



Legislative Council

**GOVERNMENT BUSINESSES
SCRUTINY COMMITTEE 'B'
DECEMBER 2007**

Report with Minutes of Proceedings

Members of the Committee :

Hon Ivan Dean MLC
Hon Kerry Finch MLC
Hon Norma Jamieson MLC
Hon Tania Rattray-Wagner MLC
Hon Allison Ritchie MLC
Hon Sue Smith MLC (Chair)

**LEGISLATIVE COUNCIL
GOVERNMENT BUSINESSES SCRUTINY COMMITTEE "B"**

MINUTES

Wednesday, 5 December 2007

At 8.48 am in Committee Room No 2, Parliament House, Hobart.

Present : Mr *Dean*, Mr *Finch*, Mrs *Jamieson*, Mrs *Rattray-Wagner* and Mrs *Smith*.

Confirmation of Minutes :

The Minutes of the meeting held on Tuesday, 4 December 2007 were confirmed as a true and accurate record.

The Committee suspended at 8.50 am.
The Committee resumed at 9.00 am.

Ms *Ritchie* took her place.

THE PUBLIC TRUSTEE

The following witnesses appeared before the Committee :

Hon Steven Kons MHA, Attorney-General
Ms Ann Cunningham, Chairperson
Mr Peter Maloney, Chief Executive Officer
Mr Duncan Hall, General Manager, Corporate Services
Mr Patrick Tierney, Manager, Financial Operations

The Committee notes the evidence provided by The Public Trustee that:

Overview

- The Public Trustee operates from three main offices in Hobart, Launceston and Burnie, as well as a part-time office in Devonport.
- Approximately 51 per cent of the matters under administration by the Public Trustee are non-commercial, which are referred to as community service obligations (CSOs).
- The Public Trustee achieved a net operating profit after tax from core business operations of \$561 837. \$142 million of funds are under management and total assets under administration amount to \$193 million.

Financial Services

- The financial statements for the Public Trustee were presented 6 days late to the Auditor-General and therefore have not been included in the Auditor-General's report to date. Last year's statements were two weeks late.
- The Government is entitled to charge a dividend of 75 per cent of after tax profit, but has agreed to accept 50 per cent for the last few years.
- The Board is not pressured to provide a dividend – it is the Board's decision.
- The revaluation of the Trustee's building, as well as the increased value of estates of property, has contributed significantly to the higher profits.
- A total of 46 per cent of the Public Trustee's community service obligations are trusts, 26 per cent estates and 28 per cent are represented persons. CSOs are defined as estates with assets of less than \$60 000; continuing trusts and life tenancies valued at less than \$100 000; represented persons with assets of less than \$100 000; and minor trusts with assets of less than \$20 000 in any current financial year.
- The Public Trustee receives \$1.136 million prior to CSO funding and the cost of that service delivery is cross-subsidised by the Public Trustee's commercial rate base. Funding is calculated on a net avoidable cost basis. A review of the current funding arrangement will be undertaken this year.
- The Trustee's office absorbs the costs for certain of its CSO-represented persons and charges a \$550 establishment fee and a \$60 and \$135 fee for the annual and tri-annual review, but these costs are not charged to the CSO client. The cost to a represented person on a pension is \$24.50 per week.
- All clients, CSO and commercial, are charged in the same way. It is the funding of CSO clients which is an issue between the Public Trustee and the Government.
- The Public Trustee has not always received full funding for CSO clients, but it does now. Commercial clients are providing economies of scale to be able to provide those other services.
- The Public Trustee's fees for a \$300 000 estate are \$11 000, compared to another trustee company's fees of \$13 200, which is 20 per cent cheaper. For a \$600 000 estate there is a 33 per cent difference. The Public Trustee would charge 1.1 per cent, \$16 500 compared to 2.2 per cent, \$22 000.

- The fees for a will are \$20 for a single and \$30 for a couple. The Public Trustee also has free will writing days, similar to some lawyers. Fees and charges are published on the Trustee's website and provided to all potential customers prior to them making a decision.
- A person is under no obligation to remain with the Public Trustee and can have a will drafted by another firm at any time.
- There is no charge for revision wills, or for advice about a client's estate.
- The Public Trustee Act is clear that money for infant beneficiaries is to be spent on maintenance, benefit and education of the children.

Marketing

- The recent advertising campaign is a brand awareness program and a conscious effort is being made to provide full information about services, fees and charges.
- There is a budget allocation for marketing and a part-time manager of marketing business development and a full-time assistant.

