that to be the case; there are also some adults who perhaps are not behaving in ways we think are appropriate in the community. We have a number of activities we undertake with both local Tasmanian Police & Citizens Youth Club, with local councils and community centres. We are actively working in a number of ways. It is an issue we stand with our staff saying it is not acceptable. I do not think there is any dispute between us and our organisation and our staff it is just not acceptable. I would also put on the table there are things that Metro just does not control.

We had a recent incident where our bus, our driver, our customers were driving down the street - I wish this was an isolated incident but it is not - and rocks are thrown at the bus. They are not our customers; they are not our people; we have no engagement with them. For us, the more appropriate approach which is what we have, is our contracted service with Tasmania Police where we have four officers who are based in our Springfield depot and they are targeting these sorts of services. As the minister referred to earlier, the CCTV

is really important because that gives the police the opportunity to see what is going on and something that quite frankly, our staff or our customers should not have to put up with.

Ms LOVELL - Is that police presence seven days a week?

Ms COOPER - Yes, they have varying shifts. They do some evenings some days so it is a rotating shift coverage. We are currently trialling a change to that shift pattern to see if they can target certain known hotspots, to try to be an influencer of some of that behaviour before it happens. That is how I would describe it.

Mr DUIGAN - I have a question on the trial that is going on zero Metro bus emissions, which is something that everyone is very excited about seeing and when we might see them out on the road?

Mr FERGUSON - Thank you, Mr Duigan. I will ask Katie or Tim to jump in with any time frames if I may miss them. We are aiming for some buses and equipment to arrive in late 2023 in relation to the Government's initiative on zero emissions bus trials. This will be very new for this business. It is not new for public transport in the world but it would be very significant for us in Tasmania, particularly given that - one, we do not have a track history in this space. Secondly, because we are proceeding not just with testing the market on electric buses but also, we have specifically named up hydrogen electric and that at a time where hydrogen is very nascent in this country and in Tasmania. Metro intends to conduct two simultaneous trials for zero emission buses, hydrogen fuel cell in the south and battery-electric in the north.

Metro developed a road map which informed the allocation of \$6 million in the state budget for Metro to undertake these trials. The Government has also approved other funding through the Hydrogen Industry Development Funding Program.

Metro, together with RECFIT, which is based in State Growth department are working closely in the planning of the trials, with representatives of both entities in the project steering committee and the project delivery team. The request for expressions of interest went out in April for the supply of the goods and services required to run the trial. A pleasing number of responses were received from a broad range of industry suppliers, encompassing battery-electric buses, hydrogen fuel-cell buses, also hydrogen refuellers and battery rechargers, which of course, will be necessary.

I am advised that an evaluation for the EOI was completed in August and short-listed respondents were then invited to participate in the formal tender process and tenders closed in October. Three separate requests for tenders were conducted for supply maintenance of three battery-electric buses and charges for Launceston; three hydrogen fuel-cell electric buses and a hydrogen refueller station for Hobart. Those are the three pieces. We do aim for the buses and equipment, based on the tender spec, not on the outcome of the tender, we hope it to be favourable to arrive in late-23.

I do not know if Tim, or Katie, if you have any further update on that. We see this as a really exciting initiative for both the Government and for Metro Tasmania, demonstrating leadership in innovation; renewable energy and climate change. It may well pave the way

for other non-government owned providers of public transport and possibly even the truck industry in Tasmania, as other players in the heavy vehicle industry. I might just look to our executive and board chair on dates.

Mr GARDNER - Thanks Deputy Premier. Only to add that, as an organisation, we are incredibly excited about this and this is a material initiative to shift our organisation and the perception of public transport and the place of public transport in a clean economy. We are now in the final stages of assessing the tenders that have been submitted. We expect that they are scheduled to come to the board in December, for assessment, so the expectation is in the new year we will be up and running on this project in a consistent way with the time lines outlined by the Deputy Premier.

CHAIR - Okay. I just wanted to look a little bit more about the integrated ticketing project and once that is implemented you will be able to pay with your smart watch, smart phone, credit card - things that most people now use, rather than a ticket or cash. To facilitate that, what sort of data will you need to collect from customers?

Mr GARDNER - To facilitate that?

CHAIR - The reason I am asking is because when you are collecting and keeping client data - obviously the next question is around cybersecurity.

Mr GARDNER - Deputy Premier, do you want to respond?

