



Legislative Council

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE 'B' 2011

Report with Minutes of Proceedings

Members of the Committee :

Hon Ivan Dean MLC
Hon Craig Farrell MLC
Hon Kerry Finch MLC
Hon Mike Gaffney MLC
Hon Tony Mulder MLC
Hon Tania Rattray MLC (Chair)
Hon Adriana Taylor MLC

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

MINUTES

Tuesday, 6 December 2011

At 8.50 am in Committee Room No 2, Parliament House, Hobart.

Present : Mr *Dean*, Mr *Farrell*, Mr *Finch* Mr *Gaffney*, Mr *Mulder*, Ms *Rattray* and Mrs *Taylor*.

In attendance : Mrs Sue McLeod
Mr Stuart Wright
Mrs Jenifer Austin

Confirmation of Minutes :

The Minutes of the meeting held on Friday, 2 December 2011 were confirmed as a true and accurate record.

The Committee suspended at 8.53 am
The Committee resumed at 9.00 am

THE PUBLIC TRUSTEE

The following witnesses appeared before the Committee :

Hon Brian Wightman, Attorney-General
Ms Ann Cunningham, Chair
Mr Peter Maloney, Chief Executive Officer
Mr Duncan Hall, General Manager, Corporate Services
Ms Gaylene Cunningham, Manager, Client Services
Mr Tim Levis, Corporate Solicitor
Ms Denise McIntyre, Minister's Office

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

The Committee notes the evidence that :

Financial

- The Public Trustee achieved a net operating profit after tax of \$499 087 in 2010-11.

- The Public Trustee had approximately \$10 million in reserves (corporate cash) – 50 per cent in commercial property in Hobart and 50 per cent in cash. External consultants were used to provide a long term investment strategy.
- The variation in profit/loss over the last four years relates to the increased valuations on property and the sale of the Murray Street building.
- Commissions on major assets from estates, such as real estate or houses, has reduced significantly over the last two to three years in line with the market downturn.
- Apart from the funding provided by Government for Community Service Obligations (CSOs), the Public Trustee meets all other costs from the revenue raised from its service provision.
- There has been a reduction of \$800 000 in the allocation for CSOs this financial year due to the Government's budgetary position.
- In order to manage this reduction, The Public Trustee has established a personal services team in Hobart and implemented other productivity and efficiency gains in the back office. For example, information systems providing more automation and less handling as well as a system whereby the bank makes the Trustee's payments.
- Since 2003 there has been an increase from 268 to 610 CSO clients and three additional staff have been employed as a result.
- The Government has agreed that dividends payable in future years will be based on above-the-line profits.

Corporate

- The Committee requested information regarding consultancies engaged during the financial year. The Public Trustee advised that ten consultancies were undertaken at a total cost of \$177 361. The details provided are attached to this report.
- A risk management plan is developed each year, with high-level risks being reported to the Audit Committee. An audit was undertaken of those risks and an external consultant was engaged to review the processes, at a cost of \$30 000 plus GST.
- The Public Trustee has approximately \$140 million invested - \$55 million in cash and the remainder in group investment funds. Every five years an external consultant is used to advise on strategies, objectives, asset allocations and management style.

- The consultant recommended that the hedging strategies change from 100 per cent hedged in the Australian dollar to 50:50.
- The Committee questioned how The Public Trustee could achieve its vision, as described in the annual report, “to be the first-choice provider of trustee services in Tasmania”, when a full range of investment services is not offered.
- The Public Trustee does not regard fund management as trustee services. Money is invested for clients because of the trustee role.

Marketing

- The Committee requested a breakdown of the costs relating to the marketing campaign and the following details were provided :

Advertising - \$102 567
 Customer relationship management - \$43 676
 Regional marketing - \$25 222
 Brand - \$33 347
 Sundry marketing - \$9 212

Further details are attached to this report.

- The marketing campaign was introduced to increase brand awareness, so that when people think of wills, they think of The Public Trustee.

Human Resources

- A security guard has been employed, out of the CSO funding, to protect staff at the Hobart office as there have been some violent incidences. Details provided indicate that there were 15 incidents this calendar year. Further details are attached to this report.
- The cost of employing the security guard was \$64 873 in 2009, \$65 671 in 2010 and \$63 988 in 2011.
- In the last two years The Public Trustee has used a consultant to develop a cultural change program around values such as service, respect and integrity.
- There are 52 FTEs employed by The Public Trustee. Three staff have resigned during this calendar year. In addition, four staff have been ‘managed out’ because of poor performance and others have been seconded to other agencies. Three staff have been promoted.
- One graduate lawyer has been employed this year, to join the legal team (consisting of three).