Human Resources

- There are five finance staff, five legal, five support and the remaining thirty five are client account managers.
- Staff usually have financial or banking backgrounds and there is a dedicated intensive program used to train them.
- There is a new manager in the Burnie office who is focusing on stakeholder requirements.
- There was a new manager appointed in the Launceston office in March this year.

Corporate Plan

- The Public Trustee has a bulk insurance policy with standard terms and conditions which covers new clients for the first 45 days.
- There is a discretion to use other outside insurance provided that the insurance value is adequate and that the terms and conditions of its reinstatement value are appropriate.
- The Public Trustee agreed investigate if it would be possible to check existing insurance cover prior to cancelling the policy, to avoid extra expense for the estate.
- The Public Trustee owns two properties – a building at 116 Murray Street and the car park at the rear.

- The buildings are part of the corporate reserves of approximately \$11 million, \$9 million of which is held against the RBF defined benefits scheme liabilities.
- A sensitivity analysis is currently being undertaken to determine the outcome if the properties were sold – in terms of income tax liabilities, CGT, profit and income.

Tabled Document :

- Brochure – The Public Trustee – Fees and charges

The Committee concludes that :

- The Government should provide the capacity for the Auditor-General to allow, for good and relevant reasons, an extension of time for the presentation of financial statements by a Government Business.
- Marketing has become a focus of The Public Trustee to attract more business.
- The Public Trustee's core business has changed, resulting in a more commercialised operation.
- As concluded by the Committee in 2006, the CSO funding limit of \$100,000 should be increased to more accurately reflect property values.

The Committee suspended at 10.15 am.

The Committee resumed at 10.22 am.

TASPORTS CORPORATION PTY LTD

The following witnesses appeared before the Committee :

Hon Jim Cox MHA, Minister for Infrastructure

Mr Dan Norton, Chairman

Mr Geoff Duggan, Chief Financial Officer

Mr Charles Scarafiotti, General Manager - Marketing

The Committee notes the evidence provided by the TasPorts Corporation Pty Ltd that :

Overview

- The four ports' corporations have been merged since 1 January 2006 and this has resulted in company, operating and planning benefits for Tasmanian ports.
- The net profit for 2006-07 was \$ 5 491 766.
- TasPorts has successfully negotiated an EBA which has seen wage parity across all ports.
- Universal security measures and protocols operate across the ports that have seen a resulting reduction in the number of incidents and lost time (improved by 36%).
- Tasmanian Ports has a business plan for the next five years. It addresses infrastructure and planning for the future, however, the Committee notes that there is no long term strategic plan for Flinders Island ports. Statewide statistics are now available allowing for improved forecasting and planning.

Corporate Services

- Infrastructure is covered in one division of the amalgamated corporation. All infrastructure has been examined and problems highlighted. Issues have been addressed at Macquarie Wharf and some problems identified at Bell Bay.
- Some surplus assets have been identified and there is no apparent need for significant infrastructure investment. There has been a \$6 million write down in total asset values.
- A devaluation of freehold land occurred from \$16.9 - \$15.6 million and an \$11 million loss was recorded in relation to land infrastructure. TasPorts has not had significant expenditure on infrastructure since its amalgamation.
- Currently, there are daily shipping services into Burnie and Devonport involving long-term contracts. Toll comes into Burnie but has indicated

they may reassess this after 2010. Gunns' decision about the pulp mill may impact on future planning. The proposed intermodal facility at Brighton may also have an impact.

- The 2007-2008 business plan was more robust than previous ones with the inclusion of strategies. The 2008-09 report will include detailed long term planning.
- At amalgamation, some of the assets of the ports transferred back to the Government which affected profits.
- The dividend for 2007 was \$2.7 million, which was a turnaround from the operating loss of the previous year. TasPorts is optimistic that the current dividend can be maintained.
- Some restructuring of the budget for this financial year is required due to operational changes. These include: restructuring stevedoring operations and the cold stores in the north-west, the sale of Hobart Airport and the acquisition of North West Shipping and Towage. Long term projections are being developed until 2012.
- Due to the decrease in cold store usage, other options are being explored to utilise at least one of the sites.
- Hobart is now included in the ports data.
- The TasPorts head office is at Devonport and a new facility is being built. There is also an office at Burnie (which is being replaced) as well as offices at Bell Bay and Hobart, with smaller ones at Strahan and on Flinders Island. The King Island Ports Corporation subsidiary has an office on King Island. The intention is for the head office to remain in Devonport.
- There has been a problematic relationship with Southern Shipping, the contract operator providing services to the Furneaux Group.

