

**Wednesday 2 December 2009 - Legislative Council - Government Businesses Scrutiny
Committee - TT-Line Company Pty Ltd**

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE B

Wednesday 2 December 2009

MEMBERS

Mr Dean
Mr Finch
Mr Gaffney
Dr Goodwin
Mrs Rattray-Wagner (Chair)
Mr Wing

IN ATTENDANCE

Hon. Graeme Sturges, Minister for Infrastructure

Ministerial Office

Mr Gary Hill, Head of Office
Mr Christian Attfield, Adviser

TT-Line Company Pty Ltd

Mr Denis Rogers AO, Chairman, TT-Line
Mr Charles Griplas, Chief Executive, TT-Line
Mr Kevin Maynard, Company Secretary
Mr Scott Hadley, Chief Financial Officer

The committee resumed at 10.17 a.m.

CHAIR (Mrs Rattray-Wagner) - Minister, welcome. We will be sharing most of the day with you today so from our committee's perspective that will be hopefully very enlightening for all of us.

Mr STURGES - Thank you, Madam Chair, I am looking forward also to sharing my day with your committee.

CHAIR - We invite you to give a brief overview if that is what you would like to do.

Mr STURGES - Thank you very much. With your indulgence, given that this is about a State-owned company and it is the government business enterprise scrutiny process, I thought it would be more appropriate to call on the Chairman and ultimately the CEO to make a statement about how their company has been travelling, if you are of a mind to allow us to do that.

CHAIR - I just remind you, Minister, that under our Standing Orders we do have to direct our questions to you but we will invite them to make their brief overview. But the questions will still have to go through you.

Mr STURGES - I am happy for that to occur, Madam Chair.

Mr WING - Unless the minister waives that. I think he has the right to do that.

CHAIR - Yes, he can refer them on.

Mr STURGES - Madam Chair, I understand that things operate differently in the upper House and I am more comforted by that. Can we just see how things go? Certainly any questions of a political nature I will deal with but operational matters I think quite rightly should be dealt with by the Chairman and CEO and the Chief Financial Officer if necessary, so I am relaxed about that.

Mr WING - You have no objection to questions being directed to them?

Mr STURGES - No, but if they are political matters I reserve the right to indicate that they are of a political nature and I think I would prefer to deal with them. Let us see how we go and on that basis I have no objection.

Mr ROGERS - The CEO and I have come along today to provide as much information about the TT-Line as we can. We thought that one of the best things that we could do is to give a brief opening statement. We are very happy to update any information that anyone requires because it's a very challenging time for TT-Line and everyone knows that. It is important for us to provide the information that you people require. We will not enter into any political issues; that is not our responsibility. I invite the CEO to make a brief statement.

Mr GRIPLAS - This is my second time before a committee hearing so please be kind and generous.

Laughter.

Mr GRIPLAS - As foreshadowed in the company's 2007-08 annual report, this financial year presented the company with a number of challenges. The year started with a further fuel price increase on top of the fuel price increases of more than 50 per cent in 2007-08, a global financial crisis that impacted on the global and national tourism sector, heavily discounted fares from low cost airlines and the swine flu outbreak. Despite these challenges, during the financial year covered by this annual report, total revenue was \$175.6 million, up from \$166.9 million.

Terminal services checked in 390 746 passengers compared to 385 028 passengers in 2007-08. Also there was an increase in passenger vehicles to 182 595 and 85 288 units of freight. The growth in passenger numbers is a particularly pleasing result given the volatile economic conditions and weak consumer sentiment.

While the various issues outlined presented their own set of unique difficulties, the work that we undertook last financial year in preparation for a difficult 2009-10 places us in a strong position to manage these challenges and provide for predicability and more certainty. At the same time, the management team has been working on a number of other projects to ensure the company's long-term commercial viability. These include changes to improve the passenger disembarkation process, adjustments to arrival and departure times in Devonport and Melbourne, additional day sailings to meet demand at busy times throughout the year and the introduction of a new booking system.

There is no question that TT-Line is a key member of the Tasmanian tourism industry and importantly we are strongly committed to the industry in the State. The company is also a key player in the freight market - for example, the *Spirit* vessels transport large quantities of perishable fruit and vegetables from the State's north-west coast to markets interstate on a daily basis. Indeed, we have multiple responsibilities as a blue-water carrier to a wide range of stakeholders. We are working hard to meet their requirements because we understand the critical role we have to play if they are to be successful.

Mr FINCH - If I can just make a general comment, I must say that we were impressed with the comments that we received about the new CEO.

Mr GRIPLAS - Thank you. What - the ones that I spread?

Laughter.

Mr FINCH - No, I think that was from people from all sorts of industries and people who are users, particularly from the people at the Port of Melbourne. That was the resonating positive feedback that we got, that you were a welcome breath of fresh air in respect of the TT-Line operations.

Mr GRIPLAS - Thank you.

Mr DEAN - Reservations is the area that I wish to have a look at. How is the online service; is that picking up; are people using the online service for TT-Line? Is online booking having any impact?

Mr GRIPLAS - We measure our performance in two ways. One is above the line and the other is below the line. The below-the-line measures is our digital marketing. We have made a very concerted campaign not only in our digital advertising but targeting our particular demographic group that uses several sites. We see that the web site visitation tends to uplift every time we run a campaign. If you talk about proportions, just to give you an idea of how we have managed that traffic on a digital space, if we were to go back six months ago we were averaging maybe 19 per cent of sales on the reservations on the web; we are now hitting somewhere around 30 per cent to 35 per cent, depending on the campaigns. In some campaigns where we run Internet-only specials, obviously the uplift is much greater, but it is a critical tool, and I know you have visited our terminals. It is not uncommon for people to be sitting in their cars or in our

terminals with a laptop, wisely logging in to see what prices they can get and booking directly online. People are very Internet-IT-astute and we need to cater for them.

Mr DEAN - That brings me to my next question, because I think some of the information we were given was that staffing levels have remained somewhat similar. I would have thought with the online booking - and you have given a percentage now - that one would expect to see a drop in some of the staffing areas. Could you touch on that and tell us whether or not staff has increased in the TT-Line, including your call centre?

Mr GRIPLAS - To answer that question, what we really need to put into play is what we call Project Genesis. Currently we are upgrading our booking IT system and in fact next week we are reviewing our Internet booking platform in terms of looking at commercial providers. Our IT system and infrastructure is antiquated and we need to upgrade it. It is 10 to 12 years too old and we certainly need to get that up to platform. There have been no changes in terms of staffing -

Mr DEAN - Is there a cost there? What would be the cost of doing that?

Mr GRIPLAS - Over the implementation period of three years we are looking at about \$10 million.

CHAIR - Is there any provision for that now in your budget?

Mr GRIPLAS - Yes, there is.