Mr FERGUSON - If I can just clarify the question please, Chair. What you are asking is what will be the nature of personal information, potentially, that customers would be providing when they are using the new platform. I did not think you were asking about what information we will need now as we are procuring.

CHAIR - No, once it is being used, yes, that is right.

Mr FERGUSON - Alright, I think what I will do in terms of guidance here is, I will just provide a coverall. First of all, Metro are running this project on behalf of the state and when I say the state, I mean also the other public transport providers that are not government owned. Metro is making progress and is negotiating with a jurisdictional partner and its supplier. Due to the commercial nature of those discussion I am personally not able to comment much further, but I do expect to be able to make a further announcement soon. With that said, because that is the procurement piece, I am very comfortable with Mr Gardner outlining, to the extent he can, about how privacy arrangements will be protected while we can identify our customers and have an affective real time time-tabling model, as well as a painted model in place.

Mr GARDNER - Thank you Deputy Premier. If I may, as has been outlined, we are working with another jurisdiction on this where there is already been a long process of system development and working with a supply partner. A key part of that is mitigating the risk of rolling out a system in Tasmania and avoiding having to discover for ourselves all the risks and the pitfalls of developing a new system. Associated with that is the data security that goes with that. A big part of what we get by piggybacking off a system that is already

being implemented in a larger jurisdiction is that we get all of that experience and we get all of that capacity and capability that comes in. Clearly, data privacy is a key element of all of this, that is integral to the risk management of this program and the decision-making that we are making at the moment.

CHAIR - Do you know at this stage what data you will be collected and stored on customers that will interact with this system?

Mr GARDNER - In the first instance, the fundamental that you would have to provide, effectively what we will be seeking is the data that any ticketing system will require. You need to provide enough personal identification information regarding whether you are a full fare paying customer or you are a concession holder. Beyond that, you will need to provide payment details. If you are accessing an account through payment through your phone or your watch or a credit card, clearly, that information has got to be logged in the system for that to work.

Katie is there anything else?

Ms COOPER - No, the way I would describe it is it is an improvement on what we have at the moment. At the moment we work on the Greencard system works where, and if I can use you as an example because you are in front of me. Your name, your details, you have set up and registered an account with us and you might put - I am making it up here - but \$20 on that account. We know there is \$20 against Ruth. In an account-based system which is what we are talking about moving to, we don't have that money sitting on our account waiting for us. As you use it, you go through it so we are going to be holding quite a bit less because it is based on your form of payment.

Clearly, we will need a token because not everybody has a debit card and not everyone wants to pay with a debit card. Most six-year-olds going to school probably don't have a debit card so there is an opportunity to have both. The idea is that the customer will have some choice as to, do they want to be registered with us or do they want to pay on their own card or do they want to use a token. They will have options, more options than they have now.

CHAIR - What capacity within the organisation have you got in terms of managing cybersecurity risks? Once you get your live bus, Track My Bus now, if someone hacked into that and your bus is suddenly off at the other end of the state when it is no -

Ms COOPER - Cybersecurity is something that is incredibly topical at the moment with regard to Optus and Medibank and a number of organisations that are experiencing that. If I look at where Metro is at with regard to its cybersecurity, I think that we are at the beginning of our journey if I am really honest. We have a number of steps that we use to mitigate the risks that we know about with regard to penetration and testing, we do phishing exercises et cetera.

We have just had a review - like everyone in the business world at the moment is having a review done on their business cyber. We have just gone through that and we are working through, we have one person in our business at the moment who is coming in just

to help us on that journey. How do we mature more quickly in that space to make sure that is protected?

CHAIR - Do you have dedicated staff for that in the organisation?

Ms COOPER - No, at the moment we have a very small and limited IT team. Last year we developed our road map and we are currently in the process of recruiting an IT manager who, we haven't announced but if my staff are listening, he is starting in January. We have someone coming onboard to bring that to life. We currently have a company that is working with us at the moment that is helping us work out our governance and our risks. They have done some assessments on our current cyber requirements and have mapped out a path of what we need to do going forward to make ourselves more secure.

Mr GARDNER - If I can add to that, everyone would understand this is an incredibly fluid environment so the board has got a critical eye to this. We are comfortable there has been a strong focus on the technical solutions and the technical controls, the essential eight and multifactor authentication, all those elements from the technical perspective. Now, we have lifted the view and we have brought some specialists in to the organisation to take a broader view to make sure that we are actually setting ourselves up to be stronger and as the environment changes, to be able to respond more.