- The new will writing system “Chameleon” has enabled the team to be reduced by one.

Services

- Each Guardianship and Administration Board client is allocated an individual client account manager to work with the client and other support people. The manager collects their pension, sets a budget, arranges the reduction of debt, pays bills, prepares and lodges tax returns and invests funds if required.
- Correspondence has been sent to some clients advising them not to contact the office. The number of clients and the circumstances of persons statewide who, at the present time, have been advised they cannot access Public Trustee premises, are :
 - Ten represented persons
 - Two represented persons are told they can have access but only with their social work present
 - Three people associated with a represented person client have been refused access
 - One beneficiary
 - One person associated with a trust client

Further information is attached to this report.

- The Public Trustee does not conduct client surveys with Guardianship and Administration clients.
- Estate clients are surveyed and 86 per cent of respondents stated that their experience in dealing with The Public Trustee either met or exceeded their expectation. In relation to wills, 100 per cent responded in the same way.
- There is an internal complaints process, whereby complaints are registered, substantiated or otherwise, and monitored. Details were requested by the Committee and the following information was provided for the 23 substantiated complaints for the year to 30 June 2011 :

10	- high
11	- medium
2	- low
- The Public Trustee is compliant with the national standards in terms of represented persons, except for one which is in relation to involving clients in significant decisions. This standard is in the process of being implemented.

Additional Information Requested

- Details, including numbers and costs, of Consultancies during the past financial year.
- Details of the marketing campaign (including costs for each).
- Details of the violent incidences at the Offices of the Public Trustee.
- Details of the number of letters to clients requesting that they do not attend the premises.
- Details of complaints for last 12 months.

Recommendations

The Committee recommends that:

- Appropriate CSO funding be allocated to ensure that obligations are met.
- The Vision Statement be revised to accurately reflect the limited services provided by the Public Trustee.
- The operation of the Public Trustee, taking into account the recent report by the Auditor-General, be referred to the Public Accounts Committee.
- Guardianship and Administration clients, or their representatives, be included in client satisfaction surveys and the results published.
- Consideration be given to the use of contemporary security measures for the protection of staff without the need for the physical presence of a security officer.

The Committee suspended at 10.04 am.

The Committee resumed at 10.15 am.

TT-LINE COMPANY PTY LTD

The following witnesses appeared before the Committee :

Hon David O'Byrne MP, Minister for Infrastructure
Mr Dennis Rogers, Chairman
Mr Charles Griplas, Chief Executive Officer
Mr Scott Hadley, Chief Financial Officer

In attendance : Mr Stuart Wright

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

Ms *Ratray* withdrew at 11.25 am
Mr *Finch* took the Chair in the absence of Ms *Ratray*
Ms *Ratray* took her seat at 11.27 am

Mr *Finch* withdrew at 11:55 am
Mr *Finch* took his seat at 12:00 pm

The Committee suspended at 12.06 pm

The Committee resumed at 12.11 pm

The Committee notes the evidence that :

Financial

- There have been a number of challenges through the year leading into the 2010-11 financial year, including the global financial crisis, the Australian dollar and a range of other global economic factors that have impacted upon the operations of the TT-Line.
- During the financial year, the Company made its final \$25 million debt reduction payment.
- The operational profit for the financial year was 12.3 million, down from 13.7 million the previous year.
- The Company's net profit was \$506 000 for the financial year.
- There was a reduction in the value of the vessels for the financial year.
- There were slight reductions in passenger vehicle and freight volumes carried for the financial year but a slight increase in people carried. TT Line estimates they carried up to 4 500 people during the Chilean volcanic eruption.