CHAIR - How long will it take to implement?

Mr GRIPLAS - We are actually in the implementation phase at the moment. Project Genesis has had a dedicated full-time team, which is led by our CFO who is the key sponsor. Hopefully when the implementation phase commences, we should be at least complete by 1 May in terms of the booking system. The Internet booking platform will come on somewhat later than that, once we get that into line and focus. We also look very closely at best-practice examples overseas, like some Scandinavian companies where they can check in a vehicle and passenger in under 20 seconds. That is certainly the benchmark we are aiming at ourselves in terms of looking into the future, and we would like our IT technology to be up to date.

Mr DEAN - Can you touch on staffing levels? Are they increasing or decreasing? What is happening?

Mr GRIPLAS - At the moment, as we are in the implementation phase, we are really trying to assess what is going to happen in terms of the uptake in bookings. In terms of our call centre staff, could I say that one of the key competitive assets and advantages we have is our call centre staff. Once you flick over to web site bookings and see the proportion of that, the call centre staff are predominantly more help centre staff and they are a very key asset. The call centre numbers have remained steady over the last years, and in fact have been steadily held out there simply because we are wanting to see what this implementation phase would look like at the end of our implementation.

CHAIR - I want to touch on the fuel hedging decision that was made by the company. I am not sure if it was made at a board level or the CEO level, so whoever would like to take the question may do so.

Mr ROGERS - Well, it was certainly a board policy decision, and the context it was made in is that we were having a great deal of difficulty with the consistent increase in fuel prices. We were trying to get to the stage of making that consistent in terms of the component affecting ticket pricing, and the board decided that we should impose a fuel surcharge like the airlines. As the CEO said in his opening address, the price of fuel increased about 100 per cent in a 12-month period and we just could not control it and get a consistent ticket price, so we decided that perhaps our best way of attacking was to get some technical advice in. We brought specialists in on fuel hedging from KPMG; we could still see the escalating fuel price. None of us was aware that the global financial crisis was going to occur. If anyone in this room foresaw that, it would be very nice to hear that.

CHAIR - We probably would not be here working.

[10.30 a.m.]

Mr ROGERS - Exactly. But, irrespective of that, fuel hedging is and will remain an important part of our business. To explain that to you in detail, we will do the best we can because it is important to understand. We do not speculate; it is not a speculative decision. I would invite the CFO to speak about this because he was the one who led all the considerations and provided the working liaison with the specialist groups we brought in, and he and the CEO provided the recommendations to the board. The board also met those specialist people we brought in from the outside.

Mr STURGES - If I may, Chair, I present Chief Financial Officer, Mr Scott Hadley.

CHAIR - Welcome to the table, Scott. When there is only one fuel supplier, I believe - that is my information - why would you go down that path? We will be interested to hear why that has occurred.

Mr ROGERS - Yes. You need to get the full story.

Mr HADLEY - The fact that there is only one fuel supplier does not really have an impact on the price of fuel; it is set globally. We buy our fuel out of Singapore -

CHAIR - Through a Melbourne supplier?

Mr HADLEY - Yes.

CHAIR - The only supplier?

Mr HADLEY - Yes, the only supplier in Melbourne, but that price is set on the current spot price in the market so they charge us whatever the current global price is that week and just pass on the cost structure to us. So the fuel hedging is not to do with the fact that there is only one supplier, it is trying to get certainty over the price we are paying. You can hedge through that supplier or you can hedge through other account parties.

CHAIR - So you hedged, you took a punt and lost. What did it cost the company in real terms?

Mr GRIPLAS - We did not take a punt and lose; that was not part of the strategy at all. There is no punt in this. In fact, I also need to put some context around the fuel hedge so that we get a good sense of what it does. The bunker fuel accounts were 35 per cent of our operating costs, so in terms of running and operating a vessel, the minute you get any fluctuation or variation in the price of fuel, that affects dramatically the amount you are able to charge in terms of prices and also your end profitability. If you look at when we first entered into a fuel hedge transaction on 15 July, the price of oil was US\$145 per barrel, the US and Australian exchange rate was at 96 cents, and most experts were predicting the price of oil then was going to reach US\$200 per barrel of oil. So that was the context of the market you are dealing with, not with the supply issue.

After gaining external advice from KPMG and other advisers, we wanted to enter a fuel hedging strategy that gave us certainty over the price of one of our biggest costs. We wanted to enable our business to provide price certainty to both our passengers and freight customers. You may have noticed over this period that we have been discounting as well in terms of price so we have been able to provide some benefits there. There is better predicability in our cash flow so as to ensure our debt replacement strategy was not put into jeopardy at all.

In terms of looking at this issue as being a punt, it is not. I refer to the Auditor-General's report, which was tabled on 17 November in Parliament, where he was very clear. I can lead you to the certain parts; I have read his report several times. The Auditor-General looks at this as a very sound policy going forward in terms of the way we manage this. The reason we take away the speculation is that each quarter we top up in terms of the current price. We do not buy and sell or hedge, so it is a very consistent policy going forward. It is really interesting if you look at the price of oil, it is now creeping up and if you look at the average barrel price, it sometimes sneaks in around \$80. But there are already predictions now that it is going to break \$100 within the next three months, so we really need to get predicability around that and that is the philosophy, the practice and the accounting practice around it. In fact, the accounting practice has not only been signed off by our auditors but the Auditor-General saw some good merit in that process. That is where we are at the moment.

I really would like to dispel any issue of it being speculative or taking a punt. It is a very considered approach in terms of how we buy our fuel, which is a major cost component of our business.

CHAIR - Would not the opportunity to slow the ships down by 2 knots make a difference to the fuel consumption? For someone who unfortunately has not yet travelled on the *Spirit*, I am just thinking about if you slowed it down - because they tell me that it goes at about 20 knots, and that is pretty quick.

Mr GRIPLAS - Much quicker, by the way. We travel close to about 27 knots or 26 knots, which, if you look at conventional vessels and you compare it to a container freighter -

CHAIR - But you could not afford to go at that speed.

Mr GRIPLAS - No, but they will travel around 8 to 13 knots on average around the globe, so you sort of get the sense of the speed of the two.

In terms of fuel saving, we have looked at several ways to save fuel; it is not only by slowing the time or slowing it down. We also looked at issues of paint and propellers and how the

captains drive their vessels and whatever, and at the moment we are looking at the fuel efficiency of that. We are talking to the two manufacturers - being the paint and propeller manufacturers. We did constant studies and reports over that to see which is the best way to run it. We also look at other aspects of fuel efficiency savings, so we do not simply rely on hedge and think that we can spend it.

We are also very committed to our carbon footprint, our green emissions, and I hope to talk about that later on in the session. We have decreased our emissions footprint for several years in a row. There are far more, greater issues when we look at the fuel and in terms of how we save it. I look forward to you travelling on our vessel.