We take this very seriously and we are working very hard on it. We now have an ICT road map and a lot of the investment for the organisation is modernising ourselves so we are actually strengthened in this space. Then a new ticketing system can be fully integrated into that in the way that we operate.

Mr EDMUNDS - I would like to ask about the disability standards for accessible public transport which was a 20-year goal, set in 2002 which said all low floor buses, bus stops and interchanges must be 100 per cent compliant with all the transport standards by 31 December 2022.

I used to be a journalist and I know how deadlines can work but 20 years is a long time for the collective industry to get its act together. I know several jurisdictions are struggling to meet that. There is urgency around cybersecurity because it is topical and it has come out of the blue. We have this deadline which is a month away. How is Metro going in achieving that? If it is not, what sort of urgency are we seeing to try to reach it within the time of that deadline?

Mr FERGUSON - We will take this question together. Thank you for it, Mr Edmunds, it is a very important subject. We have discussed this at Estimates and a previous GBE scrutiny hearing as well. I might pick up a couple of pieces but ask Katie to focus on DVA compliance by Metro and I will deal with the bus stops and interchanges so I will speak at a high level on some of those matters.

The disability standards for accessible public transport requires 80 per cent general access services to be provided by accessible buses. I am pleased to inform the committee that due to the fleet renewal program Metro has achieved fully-compliant accessible services in all three networks.

Metro now provides 100 per cent of services with accessible buses in Launceston and Burnie and we are now up to 98 per cent of services in Hobart. More needs to occur. We realise as well the comfort and ease of access, not only for people living with disability but for the whole community to be able to have easier and more functional access to buses is part of our next upgrade plans.

To achieve that, we have specifically committed \$10 million to upgrade bus stops at priority locations so that they are all accessed and all-weather. I will highlight to you and the committee, that funding is the responsibility of the road asset owner to provide bus stop infrastructure that meets those requirements, at least for disability. That means the state Government and it means local councils.

While there has been different appetite by different levels of government to get in and invest in this space, we are putting forward \$10 million and we are proposing that we not just be only responsible for our own roads and our own bus stops. The funding will deliver a significant improvement to bus stops around the state, which number around 3500. I note that we want to have a prioritised model there so that we get to help the most people soonest. That framework has been developed to ensure that bus stop upgrade funds are used effectively. Stops have been categorised in those ways.

We have now developed a grants program, not really for this scrutiny hearing but for my other hat in the department and the Minister of Infrastructure and Transport. In my role with the department, we have developed a grants program that will help in this space. I am very comfortable talking about it here. That has been developed in a way where local government is also able to apply for some of that funding. I am currently planning, with my department, to announce the opening of applications shortly and we have consulted with local government on that prior to doing so.

I will throw to Katie in respect of the other matters, but Mr Edmunds, it is a fair question. For us to achieve and get better results, we need to see local government, as a major asset owner in Tasmania, working with the Tasmanian Government. I hope that the framework that we have laid out will help to deliver that.

Ms COOPER - We have a very small number of buses that ultimately are going to get retired. We are just waiting on the new ones to arrive from the supplier which has been slightly delayed. We only ever use those if we had an immediate - they are backups, quite frankly, not scheduled for services. Either an operational constraint, an on-road incident, or if there is an unplanned maintenance issue. They are not a scheduled regular run for us.

Mr GAFFNEY - Do you sell the buses?

Ms COOPER - At the end of life? Generally, we try but the market for some of the really old buses is not particularly huge, but when we do retire buses we normally send them off to market through an auction house.

Mr GARDNER - Some of them went to be mobile COVID-19 clinics.

Mr FERGUSON - Let me know if you would like any?

Mr GAFFNEY - I am thinking of accommodation you often see in caravan parks that people are quite comfortable in an old bus as part of their accommodation and housing.

Ms COOPER - People have converted them for mini homes, I think that is the term that they use for those. We will not convert them; we normally just sell them.

Mr GAFFNEY - They have to do 10 000 in 10 years.

Mr FERGUSON - Thank you for the suggestion. It is probably not exactly where we want to go, but there are probably some opportunities for some limited use pending the planning systems requirements. Yes, we will sell them on the open market, that's how they will be disposed of.

Ms COOPER - We have a couple that the heritage groups are interested in as well so we are conscious of that too.

Mr GAFFNEY - Thank you.

