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PARLIAMENT OF TASMANIA

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## PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS

# HOBART INTERNATIONAL AIRPORT

*Laid upon the Tables of both Houses of Parliament*

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*The Committee was appointed under the provisions of section 2 of the Public Accounts Committee Act 1970 (No. 54)*

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### MEMBERS OF THE COMMITTEE

#### LEGISLATIVE COUNCIL

Hon *A. W. Fletcher* (Chair)  
Hon *I. N. Dean* (from 26 May 2004)  
Hon *C. L. Rattray* (to 1 May 2004)  
Hon *J. S. Wilkinson*

#### HOUSE OF ASSEMBLY

Mr *D. J. Bartlett* (from 7 April 2004)  
Mr *W. E. Hodgman* (from 7 April 2004)  
Mr *G. L. Sturges*

By Authority: Government Printer, Tasmania

## THE PUBLIC ACCOUNTS COMMITTEE

The *Public Accounts Committee Act 1970*<sup>1</sup> provides for the establishment of a joint committee, comprising three members from the Legislative Council and three from the House of Assembly.

The statutory function of the Committee is as follows:-

The Committee must inquire into, consider and report to the Parliament on any matter referred to the Committee by either House relating to: -

- (a) the management, administration or use of public sector finances; or
- (b) the accounts of any public authority or other organisation controlled by the State or in which the State has an interest.

The Committee may inquire into, consider and report to the Parliament on: -

- (a) any matter arising in connection with public sector finances that the Committee considers appropriate; and
- (b) any matter referred to the Committee by the Auditor-General.

The current membership of the Public Accounts Committee (PAC) is: -

House of Assembly	Legislative Council
Mr. D. J. Bartlett (from 7 April 2004)	Hon I. N. Dean (from 26 May 2004)
Mr. W. E. Hodgman (from 7 April 2004)	Hon A.W. Fletcher (Chair)
Mr. G. L. Sturges	Hon J.S. Wilkinson

The Committee has the power to summon witnesses to appear before it to give evidence and to produce documents and, except where the Committee considers that there is good and sufficient reason to take it in private, all evidence is taken by the Committee in public.

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<sup>1</sup> The Public Accounts Committee Act 1970, No.54 of 1970 and subsequent amendments in the Public Accounts Committee Amendment Act No 89 of 1997.

# HOBART INTERNATIONAL AIRPORT PTY LTD

## 1. BACKGROUND

On 26 March 2003 the Public Accounts Committee wrote to the then Minister for Infrastructure indicating it had noted recent changes to ownership arrangements for the Hobart International Airport (HIA). The Committee requested a briefing or a briefing paper on the share ownership of Hobart International Airport Pty Ltd, reasons for changes to the shareholder arrangements and any future plans.

The Minister agreed to provide a briefing for the Committee but due to the Hobart Ports Corporation's (HPC's) heavy involvement in the current review by the Assets Divestment Steering Committee regarding the options for the divestment of non-port assets of the Corporation a briefing could not be organized for some time.

Later in the year on 25 November 2003 the Auditor-General reported on the Hobart Ports Corporation<sup>2</sup> and made the following comments –

*“Over the period since incorporation the Hobart Ports Corporation (HPC) has acquired a 98% ordinary shareholding in Hobart International Airport (HIA) and has [provided \$9.641m in loans to that company of which \$9.041m is interest free]. HPC's share of operating results of HIA has amounted to a profit of \$0.651m in 2001-02 and \$1.236m in 2002-03.*

*Despite holding 98% of issued ordinary shares, the existence of a special agreement with the holder of Class B shares, Toll Transport ensures that HPC can only influence but not control the operations of HIA.*

*Consequently the assets, liabilities, revenues and expenses of the airport are not consolidated with those of HPC with only HPC's share of the profit or loss of HIA's activities for the year accounted for in HPC's accounting records.”<sup>3</sup>*

When reviewing the Auditor-General's report the Public Accounts Committee noted the disadvantage of lack of control of Hobart International Airport by the Hobart Ports Corporation and the consequent effect on the records of the Corporation and the way it reported.

In December 2003, the Committee, wishing to further the matter and hitherto unable to arrange a mutually convenient time for a briefing, forwarded a number of questions relating to the ownership of HIA to the Minister.

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<sup>2</sup> Auditor-General, Government Departments and Public Bodies 2002-03 Part B Volume 2 Government Businesses

<sup>3</sup> Ibid p165

By 15 June 2004, six months had elapsed and neither the correspondence nor the questions had been answered. The Committee wrote again to the current Minister for Infrastructure, Energy and Resources asking that the questions be addressed in order for the Committee to consider the situation.

At this time the list of questions submitted was updated to include the period of time which had elapsed since the information was first sought. That list of questions is appended to this report (Appendix 1).