CHAIR - I am probably getting a little bit further ahead but obviously, you have not slowed down the ship then for the reasons that you have just spoken about. Is it to do mainly with the freight, because it obviously would not have to do with the passengers arriving at 6 a.m. in Melbourne?

Mr GRIPLAS -What we have done in terms of looking at the change in the times and the whole process there - and some members would have travelled on the vessel - the passengers get a later call to wake up than they previously did. The real issue for us in terms of changing those times and changing the discharge patterns was to get them off the vessel quickly. The target we set ourselves is 55 minutes for discharge and load, and we are hitting around the 30-minute mark; that is where we want to be in terms of getting them all off. There are other reasons that we have looked at in terms of our scheduling. It was not simply a freight issue, it was more of an issue of convenience for passengers so they could sleep longer in bed. In fact, when we put in our new changed timetable I travelled on the vessel and got up at five o'clock with our hotel managers - and it is really odd, if we had called at two in the morning we would have had people queuing at midnight. People just feel the sense.

I have travelled on the vessel. It is an exciting trip. My wife refuses to come into the car with me below deck as she gets claustrophobic, but it is quite an amazing event to travel through in a vehicle and to sea-travel, and then when you want to get off at the other end, a lot of the tourists just want to get out. They want to get out to Cradle Mountain, they want to get down to Launceston and they want to get down to, of all places -

Mr HALL - Quarantine.

Mr GRIPLAS - I will come to that - but they want to get to Christmas Hills and have their breakfast - so they really want to get off as quickly as they can because -

CHAIR - What about on the other side, though, because that is where the freight component is, going over to Victoria?

Mr GRIPLAS - In fact the way we discharge, we first discharge a small component of freight, which will then clear the passenger decks -

CHAIR - Which would be the perishables.

Mr GRIPLAS - That is right, and they would then be able to go out to several regional centres, so they can then head off to Tullamarine, the airport, they can then head off to some of their distribution centres around Altona and Laverton and that saves them a considerable amount

of time. So, by getting them in there that early, they save effectively an hour-and-a-half travel on Melbourne roads. I do not know if you have travelled on Melbourne roads, something happens after seven o'clock, it magically stops -

CHAIR - I have been out of Tasmania.

Mr GRIPLAS - No, but it magically stops in Victoria. By getting them out early they save that time. We have not received any complaints from passengers or about their freight. There was a bit of adjustment in the beginning but it is going well now.

Mr ROGERS - Have you heard enough on hedging? There is a lot more we can say on that.

CHAIR - I want to give other members an opportunity, so thank you. If we get some time at the end, we might like to go back there and explore it a bit further.

Mr FINCH - We did hear quite a bit about the change of schedule - 14 September was when you introduced the new times and schedule. It has been applauded in the tourism industry to take your peak season out by one month either end. That will create some better opportunities for people travelling. Does that bring on more daytime sailings? Is my understanding correct there?

Mr GRIPLAS - That is correct. We have a very strong philosophy, led by a very switched-on board in terms of where we want to see ourselves in the future. It is all about growth. If they ever crack the whip on us, it is when our numbers are not where they should be in the future. We have redesigned our pricing schedules and have gone out from three seasons to two, so we have peak and off-peak. The current changes to our schedule do extend our seasons. The number of sailings will go from 800 to 824, which pick on some additional day sailings over the period of January through to Easter. It sneaks into December but primarily it is around the January to Easter period. We are doing that for several reasons. Last financial year there was a collective madness in TT-Line to expand in a down market. We took a very conservative strategy that this was the time to grow and to not only get that volume but two other critical elements of our strategy were to ensure that the tourist operators remained in play, that we provided them with custom. At the end of the day there is no use travelling on the *Spirit of Tasmania* if you do not have an operator to accommodate, feed and entertain you. Secondly, in terms of our commitment to the freight market, we had those very clear strategies to grow both sectors. We wanted to grow market share, increase our capacity on the vessels and ensure that our vessel and schedule liability was spot-on so that we gave them that predictability. When we have our campaigns and sales, we know very clearly that when our figures start to increase, occupancy levels in the north and the north-west increase as well - I would even take credit for the east coast as well, and we are still working on Hobart - but we are certainly increasing the occupancy in those areas.

Mr FINCH - That new scheduling might have created problems for a couple of people - and I want to read some e-mails from them. Minister, I am happy to hand these over to you if you want to take them on and make explanations to these people and explain their situation. I am looking for an explanation of what might have occurred for these people and how that rescheduling and the way you do your freight and passengers might have impacted on them.

Mr STURGES - I will have a listen to what they are and then, if you care to pass them over and if there is any more information needed or work that needs to be done, we will have a look at it.

Mr FINCH - One e-mail says:

'When I came back from Qld last May I had to book 5 days later than I planned to travel. I was told that the boat was booked out completely up until then. I insisted on going on the waiting list because I wanted to get home earlier but was told no chance. I insisted on getting a waiting list reference number and even had to insist that they took my cell phone number so that they could ring me back if/when a cancellation came up. They obviously had no intention of doing anything.

To cut a long story short, I bulldozed my way onto the ferry. I was last car on, to find that on the deck that I was on there was one row completely empty. Enough space for about 30 more vehicles. I don't know about other decks but there may have been more space available there as well. I was told that there was a long waiting list. If that were the case then the ferry should have been full.'

[10.45 a.m.]

That is from Tony Leitch. This is from Robert Grubb:

'We rang TT Line on 12/9 to try and make a booking for 21/9. We were told that was not available, so had to book for the 20/9 (or else nothing was available until 28/9). They told us we had been given "the very last cabin available". Buck then got on the 'phone and tried to make a booking for the same night,' -

this is the second person -

'but was told he could only get on 22/9 (even that doesn't quite add up). He asked them to put him on a waiting list for 20/9 - but didn't hear anything more.

We met up with a young German couple at our caravan park in Melbourne, and they told us they wanted to come to Tasmania the next week, and would spend about 3 weeks here. We advised that the ship was very busy, so they had better try to book straight away. They did, and could not get a booking until 28/9 (at least a week's tourist revenue lost to Tasmania ...

On the night we sailed, Robert spoke with one of the staff on the car decks and he was told the boat was only 2/3 full (and we could see there was considerable space left). We also noted that there seemed to be quite a few unoccupied cabins the next morning.

Buck sailed two nights later, and he was told the boat was only half full!

So I am wondering how that confusion and that situation would occur between the clients, the booking and what was apparent to them when they were on the ship.

Mr STURGES - Madam Chair, just before the CEO responds, do these need to be tabled? We are happy to accept them. I would just like to confer with the Chair before a response is given. Bear in mind it is only the CEO's second appearance of course.