Mr EDMUNDS - We could possibly sell them to pubs, I see Preachers has got an old Metro bus. On the same topic, and also what we were talking about, do you have a contract for the new buses, in terms of replacing the old fleet?

Ms COOPER - Yes, the BusTech buses you are referring to, that was where we were at, so we have an agreement in place for the 10 that we have partially built. We are currently in a procurement process for the other ones we require which is why we are a bit limited. We are getting close to where that needs to land.

Ms LOVELL - Again, regarding the fleet, we are coming up to summer again, and driving a bus around all day can be pretty hot and uncomfortable as the weather warms up. How many buses do you have currently without any air conditioning?

Ms COOPER - From memory it is about 20 in the overall fleet, but I will confirm you for that exactly, let me just bring up the fleet paper.

Ms LOVELL - Further to that, what plans do you have, or if there are plans to have air conditioning fitted to those buses or will that be part of the fleet replacement?

Ms COOPER - It is about 25 that do not have air conditioning across the fleet. Some of those will be transferred as we do the fleet replacement over time, it just really depends when we need to do the replacements coming through. To give you a full holistic picture, we have 229 operational vehicles, and they are used for both urban and non-urban services; 224 of those have the low-floor wheelchair accessibility, 98 per cent of our fleet. Mixed within those, all 229 have CCTV vision and 204 have air-conditioning.

CHAIR - Regarding the CCTV, how often is that checked for functionality?

Ms COOPER - I do not know the answer off the top of my head. It's part of our maintenance service checking, normally it would get reported if there was a problem.

CHAIR - How would you know if there was a problem if someone did not call it up to check on an incident or something like that, and then you discover it? Is there any regular maintenance or checking of its functionality?

Ms COOPER - We have in-house mechanics who do look after CCTV, but I do not know the frequency of that, to be honest. It's not one I have the answer to.

Mr FERGUSON - We will take that on notice.

CHAIR - That would be good, I think it's just important to give drivers and passengers comfort that if some incident does occur on a bus that it is pretty likely the CCTV is working.

Mr GARDNER - We have yet to have an incident where it's been called upon where it has not worked, but we can find out the frequency of the maintenance program for CCTV.

Mr DUIGAN - Thank you, Chair. The annual report says that Metro has carried passengers over 9 million kilometres in 2021-22. Can you detail any new service initiatives that may provide more options for Tasmanian commuters and get more people on board?

Mr FERGUSON - Thanks, Mr Duigan, yes, exactly, it was part of our \$81.5 million commitment to improve and invest in passenger transport, \$20 million has been earmarked to deliver extra school or commuter buses on busy routes. Mr Harris, perhaps you would be most excited in this area at the moment, the senior launch of express services for Huon? This is very new and quite a transport innovation for that community, as well as for Kingborough and new services associated with the Huntingfield Park and Ride facility, which is now open.

Residents in those areas now have got more reason than ever before to take the bus. I hope that for some people who love the car, will give it a go on the bus. Huntingfield Park and Ride is providing parking for 174 vehicles, including motorcycle and accessible bays. It is not just for people who want to park there; it is also for people who might ride their bike or get dropped off there, in what is sometimes known as drop and ride or kiss and ride. It also provides an amenities block, baby changing facilities and secure storage as well, for 26 bikes.

There are also an extra 43 express bus services between Kingborough and Hobart. As an added incentive, when that new facility was opened, we worked with Metro to provide free adult greencards, preloaded at least with enough for a return fare, to the first 300 customers who did not have one. That was again an incentive for that mode shift and encouraging people to consider leaving the car at home, particularly on a congested route.

So, these new services and facilities are working with other southern project initiatives to keep Hobart moving. We intend to do that by providing more transport options, but importantly, for the southern project program, the next projects include a new transit lane on the southern outlet for buses, which I was very pleased that the standing committee on

public works gave the nod to recently. Also, for buses, emergency vehicles and multi-occupant private vehicles to be able to use that extra fifth lane provision just for them, which does not just stop at the lights, it goes around the corner and then through an extra lane down Macquarie Street through the removal of parking in the creation of a clearway.

I will wrap it up there, except to say we have actually now created new networks in the north-west, in the north and in the south in response to customer requests to make more frequent, more direct roots so we can try to provide public transport for a very regionally dispersed state that better meets the needs of customers and encourage them to give it a try.

Mr DUIGAN - Thank you, Minister. You mentioned in there park and ride services, particularly Huntingfield and some of the things that are there, do you have any more of those facilities planned?