The Company Secretary of Hobart Ports responded on 21 June 2004 but only provided answers to some of the questions.

## **2. QUESTIONS RELATING TO HOBART INTERNATIONAL AIRPORT**

The questions which were answered are detailed followed by the response from HPC.

### ***Question 1.***

What is the current composition of the Hobart International Airport Board and when and by whom was each member appointed?

### ***Answer -***

The current Board of Hobart International Airport comprises Messrs Morgan, Neil, Williams and Kemp (all appointed by Hobart Ports Corporation) Rowsthorn (appointed by Toll Transport).

Mr. H C Knoop the CEO of Hobart Ports Corporation is also a Director. Mr. Michael Whitehouse and Mr. Robert Noga are Company Secretaries to HIA.

### ***Question 2.***

What was the composition of the Board as at :-

- (a) 30 June 2000;
- (b) 30 June 2001;
- (c) 30 June 2002; and
- (d) 30 June 2003?

### ***Answer -***

Details of past Directors and alternate Directors are provided in Appendix II.

**Question 3.**

What is the current shareholding of Hobart International Airport Pty Ltd including type and number of shares held?

**Answer -**

Hobart Ports informed the Committee that the –

*‘current shareholdings will change on 30 June 2004 with HPC acquiring shares currently held by Toll Transport Pty Ltd and PSBT&G nominees Pty Ltd.’*

The effect of the share purchase by HPC means that the HIA – a joint venture from its inception to 30 June 2004 - is now a wholly owned subsidiary of Hobart Ports Corporation.

**Question 4.**

What was the shareholding of Hobart International Airport including type and number of shares held as at :-

- (a) 30 June 1997;
- (b) 30 June 1998;
- (c) 30 June 1999;
- (d) 30 June 2000;
- (e) 30 June 2001;
- (f) 30 June 2002; and
- (g) 30 June 2003?

**Answer -**

The following table shows the numbers and share ownership.

<b>TYPE/COMPANY</b>	<b>30.6.97</b>	<b>30.6.98</b>	<b>30.6.99</b>	<b>30.6.2000</b>	<b>30.6.2001</b>	<b>30.6.2002</b>
<b>ORDINARY</b>						
Hobart Ports Corporation Pty Ltd	95,543	343,000	343,000	476,000	1,176,000	1,176,000
Hobart Airport Operations Pty Ltd	58,496	210,000	210,000	210,000	-	-
Hambros Australia Investments	37,047	133,000	133,000	-	-	-
PSBT and G Nominees Pty Ltd	3,900	14,000	14,000	14,000	24,000	24,000
<b>Total</b>	<b>700,000</b>	<b>700,000</b>	<b>700,000</b>	<b>1,200,000</b>	<b>1,200,000</b>	<b>1,200,000</b>

<b>B Class</b>						
Toll Transport Pty Ltd					5,000	5,000
<b>Total</b>					<b>5,000</b>	<b>5,000</b>

Figures for the year ending 30 June 2003 were not provided. However Hobart Ports has confirmed that the shareholding as at 30 June 2003 was the same as that for 30 June 2002.

Questions 5 to 11 (see Appendix I) submitted by the Public Accounts Committee related to conditions and agreements, if any, in connection with any shareholding or directorship.

None of those questions were answered. Hobart Ports Corporation informed the Committee that it would require the permission of third parties before such information was disclosed.

The Committee received no evidence supporting that contention or any indication that Hobart Ports had endeavoured to obtain such permission.

Hobart Ports have undertaken to forward that information in due course if the parties agree.

## 2. SUMMARY

The Committee reiterates that the inquiry was initiated with a letter to the Minister for Infrastructure on 26 March 2003. The Committee had concerns that the power of the minority shareholder/s was disproportionate to the shareholding they held in the Corporation.

This relatively simple inquiry into matters that are, or ought to be, readily available in the official records of the Corporation has taken some 18 months to bring to a point where there is still information outstanding. The Committee believes that the delays may be indicative of either disrespect for the Parliament or laxness within the Corporation.

The Committee can only conclude that for a period of time up to 30 June 2004 the disproportionate allocation of power within the Corporation, as identified by the Auditor-General in his report to Parliament<sup>4</sup> was inappropriate and was not in the best interests of HIA, HPC or Tasmania.

It is the Committee's opinion that this unacceptable situation has been rectified/addressed with the transfer of shares on 30 June 2004.

<sup>4</sup> Tasmania. Report of the Auditor-General, Government Departments and Public Bodies 2002-2003, Part B Volume 2, Government Businesses, p165

The Committee considers that despite the failure of the Minister and/or the Corporation to provide basic information when requested it is now evident that over the intervening period the concerns of the Committee have been corrected and the Committee has no further interest at this time.