- A committee has been established by TT-Line to examine the options for vessel refurbishment or replacement and is to report back to the Board before December 2013.
- TT-Line receives a part subsidy for passenger vehicles across Bass Strait but it is not acknowledged as a national highway by the Australian Government.
- The Government does not currently intend to take a dividend from TT-Line as it will reduce its capacity to refurbish or replace their vessels.
- In relation to the carbon tax, there will be a reduction in the fuel tax credit excise by 6.21 cents per litre in year one and that will potentially increase costs. There will also be other carbon tax costs on operations in relation to the sale of fuel. TT-Line is looking at a fuel surcharge.
- The GFC had an impact on fuel hedging arrangements that went against the TT-Line.
- Last year was the first time that TT-Line was able to recognise deferred tax assets and liabilities.
- TT-Line spent about \$7.5 million on maintenance including dry docking of their vessels.
- TT-Line is continuing to implement fuel reduction strategies.
- The guide date for vessel replacement or refurbishment is December 2017.

Human Resources

- For the reporting year, TT-Line reported a staff level of 192 full-time staff and about 134 casual part time staff for ship.
- The cost of on-board security per annum is \$1,055,885.

Corporate

- The Premier contacted the Chair of the Board of the TT-Line regarding the North Melbourne sponsorship deal and subsequently made a presentation to the Board with Minister O'Byrne.
- There were two threshold decisions made by TT-Line in relation to the North Melbourne sponsorship deal.
- TT-Line considers the North Melbourne deal to be very beneficial in terms of marketing opportunities and leverage points.

- The costs involved in the operation of the Board for the last financial year was \$349,403 (including superannuation).

Services

- There is no intention to re-establish a Sydney-Devonport ferry service.
- TT-Line did not investigate the reasons for the death of two dogs aboard one of their vessels during a crossing. TT-Line's policy recommends very strongly to any passenger that comes on board with pets that they put them in the kennels on board the ship so that routine checks every four hours can be completed.
- TT-Line reported that there is currently no unmet customer demand.
- There was a 92 per cent satisfaction rate for night passengers and 90 per cent for day passengers.
- TT-Line provides a vital time-sensitive freight service for exporters to deliver goods within 24 hours of picking and processing.
- Over the past five years, there has been a regular 65 per cent passenger and 35 per cent freight mix.
- There have been some complaints about the length of time taken for vehicles to get on and off the vessels associated with biosecurity checks.
- There has been no change to the Bass Strait Passenger Vehicle Equalisation Scheme to include a subsidy for cars towing dog trailers.

Additional Information Requested

- The cost per annum of on-board security;
- The number of on-board security incidents in the last 12 months;
- The number of complaints received per annum;
- At a previous GBE hearing, Minister Sturges undertook to consult with the Commonwealth in relation to a possible change in policy concerning the Bass Strait Freight Equalisation Scheme to include cars towing a dog trailer. Has the policy changed?
- Comparison of port charges between Melbourne and Devonport;
- The cost of running the Board for last financial year.

Recommendations

The Committee recommends that:

- TT-Line completes, where possible, an incident investigation in cases such as the recent on-board death of two dogs, in order to appropriately respond to the incident and the determination of any future risk.
- The current passenger/freight ratios be maintained.
- TT-Line continues the adoption of new strategies and innovations in marketing to maintain and where possible, increase revenue streams, in light of the current trading conditions within the tourism sector.

The Committee suspended at 12.40 pm

The Committee met *'in camera'*.

The Committee resumed at 12.54 pm

The Committee suspended at 1.03 pm

The Committee resumed at 2.00 pm

TASMANIAN PORTS CORPORATION PTY LTD

The following witnesses appeared before the Committee :

Hon David O'Byrne MP, Minister for Infrastructure

Mr Dan Norton, Chairman

Mr Paul Weedon, Chief Executive Officer

Mr Geoff Duggan, Chief Finance Officer

Mr *Gaffney* took his place at 2.02 pm

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

The Committee notes the evidence that:

Financial

- TasPorts will not be paying a dividend to Government this year.
- Revenue was up almost \$1.8 million from \$61.9 million in 2010 to \$63.7 million in 2011.
- The operating profit after income tax was \$443 299, which is a reduction from \$1.37 million in 2010.
- The debt TasPorts has with Tascorp has reduced over the last 3-4 years from \$33 million to \$20 million but no further debt reduction occurred last year.
- According to TasPorts, the debt equity position is quite low in comparison with other infrastructure companies.
- The future infrastructure program will be funded from existing cash reserves.
- The debt limit with Tascorp has been reduced over time.
- TasPorts has historically under invested in their infrastructure but has recently made a stronger commitment to improve this position through spending \$10 million per annum on infrastructure.
- Maintenance expenditure for the Strahan wharf is part of the 10-year maintenance planning and TasPorts have spent 250 000 in the last 12 months on Fishermans Wharf.
- TasPorts is not able to fund what would be an estimated \$50 million investment on King Island to enable larger vessels into the port.