Mr FERGUSON - We do. Most of the congestion challenge is in the south, not in Windermere or in Bass, we do have challenges in our neck of the woods, but Hobart does suffer congestion, particularly during the morning peak, which is the worst, and the afternoon peak. As part of our commitment, a further \$20 million out of that \$81.5 million is for more park and ride facilities. We have pioneered the two at Firthside and at Huntingfield, they are now up and running. Please, I will ask the committee to understand that, for us as to state globally, park and ride is not new, but for us in Tasmania, it is new, has not been done before and arguably has not been necessary before.

We have now identified, after investigating, three more sites to support the key arterials. They include the Brooker, the South Arm Highway corridor, and the Tasman Highway. Sites have been identified at Claremont Link Road, at Pass Road, and at Fenton Street at Midway Point and, with the exception of a small parcel at Midway Point, the land at these locations is owned by the state Government which is helpful. Concept of designs have now been prepared for the three locations, we took it to public consultation, it closed in July. Those comments being received will inform a more detailed design and I look forward to getting the final advice on those plans, not through Metro, but through the Department of State Growth.

It demonstrates we have to get innovative with public transport, my ambition here; is more services that are more frequent, more direct, and more attractive and all the questions that have been asked here today lead us to more solutions so the public will respond in a way we would want.

Ms LOVELL - To follow up on that, minister, who owns the parcel of land at Midway Point? Is that privately owned?

Mr FERGUSON - Just as I finished my sentence, I lost the feed. Could you please repeat that?

Ms LOVELL - I was wondering who owns the parcel of land at Midway Point that is not owned by the state?

Mr FERGUSON - I understand that might be owned by the council at Midway Point.

CHAIR - If I could go back to the financial report, I noticed Metro's revenue consists of ticket sales and payments from State Growth. On page 38, under notes (c) (1), what the trade receivables of \$500 000 relate to?

Ms COOPER - I imagine that it is another revenue stream for us which is advertising and things like that. Whether it is the full figure or whether it is the majority of it, bear with me. It is the advertising we sell on the buses.

CHAIR - Okay, that is all of that pretty much?

Ms COOPER - Not all of it, but the majority.

CHAIR - I want to have a discussion about the defined benefits of superannuation of members of Metro. Metro has about 500 employees. How many of them are members of RBF defined benefits superannuation - the unfunded scheme?

Ms COOPER - I might need to take that one on notice or get a clarification to wait. It is not many and it is around 10.

CHAIR - It not a lot out of 500.

The defined benefit superannuation liability decreased by \$4.4 million due to actuarial changes. Interest rate rises led to a fall in the total liability - \$21 million to \$16.3 million, but employee payments for that year rose from \$1.2 million to \$1.7 million. That is quite a jump. What does the short-term future hold for Metro in terms of managing their superannuation liability, including the defined benefits because you are still responsible for both? Potentially, what does the whale graph look like? You probably haven't heard of the whale graph. It's in the budget papers - it looks like a whale; that is why it's called a whale graph. It goes up to a peak and tails away. The move in the total liability and more crucially when the employer cash payments are expected to peak, at what level and when?

Mr FERGUSON - I am happy for people to answer. I suspect they will not have that information. I am quite happy to take it on notice on their behalf if Tim or Katie cannot answer it right now.

That whale chart from the state budget papers reflects the whole workforce and it is possible the shape may be a little different for Metro, depending on the age demographics and expected retirement age in the workforce, but I am happy to take it -

Mr GARDNER - We will take that on notice, if we may, Chair?

CHAIR - I thought it might have been more than 10 members.

Ms COOPER - It is not many, we can get the exact number.

CHAIR - It was a few years ago the state government took over the defined benefit members of Forestry Tasmania. It was still Forestry Tasmania then - it is now Sustainable Timber Tasmania so they just had to deal with, not the defined benefits members, the other members.

Mr GARDNER - I am happy to take that on notice and provide the information you are after. Just to note that when we were putting together our 10-year financial plan, we had Mercer develop a projection for us over that period. That is factored into our financial planning. We have that factored, but we can provide you with the information you require.

CHAIR - In your view then there is no need to consider the Government taking it over because you have factored it all in and it is a manageable liability?

Mr GARDNER - We are working on the assumption that we're managing it. I suppose all we can work on, as an organisation, is what is our stated obligation at the moment; and to the extent that it is currently our obligation, we are managing it. If that should shift, then we'll accommodate that accordingly or adjust our financial planning accordingly.