Staffing considerations

- There were no forced redundancies or relocations caused by the ports merger. There was a voluntary redundancy program offered.
- At the time of the amalgamation there were 259 staff. Currently, there are 260 including those newly acquired with North West Shipping. Overall, there has been a reduction of about 50 staff. 29 people took voluntary redundancies, some left through natural attrition and some stevedores from Bell Bay moved across to the new ANL stevedore.
- The increased number of staff has allowed a Human Resources department to be established.

- An EBA was created that merged the seven different awards that had operated. 90% of employees voted on the award with a resulting 87% approval.
- The remuneration for Directors is - \$69 544 for the Chairman and \$34 772 for the Board members, plus 9% superannuation.
- The Board has met on 17 occasions since TasPorts was created.
- The Chairman and CEO of TasPorts meet with the Minister approximately 10 times a year. An annual general meeting occurs with shareholder ministers.
- The Board initially consisted of the four ports' chairmen and Mr Norton. This group examined the key requirements of additional Board members. A 3 yearly rotation of Board members is being established.
- There is a perception held by stakeholders that management is reluctant to discuss what is happening in the organisation. Operationally TasPorts are considered very cooperative. The Minister and the Chairman were not aware of this perception, instead having received many positive comments.

Occupational Health and Safety

- There are disciplinary proceedings in place for all staff and no harassment claims have been recorded. The new HR framework is now equipped with appropriate frameworks and procedures and no major problems have been encountered.
- Occupational health and safety was initially an area of under performance. This area has been prioritised throughout the corporation. There are now uniform policies, a staff expert and it is discussed at every board meeting.
- The TasPorts workforce is ageing and some issues are expected in relation to skills shortages. The larger number of employees is seen as a positive in terms of attracting and training new staff. TasPorts is conscious of the possible need to develop training partnerships and there is capacity for some on-the-job training.
- A 'climate survey' was conducted to examine the cultures evident and make recommendations to the Board. The CEO visited each of the ports and held open forums. There are plans to repeat this in July.
- TasPorts has been environmentally audited and is taking proactive measures in response to the report. Limitations have been placed on emission standards of passenger vehicles.

Workplace safety

- Lost time injury rates have halved from 18 to 9.
- The importance of joint ownership of responsibility is recognised.
- Weekly executive meetings discuss safety issues, incidents and near misses as well as the lodging of complaints.

Port Services

- The operations of the three northern ports have been centralised to Bell Bay. A significant investment has been made in port security at that location.
- TasPorts does not have a policy to direct all cruise ships to Hobart. The ports are neutrally run in this regard. There has been a focus by port services to encourage cruising around Tasmania.
- Cruise ship bookings are accepted 1-2 years before arrival. In Burnie there is only one suitable berth so Australian Paper needs to be moved if a cruise ship is visiting. This has been the only clash experienced. Cruise ships generally have priority. Safety issues at Burnie dictate the suitable berth. Assistance is offered to the Burnie City Council to fund shuttle buses.
- A recent issue was raised regarding the availability of a berth in Hobart for an oil rig to be refurbished. Four possible options were presented but concerns about timing clashes with cruise ships were apparent. The options included a berth at Macquarie 4 in mid to late February, a second in the Derwent off the wharf and a further two at Bell Bay. Many of these options were not feasible due to physical proportions and other requirements.
- The Committee highlighted two issues; the administrative processes used to communicate with those interested in utilising the ports and the processes of Taylor Bros.
- Communication regarding the rig's refurbishment began in June. An environmental report was conducted and further money expended. In October Taylor Brothers were advised that a berth was no longer available which caused many stakeholders to lose income.
- TasPorts representatives stated that there had been negotiations since June but that a booking was never made. There was a fear that the rig may have had to remain at the port longer than scheduled and thus have jeopardised the planned arrivals of the cruise ships. Only a few contingency days could have been provided and this was not seen as long enough.