However, TasPorts is consulting with the local community to establish the best way to manage the volumes of freight.

- TasPorts has announced a \$7 million redevelopment of the Macquarie 3 shed as a dedicated cruise ship terminal and home for the Antarctic sector, with construction commencing in May 2012.
- TasPorts has developed a new fee structure to achieve more uniformity. In some cases a glide path has been agreed on how prices will be adjusted over a five-year period. The process has been to align and standardise on a statewide basis to get prices at a level to provide a revenue base to reinvest in infrastructure.
- To encourage the use of Burnie, cruise ship operators are not charged as much as for other ports.
- There are also some long term contracts in place, such as Toll and SeaRoads, that are subject to annual negotiation or review.

Devonport Airport

- Devonport Airport is no longer for sale as a successful bidder was not identified from the sale process.
- Total planned investment for Devonport Airport is \$5.2 million, \$600 000 of which has been provided by the Commonwealth for security upgrades.
- The maintenance program for the Devonport Airport runway is based upon a 20 year maintenance program report that was completed by GHD and includes \$1.3 million in the 2014-15 year and \$7.6 million for upkeep on the runway until 2030. Maintenance includes recurrent and periodic upgrades.
- The unsuccessful sale of the Devonport Airport included 2 processes involving Devonport Airport Consortium. The first included an offer from Devonport Airport Consortium that did not meet the requirements (undefined) of TasPorts. The second included a further period of re-engagement with the Consortium following a letter from the Stakeholder Ministers to TasPorts.
- TasPorts received independent advice from a consultant in relation to an appropriate sale price for Devonport Airport.
- The offer made by Devonport Airport Consortium did not reach the sale price sought by TasPorts.

- The sale process for Devonport Airport was the subject of an investigation by the Department of Treasury and Finance and did not identify any issues.
- TasPorts were not aware of any change in the valuation of Devonport Airport as a result of the sale of Hobart Airport.
- The valuation for Devonport Airport was not based on an earnings multiple but it was tested against earnings multiples at other airports sold, including for Hobart.
- Devonport Airport has one the highest passenger growth rates of any airport in Australia. There has been a 57 per cent increase in passenger numbers since 2007, with an 11 per cent increase in the 2010-11 financial year.
- Devonport Airport is capable of receiving jet aircraft however the runway would need upgrading if the jets were to arrive on a regular basis.
- TasPorts received independent advice from a consultant in relation to the sale of Devonport Airport. This consultancy included a valuation, management of the sale process, the subsequent sale negotiations and management of the Treasury probity review.

Port Operations

- TasPorts is moving to specialisation at each of the four major ports. Hobart will specialise in cruise ships, the Antarctic program and the French program.
- The market has decided that container freight will not go through Bell Bay in the short term and that Burnie and, to a lesser extent, Devonport ports are preferred.
- The State Government has placed a bid with Infrastructure Australia for \$150 million for the redevelopment of Bell Bay port to facilitate an increase. There is currently a capacity for 100 000 containers to go through Bell Bay.
- Infrastructure Australia is aware that containerised freight is not occurring out of Bell Bay currently, so it is unlikely that the Government's bid will be successful.
- The Bell Bay port is not limited to containers and the development of the port is intended to enable the handling of a range of commodities including forestry, minerals and so on.