CHAIR - We will table them and we will provide a copy.

Mr ROGERS - My view on that is that we need to take those away -

Mr FINCH - That is why I checked with the people and whether they could be made available to you.

Mr ROGERS - I am grateful that you are making them available because that is the sort of information we need but it needs to be tested against our own records.

Mr FINCH - Yes, of course.

Mr ROGERS - Often one's perception of a half-empty ship or a half-full ship is different than what the reality is. So thank you for it; let us take it away and let us respond.

Mr FINCH - Okay.

CHAIR - Thank you.

Mr STURGES - So now they have been tabled, how will they be provided to us?

CHAIR - We will provide a copy to you.

Mr STURGES - They will come through my office? I need to understand how we are going to deal with this now because the Chairman and CEO have said they will respond. I just want to know how we will get them. Will they come through my office, Madam Chair?

CHAIR - Madam Secretary has indicated we will be able to get some copies so they now belong to you.

Mr STURGES - Okay, thank you.

Mr GAFFNEY - I am looking at the marketing. I have seen the report from TT-Line. The Tasmanian Government discontinued a contribution to marketing in 2008-09. In 2007-08 the company received \$2.394 million. What, if any, were the identified flow-on effects of the reduction in the government funding to the marketing budget after that financial year?

Mr STURGES - You are talking about the Government providing direct funding to TT-Line for tourism marketing?

Mr GAFFNEY - Yes, this comes from the TT-Line Company and it says the Government discontinued contribution to marketing in the order of \$2.394 million. I am not overly fussed why that decision was made, I am more worried about how -

Mr ROGERS - What the impact was?

Mr GAFFNEY - Yes, what the impact was and how you handled it within the budget you have.

Mr STURGES - If I may, Madam Chairman, just as an overview, that was a one-off election commitment provided by the Government to allocate that amount of money, so I need to have that on the record. I think I will let the Chairman and the CEO respond and if necessary I will provide supplementary -

CHAIR - Was that when the sale of *Spirit III* took place?

Mr STURGES - No, it was a 2006 election commitment, wasn't it?

Mr HILL - I'm not crystal clear about it but it was associated with the sale of *Spirit of Tasmania III* as part of the package that was developed to provide marketing to increase -

CHAIR - I am not here to help you but I just recall that -

Mr STURGES - No, no.

Mr HILL - passenger numbers as a result of the sale and the closing of our operation in Sydney.

Mr STURGES - My recollection is, and I am happy to go away and get some further information, that it certainly was surrounding the sale of *Spirit of Tasmania III* and it was a one-off funding contribution made by government. I am clear on that so now I will get the Chairman and CEO to let you know what level of impact -

Mr GAFFNEY - I could reword that. It was good to see that you received \$2.39 million as a one-off.

Laughter.

Mr GAFFNEY - How did that affect the market and what did you do after that to take up that shortfall in the marketing budget?

Mr ROGERS - It had a serious impact because we had to change our whole marketing strategy. We knew there was a limited level of funding available from within our own resources so the board, through the management team, decided that we would have to embark on a totally new promotional campaign. If you notice now on TT-Line ads you do not see destination advertising, you see what the CEO calls retail promotion. We have to rely on someone else, like tourism, to provide destination advertising, whereas we were doing that quite extensively because we felt there was a responsibility to do that.

We cannot afford it now - that is the simple truth. Having said that, we have now found that the retail advertising has been very successful and that is where I should invite Charles to respond to that because it has been a success, but that is the difference. You don't see Cradle Mountain now in our ads, you don't see the Freycinet, you don't see the Tamar Valley, you don't see Port Arthur in any of our advertisements now - that is the difference.

Mr STURGES - If I may, before Charles provides further information, it should also be noted that both myself and the other shareholder, the Treasurer, have written to the company saying that we do not require a dividend. We acknowledge that they need to develop an

investment strategy, we acknowledge also that advertising is a fundamental, very important requirement of running the business.

Mr GRIPLAS - At that time we really had to sharpen our thinking and our pencils in terms of how we then go out and capture an increase in our market and our marketing share. We have changed the campaigns. You will notice now that our campaigns are monthly. In fact, they run for a period of anywhere from three to six weeks, depending on what our targets are to achieve in that. We have also changed the way we apply to digital marketing. We also changed the way that we have appeared in our marketing in the press but also we have had to sharpen very clearly the view of how we target our demographic group and our geographical spread. We previously would have advertised quite consistently over several States on the mainland. We are now targeting the regional areas of those States that we know can feed into our core constituents who could hitch up a caravan and travel along.

Marketing has changed, as the chairman noted, away from the brand destination marketing more to a retail promotional focus.

Mr GAFFNEY - In April there was a tender that went out for marketing for quite a significant sum. That was as a result of those deliberations?

Mr GRIPLAS - That is correct.

Mr GAFFNEY - And that will last for the next -

Mr GRIPLAS - Three years.

Mr GAFFNEY - Okay. Does any of the marketing entice freight strategies? Is any of your marketing geared towards the freight?

Mr GRIPLAS - No.

Mr GAFFNEY - It is mainly passengers -

Mr GRIPLAS - The marketing is for the passenger end.

Mr GAFFNEY - Okay, thank you.

Mr WING - For quite a period of time, newspaper advertising focused on David Boon and then another gentleman appeared - I wasn't ever able to find out who he was. I didn't know why he was being used in Tasmania but yesterday we were told at a briefing it was a gentleman by the name of Cox who is apparently well known in Victoria.

I asked people constantly if they know who this person was. Nobody knew him. I am wondering why he was used for advertising when he was not well known in Tasmania rather than having somebody - I am not suggesting David Boon necessarily for any longer period than he was used - but why was somebody who is well known in Tasmania not used?

Mr GRIPLAS - We no longer use Coxy, but to give you the context of why that decision was made to use Coxy, if you look at our passenger travel, the proportion of mainland to Tasmania or Tasmanian residents to mainland residents, over the year it is around 70:30 - 70 per

cent from the mainland and 30 per cent from Tasmania. Of that 70 per cent, about 35 per cent of that comes from Victoria. Coxy has a program called *Coxy's Great Escape*, and he is a well-known, well-respected travel journalist. He also appealed very clearly to our demographic group, the people in the 40 to 60 range in terms of age, in terms of being at the retired stage, family, and so on, so he worked quite well in that demographic group market, which is why we used Coxy up to that point.

When we run special campaigns, for instance, that 70:30 proportion changes to 85:15, with 85 per cent from the mainland and 15 per cent from Tasmania. I was not around at the time when Coxy was chosen but if that is the rationale I have been told about, it makes sense to have used him as a mascot. There was also another character they used, a very short individual called Charles Griplas, who advertised some commercials for competitions.

Mr STURGES - Somebody thought he was Danny DeVito.