- The divergence between interests at the wharf were noted by the Committee as was the idea that such refitting should not be encouraged here.
- The preferred industrial facility, according to a State Government feasibility study of 2006, is at Bell Bay. Proposals for use of the Derwent will still be assessed. It was conceded that some aspects of the communication involved in trying to secure this opportunity were inadequate.
- TasPorts is a commercial entity which has to consider its responsibilities in a whole range of areas when making decisions. All sides worked professionally to try and secure the deal, however, it was suggested that lessons could be learnt from the experience.
- The projected usage of the ports over the next ten year period sees a continuing growth of trade. Whilst some irregularity can be noted between 2004-06, strong growth is being recorded in exports and imports.
- TasPorts works with others, including Pacific National, to ensure that infrastructure is sufficient for new operations. TasPorts also works with new companies to assist with their facility and transport requirements. Pacific National owns the bulk minerals loader in Burnie.
- TasPorts is aware of and is able to facilitate the mineral developments in Burnie for at least the next five years. Infrastructure is considered sufficient for the medium term, however, it would be preferable to own a ship loader at Burnie and such an acquisition may occur if the need arises.
- The possible Gunns development will see a down turn in wood chip exports. This may decrease tonnages, however, on the whole it is believed that the current infrastructure is sufficient for the next five years. Overall, freight is expected to double within the next 15 years. Hobart is different to the northern ports with less general freight but more specialised services.
- Gunns and TasPorts have been engaged in ongoing discussions regarding wood chips. If Gunns built their own facility, TasPorts would be involved in their river transport and logistics.
- Bell Bay is the largest import and export port. Close discussions occur between TasPorts and the Department regarding transport related issues. Rail access is an issue and there is a proposal, regarded as beneficial to the fishing industry, to create a new access point from the north to the port.
- Improvements have occurred in relation to statewide pilotage with an increased number of TasPorts pilots being qualified for multiple ports.

This flexibility is seen as good for operations and is not thought to jeopardise the quality of pilot services.

- King Island Port Corporation joined the Port of Hobart as a subsidiary to Hobart Ports Corporation in the 1990s. Due to the complexities in merging all the ports, this situation was allowed to remain. Flinders Island had, prior to the merger, already been subsumed by the Port of Launceston Authority. The benefit of subsuming King Island is that it would enable the provision of a better level of support.
- The King Island Ports Corporation has two Directors and its Chairman from the Island. The port corporation's future on the Island is considered very important.
- TasPorts recognises it has significant obligations to the communities of both Flinders and King Islands.
- Fuel distribution to the Islands is not viewed as a core business. This is seen as a sensitive issue with questions about the commercial nature of the pricing. The service will continue while it is a commercial possibility, however another operator's competition would be welcomed.

Security

- TasPorts is fully compliant with Federal security regulations and requirements under the Department of Transport and Regional Services. The Department audits the arrangements regularly and identifies areas for improvement. TasPorts is fully compliant with MAST requirements.

Infrastructure/Property Services

- There is no set policy for lease arrangements. The current arrangements were established under the various ports systems and as the opportunity arises, leases are being reviewed under a commercial approach.
- It would not be TasPort's preference to engage in further month-by-month arrangements, however, individual commercial decisions are made depending on the asset involved.
- Existing infrastructure on Flinders Island is to be maintained, however, there is uncertainty regarding the infrastructure at Lady Barron and Whitemark due to low levels of usage. It is envisaged that long-term access will be maintained to Lady Barron via the existing infrastructure.
- There are difficulties getting access to storage on Flinders Island. Problems have occurred with the operator and legal action is pending in relation to financial matters.

- Divestment of properties occurred when the Government acquired assets at the ports' amalgamation. Stakeholders will be advised regarding assets being disposed of or sold.
- King Island infrastructure has been improved in recent years. If the scheelite mine goes ahead then further long term options will be explored including the possibility of creating a breakwater to enable a bigger port facility which could last for another 50 years.

Hobart Airport

- The process of sale is well underway with the expectation being that the Government will shortly receive a recommendation. Proceeds from the sale will go back to the Government.
- Financials for Hobart International Airport and King Islands Ports Corporations are not included in the annual report. All of the accounts conform with the Auditor-General's guidelines.