CHAIR - So, you wouldn't seek the support of the state Government, to take the defined benefit members over into their remit?

Mr GARDNER - It's a state policy. If the state Government decides to change its policy we'll respond accordingly; but in the meantime, we'll do with what we have.

CHAIR - I would have imagined that Forestry Tasmania asked the state Government to assist in that, because they were certainly struggling at the time.

Mr GARDNER - It's not something that we've been pursuing at this stage. We've factored it into our long-term financial planning.

Mr EDMUNDS - I was just going to ask about the Jack Jumpers. The report talks about how the partnership was able to drive people to the game day trips. Has that dropped off this season without having Metro? How's the uptake in season 2, of those buses? I caught one, and it was very full.

Mr GARDNER -Katie has probably more direct information, if you're happy.

Ms COOPER - Minister, are you happy for me to go?

Mr FERGUSON - Yes, of course, please.

Ms COOPER - We normally expect for those types of events, around five per cent. It very much peaks and troughs. It depends on the day of the week. We're actually finding that's fluctuating a little bit more, which I think is not unsurprising; a Sunday night versus a Friday night, people perhaps have different drinking patterns, or driving patterns - if they want to have a beer, is what I mean.

We're very proud and happy that last year we were a named sponsor on the jersey. This year we've revised our sponsorship program and really targeted to be the sponsor of Jack the Jumper, that is the actual mascot itself. We're utilising the mascot to promote the behaviour and anti-social behaviour, through the schools' program. We've modified what we are trying to achieve under the sponsorship program.

We are still providing the free services to encourage passengers who, perhaps, don't use us very often, to try the services. A lot of people still think that buses are - showing my age now, but when I went to school they were pretty old, and tired and not very comfortable. New, modern buses are not that. They're very comfortable. They've got space. They're comfortable for people to travel on. So, it's really trying to convert the passengers who are irregular travellers to be more regular travellers, or bringing new passengers on board. If I think back, for example, the most recent game in Launceston, we provided services there, and we had the highest number we've ever had. It was something around the 190 mark, to get passengers to and from that service. So, it is proving to be really popular, but it does depend on days of the week.

Mr EDMUNDS - Jack obviously gives you plenty to use in your annual report. It is a very well-presented report. Is the quantum of the sponsorships obviously down a fair bit then if you're not on the front of the jersey? What's the sponsorship worth this season?

Ms COOPER - That's commercial-in-confidence as a figure to have on record, I'm afraid. I can't disclose that.

Mr EDMUNDS - Why not?

Ms COOPER - Because it's a commercial arrangement with another entity, and what they value it at depends on their value.

Mr FERGUSON - Yes, we do get questions like this at different scrutiny hearings with sponsorships, but that is a commercial arrangement for Metro.

Mr EDMUNDS - It is a very nice annual report.

Ms COOPER - I will pass it onto our graphics and corporate affairs team, they will be grateful for the positive feedback about how the annual report presents. We'll take that, thank you.

CHAIR - There was a typo in this one though, minister. Yes, page 5. That takes it back to being as good as some of the others. There is always one in the budget papers, too; it's okay.

Ms COOPER - The digital one will be fixed, I can assure you.

CHAIR - Probably being fixed as we speak.

Ms COOPER - I can live with that, if that's the only typo.

Mr FERGUSON - I haven't seen a spelling mistake in the budget papers this year.

CHAIR - No, I actually didn't find one this year. Anyway, we won't fight. If I could go then to your people. It is obviously a very male-dominated workforce; 83 per cent of your workers are male. Can you provide a bit of a breakdown across the organisation in the senior levels? I am trying to address the gender pay gap here. Do you have many female bus drivers, and the percentage of those; and then in the senior levels of the organisation, how many women are in senior roles as compared to men?

Ms COOPER - I can give you a breakdown probably off the top of my head if I think about it, from the executive and leadership team. In fact, no - I am probably better to take the question and give you a specific breakdown on numbers. We had a change of our board last week. Prior to that we had three women and now we have two.

CHAIR - And two or three men?

Ms COOPER - It is a five-person board. From the executive team, including myself, there are six of us and there are three women at the moment. From our broader leadership group, there is around 15 managers, and I think there are about three women in that, so that is where it starts to diminish. In the front-line and worker/staff level, it is certainly much more male-dominated.

CHAIR - How many female bus drivers do you have?