Laughter.

Mr GRIPLAS - Yes, the Chairman can tell you that he has destroyed my reputation in the market now. I am no longer up for any other jobs in the commercial world, so I am stuck being the CEO, Chairman, sorry. You have destroyed my career there.

In terms of using mascots, we will only use mascots going forward if they appeal to our demographic group, and if they increase sales.

Mr WING - I can understand, for all the reasons you have given, why he was used in the Victorian media, but not in Tasmania, even though the percentage of people travelling on the *Spirits* is less here than in Victoria. It is quite understandable that he was used high profile Victoria, but why was he used in the Tasmanian ads?

Mr ROGERS - It was cost of production; that is the simple reason. We were limited in our funding and we could see that we needed to get a massive increase, particularly in our Victorian market. For us to have then selected a Tasmanian identity and run another lot of production runs for those advertisements was beyond our reach.

Mr WING - To set up just the copy for an advertisement to use repeatedly -

Mr ROGERS - In the newspaper, you are talking about?

Mr WING - I am talking about newspaper only.

Mr GRIPLAS - Right. I wish I had more history there, Mr Wing, but I am not sure.

Mr WING - I understand you were not here then. I just saw it as being a bit unusual, but thank you anyway.

CHAIR - Thank you. We are going to move on now to safety and technical aspects of the report.

Mr FINCH - We had some discussion looking at future timetables for replacing the present *Spirits of Tasmania*. Could I get some idea of what issues of maintenance and replacement of

parts, particularly engines, need to be addressed between now and perhaps 2017? I believe that is the time when the present *Spirits* may be considered for replacement.

Mr GRIPLAS - It is not to do simply with vessel replacement, it is more to do with the safety and integrity of the vessel. We take that responsibility very seriously, which is why we have a very active maintenance campaign and put our vessels into dry dock every second year. We have a very extensive campaign where on a monthly and weekly basis we continually assess any of the technical or mechanical components of the vessel, and they are very clearly addressed.

On top of that, we are also audited by two external agencies: by ABS, which is a certification agency for any repair work that we do on the vessel; and by AMSA, the Australian Maritime Safety Authority, that come on board and test the occupational health and safety of the vessel. So on every aspect we deal with safety in a very clear and open manner. Safety is also reported directly to the board through our designated person ashore, who is the head of our marine operations. He sends a report to the board on a monthly basis, and outside of the month, if it is required. That report is not interfered with by anyone in management; it gets sent up unadulterated to the board where there are any considerations made, and they are quite extensive in terms of where our maintenance schedules are, the safety issues, and so on, and they are addressed. So we do it for other reasons than simply maintaining the vessels for 2017, but that helps as well.

[11.00 a.m.]

Mr FINCH - Freight, of course, is a very important part of the TT-Line service. With the long-term predictions, will freight be even more important and will that freight component be considered in future vessel design? Is there an expectation now that you will need a vessel with a bigger capacity for freight, the same capacity for cars at this stage? Do you have a sense of that at this time?

Mr GRIPLAS - You know, it's really odd. I accidentally ran into one of our bankers at the airport -

Mr FINCH - With your car?

Laughter.

Mr GRIPLAS - We were quite disgusted at the service we got at the airport, but anyway, that is another commercial carrier.

CHAIR - You should be travelling on the ship!

Mr GRIPLAS - I know. In terms of looking at future forecasts it is very hard to predict anything going forward so trying to look at the economic environment and where it will be in two or three or five years time is a very difficult thing to forecast. Passengers and freight are both equally important to us and are a critical component to our business. But we have no idea where that would be in one year; we do not even know where the passenger market will be in April next year let alone the freight market by the end of December. So in terms of looking at any forecast going forward it is very hard to tell but we certainly work within the parameters that we have.

Mr ROGERS - There are no plans by the board to phase out either passengers or freight.

Mr FINCH - Okay, so maintaining current levels - is that the aim?

Mr ROGERS - No, we want the business to grow. The board's policy is, because the shareholders have instructed us, that we are to be a commercial organisation and, like all commercial organisations, the expectation will be that the business will grow. Our two main functions of business are freight and passengers and we will be looking at both those areas to grow.

Mr FINCH - Could I come back again to the extra scheduling and the daytime sailings that the flexibility of having two ships allows you, is that a way to increase the business for TT-Line and can that be maintained in light of safety concerns, or maintenance or the longevity of the ships?

Mr ROGERS - There is no evidence to date to suggest that it cannot be. As the CEO has just indicated, we have extensive maintenance programs, including the dry dock procedure, which is quite expensive. There is no evidence to suggest that will not happen. As a matter of fact, when I put the proposition to the shareholders that 2017 looked a date to aim for, my considered recommendation was that this will cost us more in terms of maintaining the vessels to get them through to that time. There is no thought about not being able to cope with those situations. The daylight sailings will be beneficial under the new Genesis booking system as well; that will create an opportunity for us. But to put it in a concise form again, our intention is to grow the business in both forms of our trade.

Mr STURGES - The maintenance program of the company is absolutely significant. I do not know if the member would like some information in relation to some of the maintenance upgrades that have been undertaken. In fact, I had the pleasure of going up to Sydney when one of the *Spirits* was in dry dock to have a look at what was going on, on the bridge, the other work that was happening below deck, work that was happening in the passenger amenity area and what have you. It is all about ensuring that we keep the ships properly maintained to attract growth in the business. The CEO might want to explain to you about what has happened below deck as far as extra capacity for freight is concerned. I have been up there and had a look at the loading arrangements of an evening and it is pretty spectacular to see how efficiently it operates and the capacity that they have.

CHAIR - We did know you had been up to visit, Minister; we did hear.

Mr STURGES - On more than one occasion, Madam Chair.

Laughter.

Mr FINCH - I want to talk more about the daytime sailings. It is a different style of travel and opportunity for tourists in particular, requiring different treatment of them, because the ones who come over on the normal sailing sleep overnight and the ones who come during the day have to be entertained. They are on the ship for between seven and nine hours.

Mr GRIPLAS - Yes, and we do have quite an extensive entertainment program for day travellers. In fact we use a local Tasmanian company called Creature Tales. So for the kids, you will have face painters and magicians. For the adults, you will have storytelling around Tasmania and its heritage and you will have performers on decks 9 and 10. We have also undertaken some refurbishment of decks 9 and 10 to put in some climate control and improve the access areas

around the bars. In terms of the day sailings, you are correct, they do need a different focus from sleeping in a cabin. Decks 7, 9 and 10 will now become those areas for us. We have undertaken a refurbishment of those areas with new screens, bar facilities et cetera to keep them entertained and to create entertainment options far beyond what you would get on deck 7, for instance, for a night sailing.

Mr FINCH - Is it going to be difficult or is it accepted by the travelling public that the daytime sailings are a good option?