Devonport Airport

- It is intended that a plan for the future of the Devonport Airport will be created within the first six months of 2008. At the time of the merger the airport was considered economically viable. Its passenger numbers decreased by around 20 000 a year with the introduction of low cost air fares into Launceston.
- The airport is now regarded as a non-core asset. A sale would be considered for the airport. The next strategic plan is set to identify options for Devonport. Shareholder discussions need to be conducted as well as consultation with stakeholders.
- Discussions have occurred with low cost carriers, however, essentially due to the differences in the size of the airplanes and the capacity it would be likely to end up with one simply replacing the existing QantasLink. In addition, higher maintenance may be needed for the jets, possibly a larger runway and there are also security upgrade considerations.
- There was never a suggestion that the sale of the Devonport Airport should be linked with the Hobart sale. The Federal Government had ensured that each airport had to have a separate operating company so the two could not be wound together.
- The Latrobe Council accepted an application to rezone land around the Devonport airport but no subdivision has occurred.
- TasPorts has been working with QantasLink to improve facilities and have agreed to install a business lounge.

- QantasLink has a monopoly on services into Devonport and concerns have been voiced about the lack of action to try and provide reasonably priced services. There is a concern that Qantas would withdraw if another operator entered the market.
- TasPorts is eager to be involved in further transport opportunities and would like to be involved in operating the proposed intermodal facility at Brighton.

Logistics

- There is the prospect of joint venture stevedoring arrangements eventuating with P&O. TasPorts identified stevedoring and cool store operations as being vulnerable when they took over the business. There was little long-term security available due to short term contracts involved in the cool store operations and as a result of changes Burnie has had to be closed and operations in Devonport wound back.
- Hobart Ports Corporation became involved in stevedoring five or six years ago. Stevedoring is seen as being a difficult, competitive and specialised area. Discussions have taken place with P&O Auto and General about creating a joint venture for operations at Hobart and Port Pirie to provide increased capability.

Marketing

- TasPorts uses normal marketing techniques in-house focussing on forecasting and liaising.
- A customer service charter has been introduced to help drive the organisation and recognise customers.
- There are two areas of complaint management; formal complaint resolution and informal resolution. In the last year there have been only two formal complaints.
- An independent client survey is to be conducted to identify issues and ensure responsibility.

Additional Information requested and received :

1. Long term workers' compensation details – numbers inherited and the injury category.
2. Ramifications in relation to Australian paper and the new Swire Shipping (relocated from Bell Bay).
3. Are there any downsides to expecting pilots to work different ports?
4. Flinders Island storage sheds – lease details.
5. Crane on Flinders Island – details of plans to replace.
6. List of assets that may be divested.

The Committee concludes that :

- There are concerns that the longer asset management and maintenance issues are left, the more expensive they become.
- Given the timelines, the Taylor Bros. business proposal was poorly handled.
- The delay in making decisions that affect so many businesses is of concern. Whether there is a future for ventures such as oil rig refurbishment in Tasmania needs to be clarified in the business plan.
- There are communication issues between the Department of Economic Development and TasPorts. If Hobart Wharf is to be for cruise ships only and all industrial business undertaken at Bell Bay, then all stakeholders need to be advised.
- The future of Devonport Airport needs more urgent consideration.
- There is a good culture amongst TasPorts staff.
- Separate accounts should be maintained and publicly available for subsidiaries, such as Hobart Airport, Flinders Island Port and King Island Port.
- There are concerns about the ongoing capacities on Flinders Island without appropriate infrastructure.
- TasPorts plans to divest Duck River West and Duck River East.
- There are concerns about issues of public access to storage sheds at Lady Barron wharf.

The Committee suspended at 1.03 pm.

The Committee resumed at 2.00 pm.

TT LINE COMPANY PTY LTD

The following witnesses appeared before the Committee :

Hon Jim Cox MHA, Minister for Infrastructure

Mr Denis Rogers, Chairperson

Mr Peter Simmons, Chief Executive Officer

The Committee notes the evidence provided by the TT Line Company Pty Ltd that:

Overview

- The Company made a profit of \$10.6 million in 2006-07. This figure includes an operational profit of \$4.2 million and the remainder in tax benefits.
- The Devonport to Melbourne service recorded a \$5.9 million profit, increasing from a \$6.1 million loss the year before.
- There was an increase of 35 000 passengers.
- Peter Simmons is retiring from the TT Line after 10 years as Chief Executive Officer.