- The Government, TasPorts and TasRail have been working collaboratively with the Burnie City Council to make an investment in the Burnie Port to ensure the needs of users can be met.
- An agreement has been reached between TasRail, TasPorts and Toll for an \$8 million project to reconfigure the railhead at Burnie. It will involve a significant upgrade to the rail area, relocation of the port roads, realignment of a number of security barriers and will cease the shunting of trains on the beachfront.
- TasPorts believes that better freight flows in and out of Burnie may enable 5-10 years of operation, and with some investments in terminals there may be a possible 10-15 year time frame before maximum capacity is reached.
- If the amount of containerised freight continues to grow, Burnie will not have the capacity meet the demands. Therefore, the long-term future for container freight is Bell Bay.
- At this stage there are no plans for infrastructure development specific to cruise ships in Burnie as there is not an economic base to justify any investment.
- TasPorts has an obligation to develop security arrangements which are signed off by the Office of Transport Security in Canberra.
- The Tasmanian Government has committed \$1.6 million in funding to upgrade facilities at the Lady Barron port on Flinders Island. This upgrade should alleviate the problems relating to refrigerated containers.
- The development application has been approved by Flinders Council and negotiations are taking place regarding the capital expenditure.
- There are constituents on Flinders Island who would like to see the port operate at Whitemark instead of Lady Barron, but it is not possible to run two ports on a small island.
- The Committee sought an undertaking that TasPorts provide some flexibility in the arrangements for the storage of logs at Lady Barron for the next six months. TasPorts agreed to look at flexibility as long as safety was not jeopardised.
- The Minister also agreed to contact the Council regarding stevedoring issues.
- It is not in TasPorts remit to provide stevedoring services. The shipping operator handles that activity.

- TasPorts has inherited three businesses from the King Island Port Corporation – the core business, the fuel distribution business and the transport business. There has been a recent proposal to provide a service in spreading fertiliser, but no decision has been made in relation to that.
- An advisory board has been established to engage with the community on issues such as whether the fuel distribution business is of value or not.
- It is a decision of SeaRoad, who is the current operator, to decide whether they want a fleet capable of calling at King Island. If a decision is made not to, then it is possible one of the other operators will step in.
- The King Island port opens every time a ship comes in.
- If the scheelite mine opened, TasPorts would discuss its requirements and try to address their needs. There has already been some discussion about fuel and shipping needs.

Corporate

- TasPorts' registered headquarters are in Devonport.
- TasPorts hold its board meetings throughout the state. The staff are also located across the state.
- The costs involved in the operation of the Board for the last financial year was \$431,617 (director fees, committee fees, superannuation and travel).
- There is now a lease in place for the Triabunna port with Triabunna Investments.
- According to TasPorts, the lease in place with Triabunna Investments is the same as was for Gunns and expires in the 2017.
- The topography of the Mersey River means that there are currently significant operational limitations in Devonport due to the diameter of the swing basin and the available infrastructure.
- TasPorts' Chief Executive Officer advised they have entered into an agreement with SeaRoad to negotiate a lease for the Devonport terminal and have been attempting to negotiate for a number of years.
- The TasPorts' CEO meets with the SeaRoad CEO two to three times a year, mostly in Melbourne. The dialogue at working level is almost daily in its transaction.

- Information from surveys indicates that there has been an improvement in the level of engagement between TasPorts and customers.

The Committee suspended at 3.32 pm

The Committee resumed at 3.45 pm

Mr *Mulder* took his place at 3.50 pm

Additional Information Requested

- The report from the Department of Treasury and Finance that provided an independent analysis of the sale price for Devonport Airport including an independent analysis of the sale process;
- The cost of services provided by Triple B in relation to the valuation and sale of Devonport Airport;
- The timeframe for the lease on the Triabunna wharf (expiry date for lease);
- The cost of running the Board for last financial year.

Documents Tabled

- Devonport Airport Refurbishment – Architect Picture (Front)
- Devonport Airport Refurbishment – Architect Picture (Rear)

Recommendations

The Committee recommends that:

- TasPorts consults with all freight stakeholders and planners to establish whether the Bell Bay port will be required for containerised freight in the future and the expected timelines.
- TasPorts resolves the SeaRoad lease issue as soon as possible, in the long term interest of all stakeholders.
- TasPorts develops a strategic plan for the future of Devonport Airport, including expansion, air travel for jets, services for the North West and West and provision for increased mining activity.
- The State Government consider providing Community Service Obligation (CSO) funding for King and Flinders Island port services.
- TasPorts provide some flexibility in the arrangements for the storage of logs at Lady Barron until the operation is completed.

The witnesses withdrew at 5.01 pm.

OTHER BUSINESS:

Resolved, That –

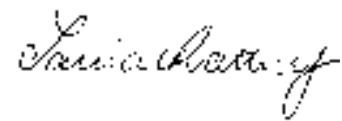
- The Secretary prepare a draft report for Members to consider.

At 5.15 pm the Committee adjourned until 9.00 am on Monday, 19 December 2011.

DATE

19 December 2011

CONFIRMED

A handwritten signature in cursive script, appearing to read "Lavinia Berry".

CHAIR