Mr GRIPLAS - Looking at the uptake, yes, it suits both segments. You tend to find that some travellers would go over on the day and come back on the night, or in the night and then the day. They will alternate between the two. But day sailings are very good. In fact, in terms of the uptake, they are quite popular.

Mr FINCH - With the new scheduling now, do you have day sailings there locked in on a regular basis on a schedule?

Mr GRIPLAS - Yes, we have and information on those days of travel is available on our web site. Those double sailings that we referred to will occur on a Thursday, Friday, Sunday and Monday. So, you can pick them up. You are starting to see as well a trend that people just want to leave work on a Friday, take off and then come back in the middle of the following week, so they get that weekend in between. So we are catering for that end of the market as well. We just do not create the essentials because it suits our marine operations; we create them because there is a market demand for them.

Mr FINCH - Do freight shifters like the idea of the daytime sailings as well?

Mr GRIPLAS - They are a bit harder to move. They prefer the night-time sailings because they fit in with their supply chain. But we believe if we provide them with an alternative and a product offering for the day, they can then shift the less time-sensitive cargo during the day, as opposed to during the night.

Mr FINCH - In previous years we have looked at risk management in our GBEs and the Auditor-General was critical some years ago on this subject. Are you confident that the present risk assessment system is in place and functioning well?

Mr GRIPLAS - We have quite an extensive risk management system that is audited by KPMG on an annual basis. The basis of that report then sits with management; we would workshop those risks and develop contingency plans around that. That is then presented and discussed and signed off by the Audit Committee and by the board subject to their recommendation. Risk management is quite extensive and we take every aspect of those matters seriously.

Mr FINCH - Thanks very much.

Dr GOODWIN - My area to cover is, broadly speaking, hotel services but I would not mind touching on a couple of other areas as well. But to start with, can I say how much I enjoyed my *Spirit* experience. I travelled from Melbourne to Hobart with Mr Finch, Mr Dean and Mrs McLeod, and I was very pleasantly surprised by how much I enjoyed it. I was a bit concerned that it might be a bit rough but it was as calm as anything. I would like to acknowledge

your Customer Relations Manager, Josie, and also Kevin Maynard for really contributing to our experience and giving us lots of information about what happens on board.

CHAIR - I think we had better correct the record, that you travelled into Devonport, not Hobart.

Dr GOODWIN - Did I say Hobart?

CHAIR - Yes, I know you are Hobart-centric -

Dr GOODWIN - Everything revolves around Hobart. But it was definitely Devonport. But I really did enjoy it. I thought the food in your restaurant was excellent and the service was terrific. I like what you are doing on the upper deck, covering it in and improving the facilities there. I would quite like to do a daytime crossing because I think the scenery is just magnificent and there is a lot to be gained from that. I was impressed with your cinema and all those facilities for kids and things as well. So I thought it was terrific.

Mr STURGES - However?

Dr GOODWIN - No, there is not really a 'however'. I would like to ask you a question about your restaurant -

Mr STURGES - Just before you do, if I may, Madam Chair - just so that the hounds do not get a running out there in relation to the slight faux pas of the member, the Government is committed to maintaining Devonport as the headquarters for TT-Line.

CHAIR - And you do not want to announce that there is a sailing into Hobart scheduled?

Mr STURGES - No, just putting that on the record. I am aware that sometimes the hounds can get running out of these hearings.

Mr WING - So, the Liberal Party is probably similarly committed?

Mr STURGES - I am not going to verbal the honourable member.

Laughter.

Dr GOODWIN - I am very sorry about the reference to Hobart. I want to ask you about the restaurant and to what extent you showcase Tasmanian produce. What are your selection processes around Tasmanian wines, because this did crop up as an issue from one of our stakeholder meetings? Can you take me through that process a bit?

Mr GRIPLAS - To give you a context around your food and beverage purchases, of our food in our restaurant 92 per cent is purchased in Tasmania and all beverages are purchased in Tasmania. Having said that, as you will note, I once spoke to the Manager of Hotel Services, we have a 'Think Tasmania' buying initiative where you think about what you can buy in Tasmania first before you go elsewhere. I kept saying, 'Can we get close to 100 per cent?' and his response was, 'The minute we have pineapple and banana plantations in Tasmania, I will ensure you have 100 per cent'. We also need to cater for the palate of our travellers who may want a shiraz or a cabernet savignon from another region, so we need to cater for that on our menu list. As you

know through travel in terms of the staff on board, we are very proud Tasmanians and proud ambassadors of what Tasmania produces and we love to showcase that. Josh Sutton, who was the Young Achiever Award winner, is a local chef in Devonport out of Essence and we are working with him to look at chef-inspired menus for our bistro as well, so that we get more of that Tasmanian flavour. We do as much as we can to ensure that occurs.

Dr GOODWIN - To clarify that further, how do our Tasmanian wine producers get their wines in your restaurant?

Mr GRIPLAS - That is something I will need to take on notice. I will need to talk to the purchasing guys about that.

Dr GOODWIN - As to the Edgewater hotel that TT-Line owns, what are your occupancy rates?

Mr GRIPLAS - We need to put the Edgewater into context as well. We never really planned to be in the motor inn industry. That was initially purchased because we needed crew quarters for our crew. We had put in an application several years ago to build crew quarters near the terminal but apparently we did not get council approval for that. The Edgewater was then up for sale and it proved convenient for us to purchase and to provide crew quarters. Crew represents a major portion of the occupancy; we would average around 60-70 per cent occupancy, if I were to average it out during the year. The Edgewater only represents about 1.5 per cent of our revenue, so that just gives you the proportion of scale in terms of the business.

Dr GOODWIN - One of our members was aware of a complaint about the food in the restaurant on board -

Mr FINCH - *The Weekend Australian*.

Dr GOODWIN - Yes, apparently it was quite a negative article and I am concerned, after having experienced such excellent food on board, about the impacts this negative article in the *Australian* may have. Do you have any plans to try to address that article?

Mr ROGERS - That matter was referred to me and we take it very seriously, although I must say that none of what was reported in that article was confirmed in any shape or form by our customer satisfaction surveys. Nevertheless, despite that, we have appointed a new hotel services manager and I already know the CEO and the new hotel services manager have already talked about it. He starts with us on 4 January so that is already high on their agenda, but I repeat that none of our customer satisfaction surveys confirm what the food writer wrote. It is not to say he is wrong and I am not saying that we should not take it seriously, as we have, but it is one of those things that we will look at.

[11.15 a.m.]

Mr STURGES - What did you guys think of the food? I am serious because I have talked about it, too, with the Chairman and the CEO, and naturally from a government perspective we are concerned.

Mr DEAN - It was well presented and the staff were absolutely wonderful.