Sales and Marketing

- TT-Line has a multifaceted marketing approach that is mainly passenger focused. Records are kept and evaluated in relation to the time that advertisements go to air and the response in bookings.
- 63 trade shows were attended throughout 06-07. These are more difficult to evaluate and are thought to be becoming less relevant.
- Online bookings have increased 123 per cent. The online booking system is being upgraded to become more “user friendly” and the frequency of the use of links is being assessed.
- Competition from low-cost airlines is a continuing issue. The boats cannot operate at \$9.95 + tax. TT Line’s strategy is to focus on its areas of strength, for example, people bringing cars, etc.
- Projected numbers for December and January are slightly above and very similar to last year respectively. There has been an increasing trend towards booking later over the last 5 to 6 years. 27% of bookings are made online with the biggest decrease experienced by travel agents.
- The largest proportion of passengers from the mainland is from Victoria followed by New South Wales and Queensland. “Outdoor advertising” is conducted largely around the Melbourne and Sydney freeways.

Safety

- TT-Line is amongst the best safety performers nationally and the company places a high emphasis on safety. Training occurs each week on how to conduct a maritime evacuation.
- The boats are licensed to carry 1400 people but the maximum on a sailing is 1100 during the day and 800 at night. The lifeboat/life raft capacity is more than double the number ever on the ship.
- Gas cylinders are carried on the ship but in an outside area which is separate from the passengers.
- In the case of a medical situation there is a qualified medical attendant on each crossing and established protocols with Victorian and Tasmanian hospitals. A helicopter is able to land on the ship.
- Approximately 50% of the crew have completed St Johns First Aid training.

Technical Services

- TasPorts built the SET store at the Devonport terminal which allows storage of materials.
- The Spirits are due to be changed over in 2017. There have been no major engine problems and all parts are replaced in line with the number of hours they can be in service. The ships' GPS systems have been upgraded within the last year, as has the satellite communication.
- The security budget has reduced to \$4 million, due to changes in hours out of Devonport and the cessation of the Sydney operation.
- Inspections of passenger vehicles occur to ensure no dangerous materials are carried. Drug searches are not conducted by TT-Line, however, inspections are carried out by Police at the ports. 2-3 security staff are present on board each crossing. Knowledge of any illegal activity is reported to the Police.
- There have been no complaints reported in relation to the stealing of freight.
- There are now an extra 50 spaces reserved for passenger vehicles on board.

Reservations

- Concern was raised by the Committee regarding the lack of ability to "pencil-in" bookings and to change them in times of emergency. TT Line believe that their procedures are in line with airlines.

- The target number of passengers for this financial year is 405 000. Of those around 30% are Tasmanian and many Tasmanians were drawn to the 50% off special in the last year. The increasing propensity to make late bookings makes projecting numbers difficult.
- There is a group concession available.

Corporate Services

- Multiple EBAs have been negotiated with staff.
- There is a legal requirement for the minimum number of people on each sailing.
- Workers' compensation claims from onshore activities are negligible. Claims in relation to sea-based staff are covered by Seacare. At the time of the report there were 26 open claims. 5 or 6 people are currently on return-to-work plans and 70% of Seacare claims are non-injury based.
- A change in fuel type will be considered for the new boats post 2017. In the last year greenhouse emissions have been reduced by 14% across the two ships, recording 26 000 tonnes less. It is not viable to change these ships over to a different fuel type as they would have to be out of operation for several months.
- TT-Line hedges a proportion of their fuel purchases over a four-month period. The benefit of hedging is unpredictable, but the issue is discussed monthly at Board meetings.
- The Board intends to dispose of the ships when they are about 19 years old – they have a life expectancy of 30 years. When *Spirits I* and *II* were purchased they were only 4 years old. Key attributes of the ships are being studied as well as the impact on reducing speed, etc. on their wear and tear.
- The independent value of the *Spirits* is \$142 090 500 per ship as at 30 June 07. The low level of manufacture of ships such as *Spirits I* and *II* means that they are increasing in value and they are well rated in their field.

Financial

- The Board is currently looking at asset management considerations. \$75 million is still owed.
- The Government has provided considerable funds to the TT-Line to ensure its financial state.

- Savings have been made in the past year by looking across the board at spending. It is expected that further good financial results should follow. Savings have come from fuel expenditure, speed of travel and other means.
- The technical store and associated bulk buying benefits are seen as being a useful means of saving money. Some operational savings have also been made.
- The on-ship structure includes a hotel manager and an assistant who have a staff of 55. Savings in this area can be made in smarter purchasing.
- The 2006 dry dock cost was \$2.08 million and \$4.52 million in 2007. Approximately the same cost is expected next year due to servicing mandated by the number of hours of operation.
- There was a \$4 million decrease in the goods and services purchased in Tasmania in comparison to the previous year. A program is in place to try and increase the level of produce from Tasmania.