### **3. CONCLUSIONS**

**1. For a period of time until 30 June 2004, there was an unacceptable distribution of power between shareholders of the Hobart International Airport.**

**2. The special agreement with the holder of the class B shares meant that the Hobart Ports Corporation, the holder of 98% of the issued ordinary shares could only influence but not control the operations of the Hobart International Airport.**

**3. Following the Hobart Ports Corporations acquisition of all shares in the Hobart International Airport on 30 June 2004 the matter of the distribution of power between shareholders became redundant.**

**4. The length of time it took the Minister and his officers to respond to the Committee's request is unsatisfactory.**

AW FLETCHER  
CHAIRMAN

HOBART  
12 October 2004

## Appendix I

### Questions to the Minister for Infrastructure Energy and Resources in relation to the Hobart International Airport Pty Ltd.

1. What is the current composition of the Hobart International Airport Board and when and by whom was each member appointed?
2. What was the composition of the Board as at :-
  - (a) 30 June 2000;
  - (b) 30 June 2001;
  - (c) 30 June 2002; and
  - (d) 30 June 2003?
3. What is the current shareholding of Hobart International Airport Pty Ltd including type and number of shares held?
4. What was the shareholding of Hobart International Airport including type and number of shares held as at :-
  - (a) 30 June 2003;
  - (a) 30 June 2002;
  - (b) 30 June 2001;
  - (c) 30 June 2000;
  - (d) 30 June 1999;
  - (e) 30 June 1998; and
  - (f) 30 June 1997?
5. Are there any conditions or agreements attached to all or any of the shares currently held by all or any party?
6. If so, what are they?
7. Are there any conditions or agreements attached to the composition of the Board?
8. If so, what are they?
9. What voting rights are attached to all or any shares held by all or any party?
10. Are there any conditions or restrictions on voting rights for all or any Board Members?
11. If so, what are they?



## Appendix II

### REGISTER OF OFFICE HOLDERS

#### HOBART INTERNATIONAL AIRPORT PTY LTD

FULL NAME	DATE & PLACE OF BIRTH	RESIDENTIAL ADDRESS	OCCUPATION	DATE OF APPOINTMENT	NATURE & DATE OF CHANGE	CONSENT TO DIRECTORSHIP
<b>Owen Francis Williams</b>	11/08/52 Sydney NSW	Unit 2 46 Darling Point Road DARLING POINT NSW 2027	Merchant Banker	11/08/00		Yes
Robert Benson Bullock	27/06/53 Seattle USA	214 West Dryden GLENDALE CA USA 91202	Company Director	03/11/00	Resigned 14/05/01	Yes
Paul Kehoe	21/04/59 Liverpool UK	104A Gordon Road CAMBERLEY SURREY UK GU152JE	Company Director	03/11/00	Resigned 14/05/01	Yes
Keith Michael Brooks	27 June 1948 Cardiff UK	302 Cyncoed Road CARDIFF CFS 6RX WALES UK	Company Director - Alt for P Kehoe	03/11/00	Appt Lapsed 14/05/01	Yes
Caroline Fiona Price	13/08/64 Lincolnshire UK	23 Pickwick Road Dulwich Village LONDON UK SE 21 7JN	Company Director - Alt for B Bullock	03/11/00	Appt Lapsed 14/05/01	Yes

John W Harry	20/08/43 Hobart TAS	1 Toorak Avenue LENAH VALLEY TAS 7008	Lawyer	14/05/01	Resigned 15/05/01	Yes
<b>Peter Rowsthorn</b>	12/06/30 Melbourne VIC	“The Domain” Unit 13 1 Albert Road MELBOURNE VIC 3000	Company Director	29/06/01		Yes
Paul Alexander Little	3/12/47 East Melbourne VIC	12 Albany Road TOORAK VIC 3140	Alt Director for P Rowsthorn	29/10/01	Resigned 14/08/03	Yes
<b>Peter Gordon Morgan</b>	4/11/28 Cirencester UK	56 Morrah Street PARKVILLE VIC 3052	Company Director	15/04/03		Yes
<b>Donald Alfred Neil</b>	23/01/04 Melbourne VIC	Unit 2 4 Stowell Avenue BATTERY POINT TAS 7004	Company Director	15/04/03		Yes
<b>Andrew Garrington Kemp</b>	9 Aug 1938 Hobart	33 Norfolk Crescent SANDY BAY TAS 7005	Company Director	27/04/98		Yes
Helen Kaye Brookfield	16/07/51 Mt Gambier SA	90 Arthur Street WEST HOBART TAS 7000	Alt Director for D A Neil	28/05/03		Yes
Mark John Devine	08/04/65 Geelong VIC	34-36 Kirra Road ROCHES BEACH TAS 7170	Alt Director for A G Kemp	28/05/03		Yes
Timothy James Reid	21/11/52 Franklin TAS	434 Churchill Avenue SANDY BAY TAS 7005	Alt Director for P G Morgan	28/05/03		Yes