Mr FINCH - I did have an e-mail from somebody I saw on the boat that night and I asked them to send me some information. 'Sue's meal in the Seasons Restaurant - the spatchcock was dry and overcooked. Greg's meal - he was happy with the Mediterranean lamb. The dessert of Tasmanian berry icecream was lovely' so I suppose that balances out. It is very difficult to get every meal and every course right but I thought that the environment in which we had our meal in the restaurant was outstanding, and the service was very, very good. That situation I am talking about could happen anywhere, according to the vagaries of their own taste and what they expect of a meal.

Mr ROGERS - Quite right.

Dr GOODWIN - Mr Dean, you had the spatchcock.

CHAIR - I will remind members that it is a question and answer session.

Mr DEAN - Just on the Tasmanian wines, whereabouts are they purchased from? How do you go about purchasing the Tasmanian wines? Do you target just some of the wineries or is there a conglomerate somehow that you source your Tasmanian wines from?

Mr GRIPLAS - As I said earlier to the honourable member, I will have to take that on notice and I will report back to you.

CHAIR - We will make a note of that.

Mr STURGES - Madam Chair, I assume these questions on notice will be forwarded to my office and we will in turn respond back to the committee Chair.

CHAIR - It has been the process in the past and we will continue that.

Just following on from the Tasmanian wine scenario, we also had representation from our stakeholder meetings where we go around the State and engage with people about their experiences with particular GBEs that we are looking at. We were fortunate to have Gilbert Sellars from the Launceston Tamar Valley Tourism Association come and present and he talked about an initiative that they put forward a few years ago, to provide a brochure about their particular area on the ship. The idea was turned down at the time and I am just wondering, Minister, as a new minister for this area, whether you would be amenable to looking at that scenario again?

Mr STURGES - Madam Chair, I do not micromanage the business, and I do not say that to you in a flippant, facetious or disrespectful way. My job is to ensure that the board comply with government requirements and that they comply with the Corporations Act and all the commercial requirements of running a business. Certainly from a government perspective we would never knock back looking at any tourism promotion that was provided to us but I also recognise the role of the board in making decisions in relation to what sort of literature is provided on the ship. In answer to your question, yes, I would certainly have a look at it but in a process of dealing with the Chairman and his board and the management team at TT-Line.

CHAIR - Our understanding is that because of the union representation on the ship they were not able to place any information into people's rooms and therefore -

Mr ROGERS - Let us answer the question and we will tell you why that situation is. Who raised the question?

CHAIR - I raised the question.

Mr GRIPLAS - Currently on board we have a franchisee called the Tourism Exchange Bureau which honourable members who have travelled on the vessel would have noted; they hand out brochures et cetera. As part of the franchise agreement we have with them the brochures to be distributed need to go via them so our hands are tied somewhat in what brochures we can hand out and provide on board.

CHAIR - So if an organisation wanted to get a brochure on board they would need to go through that?

Mr GRIPLAS - They would have to have discussions.

CHAIR - Do they contact the TT-Line or do they contact the Tourism Association?

Mr GRIPLAS - We are happy to take their inquiry and forward it to the Exchange Bureau on board.

CHAIR - Thank you.

Mr GAFFNEY - I am interested in events management and when big events come to Tasmania how they affect the TT-Line. A good example was the recent HOG Rally - Harley Owners Group. We heard lots of good comments and feedback from a lot of the riders about how well received they were on the TT-Line. So that is good.

I was wondering what criteria you have and what your relationship is with Events Tasmania when there is a group that is coming over for special concessions or rates or whatever to enable them to come to Tasmania. Do you actively market those sorts of concessions? How do you handle that?

Mr GRIPLAS - We work very closely with the tourism authorities and organisations in Tasmania. For instance, to give you some background on the HOG Rally, that was something where we worked very closely with the Tasmanian Convention Bureau who would then have contacted Launceston and looked at their convention facilities et cetera; we worked in very closely with that. We have a special events section in our sales department that actively targets big events that we can bring in and we work in very closely with Tourism Tasmania.

For instance, the Moscow Circus will soon be arriving in Tasmania and we are treating that as a special event. We are happy to talk to anyone who wants to provide special events. You will notice that we also have the Rally Tasmania and we were a key sponsor of that. We actively engage to build up our passenger numbers and we work in very closely with the other organisations.

Mr GAFFNEY - That's good because we did have one representation who were part of our bream fishing competition down the east coast. There are certain peculiarities about their vehicles and their boats and concessions. We should let those people know that they need to talk to the management about their issues because there are some inequities there because of the freight

equalisation and the concessions they get for car and caravan as compared to a car and a boat. I think that needs to be discussed so we might go back to that group and ask them to contact you because it is a big competition and it was an issue that was raised with us.

Mr GRIPLAS - I need to get further information on this. We are a key sponsor of the *Spirit of Tasmania* fishing tournaments that occur in Tasmania so we also give special concessions for not only the participants of that but anyone who can declare that they are turning up for the event. I really need to get more information on who these people are.

Mr STURGES - Also, just for the honourable member's benefit, our Freight Equalisation Scheme does not apply; it's the passenger vehicles -

Mr GRIPLAS - The Bass Strait Passenger Vehicle Equalisation Scheme.

Mr DEAN - On that point, the position was that we had a four-wheel drive with a tandem caravan and we were told that the cost of getting that across was about \$600; this goes to the freight equalisation. There was a four-wheel drive and a small vessel behind that vehicle and we were told that it would cost I think \$1 800 to get that vehicle and that vessel across on the *Spirit*.

Is there any chance of going back to the Federal Government to look at these issues in relation to the freight equalisation? What opportunities are there for the State Government in that regard? It is now a very popular event for mainlanders to come across here for fishing competitions.

Mr STURGES - I do not want to give the honourable member the false expectation that I can just go and knock on Mr Albanese's or Prime Minister Rudd's door and have this matter resolved. There is always opportunity for us to raise matters with the Federal Government and if the honourable member believes that this matter needs to be redressed then I would welcome being provided with representation from you that in turn I could refer to my Federal colleagues. I cannot indicate what the response will be but we are regularly in contact with the Federal Government over a range of matters in this State. If the honourable member would care to make representation -

Mr DEAN - I will do that because it was also raised by Tourism in Melbourne that there are such opportunities in Tasmania and that people now want to attend, and to take their own equipment, their own boats et cetera.

Mr FINCH - Understandable.

Mr DEAN - It is an area that they say we ought to be looking at and considering.

Mr STURGES - Might I say to the member that any opportunity I get to obtain funds from the Federal Government I will take.

Mr DEAN - Good on you.

Mr STURGES - So I look forward to receiving that representation from your office.