Ms COOPER - I would have to look that up, I don't have that off the top of my head.

Mr FERGUSON - We will take that on notice, if you could place it in your letter?

CHAIR - Are you actively seeking to address some of that disparity and have more female bus drivers, and what are the barriers to that?

Ms COOPER - We would love to have more female bus drivers but if I'm really honest, I would just love to have more bus drivers. We are still actively recruiting and we certainly are looking to increase the number of staff in our business. I would love to have a more gender diverse, and a more diverse workforce overall. We are certainly seeing that culturally, we are seeing some more diversity come in. At the moment we are looking for the right people, that is probably the driving force, to make sure we can deliver services for the Tasmanian community.

CHAIR - The buses are not limited in their functionality and their set-up to favour male drivers? Can a female easily step into the bus?

Ms COOPER - Yes. There's no difference as far as driving skills go. We've women who have been with us for many years, and we have got some we are recruiting; and it is not even age related. They only have to pass the test.

Ms LOVELL - Minister, for the last financial year how many claims for workers compensation were lodged, and how many - if any - of those were related to assaults on drivers?

Mr FERGUSON - I will definitely reach for our team to help answer these questions. Perhaps the CEO might commence? I'm not sure I have that level of data here.

Ms COOPER - I don't specifically, either. I do know that we've had some claims lodged; but I also know some haven't been progressed - as in, been accepted - so I would need to take that on notice. I don't have the answer to that in front of me.

Mr FERGUSON - I will take that on notice, if that's okay, Ms Lovell. We don't have that in front of us.

Ms LOVELL - To add to that, I was going to ask a follow-up question about the number of stress-related or mental health related workers compensation claims.

Mr FERGUSON - What if we roll that together.

Ms LOVELL - That would be wonderful, thank you.

Mr FERGUSON - Often at budget Estimates, we have that as a subset, don't we? I am sure we can do that again here.

CHAIR - I'm just reframing my questions to go on notice. Did you ask about the access to the EAP or not?

Ms LOVELL - No, I did not.

CHAIR - I am interested in whether you have the number of workers who have accessed your Employment Assistance Program during the last financial year?

Ms COOPER - No, I don't.

CHAIR - I am not asking any details, just the number.

Mr GARDNER - We can provide that information, certainly. We have provided it as unidentified data about the numbers of people.

CHAIR - All you get is unidentified data.

Mr GARDNER - We do.

Ms COOPER - The gender split at the moment across the whole business, if I can refer back to that, is 83 per cent male and 17 per cent female, as you referred to. I don't have it broken down by bus operator. If I can respond on the question you asked before, I can answer one of the ones you said we would take on notice. CCTV is actually checked every

week. We get a report every week on whether there are any faults that need to be rectified; it's done on a weekly basis.

CHAIR - This goes to Sarah's question about looking after people and their mental health and welfare. Knowing that some bus drivers particularly and even people in the customer-facing role can have abusive behaviour toward them. You have zero tolerance, but that does not stop it actually occurring. How do you particularly support those people?

Ms COOPER - We have a number of mechanisms that are in place. We use the EAP extensively, quite honestly, so if we have a serious incident on a road, we sometimes can bring the EAP out so that they are on site that day. Other times they can be available by phone depending on the person's requirements.

We have had circumstances recently where there have been serious accidents on the road, not necessarily antisocial behaviour but a similar type event. As part of our contract with the EAP, the EAP officer will meet with that staff member as part of their treatment, debrief, and learning but also how to try to cope with some of those situations. Sometimes it's not people related; sometimes it might be accident related, but we look after both in a similar way.

CHAIR - You have seen an increase in need, over the COVID-19 period, or has it been pretty consistent?

Ms COOPER - If I can just talk on the two years I have been here, I was not here pre-COVID-19 so if I can talk to that. We are seeing staff seeking services regularly in that space, but as a business we are offering it more actively as well. For example, the company will arrange for the person to speak with an EAP counsellor on occasion rather than waiting for the employee to make contact themselves, so we are utilising it both proactively and reactively.

CHAIR - What's your feedback on that from the staff?

Ms COOPER - Overall, I am thinking of a couple individual circumstances. I cannot talk about the whole because I don't know it but the circumstances I have seen have been positive. We have EAP officers who go our depots and spend time in the staff lunchrooms, so they build a relationship with people, not just when there's crisis or there's problem or they need help. They actually know the person and are more comfortable. That is something that happens on a regular basis through our providers, in our three depots.