Staffing Issues

- Some 31 redundancies occurred as a result of the sale of *Spirit III*. They were fully paid out and included in the last financial report.
- New international accounting standards have been introduced under which TT-Line is a non-disclosing entity. TT-Line is thus required to list short-term benefits, post-employment, long-term termination and share-based payments by key management personnel. RBF provides a valuation of the disclosure requirements.
- There is expected to be a shortage of skilled seagoing officers in the future. They are acquired through a contract organisation.
- The new CEO will begin in February with the outgoing CEO to continue as a consultant until July. Mr Simmons will be responsible for continuing to oversee some key strategic issues including the propeller-blade evaluation and will help consider fuel hedging.
- Charles Griplas was appointed as the new Chief Executive Officer. He has wide experience in both maritime and accounting areas.
- The Board has appointed people to vacancies in its membership on the basis of expertise and skills. Most of those considered for positions on the Board have 20-30 years experience.

The Committee suspended at 3.38 pm.

The Committee resumed at 3.54 pm.

Freight and Terminal Services

- The arrival and departure times of the services are seen as crucial determinants of freight usage. Capacity limits further freight increases.
- All shore activities have been merged into “terminal services”. This has reduced problems and made for a more efficient system. Some imbalances in freight occur during the year and an effort is being made to find freight lines that fit in around the contract and other existing requirements.
- Some problems have occurred in Melbourne with regard to passenger loading. The Station Pier is a shared resource and can often be quite busy. The area is controlled by Melbourne Port Corporation. Some congestion occurs at the Devonport end. There are time and staffing constraints involved.
- The dredging of Port Philip Bay will not affect *Spirit* schedules. TT-Line will not be funding any of this operation as it does not affect the *Spirit* services.
- The out of pocket cost to bring a car is \$69 and this is equalised by a \$168 subsidy. The Labor Government is expected to make this subsidy \$180.
- Boats are not covered by the equalisation scheme even when they have the same facilities on them as caravans and motor homes. A similar situation occurs with horse floats and other recreational vehicles.
- It is thought that individual user groups need to lobby federally in order for any changes to be made to the specifications of the Scheme.

Hotel services

- The Edgewater Hotel and *Spirit I* and *II* are part of TT-Line hotel services. Crew accommodation is provided for at Station Pier. The Board will be considering proposals regarding the future of the Edgewater Hotel in March.
- *Think Tasmania* is a policy being established to support Tasmanian suppliers.
- The Edgewater Hotel has assisted in back-to-work rehabilitation for those who are not fit enough to work on the ships. The Edgewater is a separate entity in the company and pays for its own marketing.
- TT-Line engaged a consultant to establish benchmarks for service from European and other contacts. Comparisons are made with these standards.

- Some customer surveys have criticised the lack of healthy food options onboard, however, attempts to solve this problem have only resulted in increased waste. This year the satisfaction rating has been the highest recorded.
- Proposals are in place to refurbish some of the public areas on board the ships over 2008-09. Spending has also been approved to increase Tasmanian branding.
- The gaming machines on the boat are franchised. The operator faced some difficulties with lower passenger numbers, however, sailing time extensions have alleviated these issues and the contract has been renewed.
- Longer sailing times have seen a reduction in the dinner bookings at the Edgewater, but an increase in dining on the ship.
- TVIN does not pay rent to TT Line Company Pty Ltd.
- The current franchise contract for the "Tourism on Board" on *Spirit of Tasmania I & II* is held by Kingford Promotions Pty Ltd, which does not have any connection with TVIN.
- TT-Line representatives stated that they have attended all meetings requested by the Devonport City Council and were unaware of any issues.

Additional Information Requested and Received :

- The amount of rent paid by TVIN.

The Committee concludes that :

- TT Line returned a profit in 2006-07, substantially due to the sale of Spirit III.
- Cheap airlines have an impact on the number of bookings.
- TT Line has limited opportunity to grow freight due to capacity.
- There is no funding being put aside for the future replacement of the Spirits.
- The TT Line has a debt of \$75 million.
- There should be a transparent accounting process for any subsidiary company.

The Committee suspended at 4.41 pm.

The Committee resumed at 4.45 pm.

REPORT DELIBERATIONS :

The Committee considered issues for inclusion in the draft report.

Resolved, That –

- The Secretary prepare a draft report for Members to consider.

At 5.10 pm the Committee adjourned until a date to be determined.

DATE

CONFIRMED

CHAIR