CHAIR - Thank you minister and your team. Is there anything you would like to make by way of a closing comment?

Mr FERGUSON - Thank you, Chair, and thank you to our team from Metro for attending a well. While we are on broadcast, I thought I would add to earlier answers. I have a number I have taken on notice. If it's okay with you, I will do it now.

From the discussion this morning with the Public Finance Corporation, the question was about the cost of credit ratings, I have been encouraged to note that these are expense

amounts which align with the annual report. The amounts at the committee this morning were approximate USD, actuals for Standard & Poors in 2021-22 was \$212 880.04 and for Moody's, \$184 070.30. The second question was about interest expense on borrowings for the Department of Treasury and Finance in 2021-22, at an average rate on an accrual basis of \$1.73 million, the amount was \$33 707 836 and the other question I will take on notice as well.

Thank you for your discussion today. I hope it was useful.

CHAIR - I appreciate your time, minister, and I hope you do not feel too exhausted from your long day sitting and looking at a screen.

The Committee adjourned at 5.05 p.m.

APPENDIX B – RESPONSES TO QUESTIONS TAKE ON NOTICE

Deputy Premier
Treasurer
Minister for Infrastructure and Transport
Minister for Planning

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Hon Ruth Forrest MLC
Chair
Government Businesses Scrutiny Committee 'A'

5 DEC 2022

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

Dear Ms Forrest

Thank you for your letter dated 30 November 2022 following the attendance of the Tasmanian Public Finance Corporation (TASCORP).

You have requested an answer to the Committee's Question on Notice:

What is the rate of return for the Mersey Community Hospital since 2017, and anticipated returns (if available)

On advice from TASCORP, the annualised accrual returns of the Mersey Community Hospital Fund since 2017 is included in the table below.

2016-17*	2017-18	2018-19	2019-20	2020-21	2021-22
1.95%	2.40%	3.05%	2.78%	2.39%	2.31%

* Fund commenced 29 June 2017

I am advised that TASCORP is unable to provide anticipated returns.

Yours sincerely

A handwritten signature in black ink that reads "Michael Ferguson".

Hon Michael Ferguson MP
Deputy Premier
Treasurer

Minister for Finance
Minister for Infrastructure and Transport
Minister for State Development, Construction and Housing
Minister for Science and Technology
Leader of the House



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Chair
Government Business Scrutiny Committee "A"
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- 7 DEC 2022

Dear Ms Forrest

Thank you for your letter of 30 November 2022 requesting additional information about Metro Tasmania Pty Ltd (Metro) following its Government Business Scrutiny hearing on 29 November 2022.

Following is the requested information from Metro.

What is the movement in the total defined benefit liability and when are employer cash payments expected to peak, and at what level (i.e what is the total amount)?

Based on the 10 year superannuation projections provided by the Actuary as at 30 June 2020:

- Cash payments (pension and lump sum benefits) are expected to fluctuate over the next eight years peaking in 2027-28 at \$1.3 million.
- The net liability is expected to be \$20.3 million as at 30 June 2030.
- It is important to note that the superannuation liability estimates are point in time estimates and are significantly impacted by changes in the discount rate.

How will the gap between defined benefits expense as per the profit and loss and the defined benefits cash payments need to move over time to meet the costs, and when will the peak gap occur?

As per the 10 year actuarial projections (as at 30 June 2020), expected employer contributions via cash payments on average exceed the expense recognised in the profit and loss by an average \$440 000 per annum. The peak gap is expected to occur in 2027-28, projected to be \$659 000.

As noted during Scrutiny Committee, these expected employer cash payments have been factored into Metro's long term financial plan.

Again, it is important to note that outside of these factors the liability will change significantly based on the discount rate at the time of reporting.

What is the number of female bus drivers?

There are currently 60 female bus drivers state-wide

What are the number of claims for workers compensation lodged in the 2021-22 financial year? How many of those are for mental health/stress related injuries, and how many are related to assaults on drivers?

Total Claims Number	Psychological Count	Assault to Driver Count
33	3	1

How many employees have had access to EAP in the last financial year?

Individual engagement: 74

Walk & Talk Sessions – (once a month onsite consultant/casual visit)

- 269 contacts (names are not recorded so can also be multiple contacts by one individual)

Yours sincerely



Michael Ferguson MP
Deputy Premier
Minister for Infrastructure and Transport