Mr FINCH - Yes, these were particularly fishers who come for bream fishing. That was the report that we heard, and they would like to bring their own gear but it is just too prohibitive cost-wise to use the TT-Line and bring their own gear, so subsequently they do not come to Tasmania.

Mr STURGES - I understand and I would be more than prepared to make representation, without giving false expectation that it is going to be an easy one to win, but I am always happy to knock on the door of my Federal colleagues for dollars.

Mr FINCH - Thanks.

CHAIR - Before we move on, I just want to set the record straight. I did use a stakeholder's name earlier, but I want to add that that stakeholder was also very complimentary of the TT-Line and of the 80 members of that organisation. Only 30 put forward any issues at all, so that is a pretty good reflection of what the TT-Line is doing for tourism and that organisation.

Mr FINCH - Madam Chair, he also made the point that he had a lot of reports about people phoning in to TT-Line and he thought that the staff were very good and exceptional for their knowledge and their responses to requests. He is somebody involved in the tourism industry.

Mr GRIPLAS - They are great ambassadors for Tasmania. Can I say I am very proud of our staff - they are brilliant.

CHAIR - I just wanted to clear that up.

Mr DEAN - Except for the one who came onto me for setting the fire alarm off. I set the fire alarm off inadvertently. I had a shower with the door open and the next minute -

Mr STURGES - The cabin door or the shower door?

Laughter.

Mr DEAN - The shower door - and the next minute I heard this banging on my door and I was very quickly and abruptly told that I had set the alarm off in the ship. I should have kept my door shut.

CHAIR - Some could say that is more than adequate information.

Laughter.

Mr WING - I would like to ask about the policy as far as buying supplies is concerned and having laundry done. Is there any emphasis, as these are State-owned vessels, on purchasing from Tasmania in the main? I realise that the bulk of your passengers come from the mainland States, particularly Victoria, but as the company is funded and managed solely from Tasmania, is any preference given to Tasmanian clients?

Mr STURGES - Just before the CEO responds to the member, with the Chair's indulgence, again I do not have the figures in my head, but the refurbishments that were undertaken on the *Spirit* involved a lot of Tasmanian companies and small businesses. We could give you a quick snapshot -

Mr WING - I would be interested in anything like that.

Mr STURGES - Yes, and then include matters of purchasing - linen, towels, et cetera - so we could do that.

Mr WING - Yes, thank you.

Mr STURGES - I know that the CEO has a far better recollection of all this than I.

CHAIR - Is this Scott's area of expertise?

Mr STURGES - I reckon the CEO could tell you too. I have heard the CEO in action, so can we hit the 'play' button for the CEO? This is a good-news story.

Mr GRIPLAS - I am not sure about the bed and linen in terms of the process we have gone about to purchase that, but to give you an idea -

Mr WING - And the laundering.

Mr STURGES - And the refurbishment to the ships.

Mr GRIPLAS - Yes, all the laundry is done in Tasmania but in terms of the refurbishment, the carpet is always purchased from local Tasmanian manufacturer Tascot in Devonport; Taylor Brothers do a lot of the maintenance work on board for us; and even the leather upholstery on board is done by a Devonport local. When we hand out our Christmas hampers to our staff, they are all sourced locally from Devonport manufacturers and producers. In fact, we support quite a viable small cottage industry there in terms of the orders we put through.

It always is a key criterion when we assess anything we purchase. We always assess what we can purchase in Tasmania but there are some inherent problems in that, simply in terms of the volume we require. The level of delivery that we require sometimes rules out some of the local smaller producers, but that does not necessarily mean we exclude them. We sit there and work with them quite actively to see how we can build their production levels up to meeting the volume and scheduling requirements that we need, but we always give preference to Tasmania.

[11.30 a.m.]

Mr WING - That is good. You have spoken in complimentary terms about staff. I know that quite some years back there were problems because the unions were wanting unreasonable conditions and that was making the fares more costly. What is the relationship between TT-Line and the unions now and are there any problems such as the ones that were experienced a decade or so ago?

Mr GRIPLAS - We have very active engagement with our staff. When I first arrived in the organisation the first thing I wanted to do was to open up dialogue and have a conversation with staff. I often remarked that whenever I walked into a room, people would take five steps back from me - or maybe it was my personal odour, I do not know.

Laughter.

Mr ROGERS - No, they thought they were meeting Danny DeVito.

Laughter.

Mr GRIPLAS - Anyway, they would always take five steps back and I could not discern a conversation in the organisation; I could not get a sense of what the ethos and culture was in the organisation. We then put in place an employee opinion survey and last year it was quite scathing and we did not rank too well at all in the minds of our staff. We have actively engaged in providing continuous feedback in terms of how we are travelling and our campaigns. Our Intranet has been update in terms of all of our policies. We have been very active in terms of becoming very transparent to staff.

We have also commissioned staff to develop our values program and our values system. Staff, who at that point were from both sea and shore, put together a very comprehensive values system which we adopted unadulterated. We did not amend it. We said, 'If this is the way the staff feel in terms of what values we should have to go forward, we will put that into play', which was subsequently endorsed by the board and the executive management team. As you probably noticed on some of the staff's lanyards, they also developed the value system.

As part of that whole process we employed a general manger of human resources, John McGrath, who joined the executive team, and we then started to look at a 'TT for Me' program, so we could have that constant engagement and conversation with staff in terms of providing that feedback, be it about performance, corporate values or objectives we need to meet.

I like to think, and I continually raise with our staff, that it is a five-year process and a five-year engagement in terms of getting us to the level that we want to be at. But, as you can see onboard - and I notice that some members travelled last week - overall corporate morale has already started to pick up, so it is working very positively in that respect.

CHAIR - Were the members identified to the staff, just out of curiosity?

Mr GRIPLAS - We had two people who escorted them onboard, Josie McGuire and Kevin Maynard. So they would have come onboard.

Mr WING - What were some of the problems staff had that were corrected by the process you have just described?

Mr GRIPLAS - I think the issues raised were around general morale issues about communication and direction - the sorts of issues and concerns that would come out in any organisation. We have just undertaken a follow-up employee opinion survey. The results are currently being collated and we will report that to the board in December.

Mr WING - How many staff are based in Tasmania and how many in Victoria?

Mr GRIPLAS - They are predominantly in Tasmania but I do not have that split for you here.

CHAIR - We would be happy to take it on notice.

Mr GRIPLAS - I just thought our CFO would have rattled that off very quickly. I am quite disappointed in him.

Laughter.

Mr GRIPLAS - In terms of Tasmania and the mainland, of our shore staff, 193 are based Tasmania and 57 elsewhere - on the mainland - and in terms of our ship staff, 173 are based in Tasmania and 125 elsewhere, so if you add the two together the majority of them are Tasmanian based.

Mr WING - Thank you, that is good to hear.

CHAIR - On the matter of the berthing wharf at Devonport, I want to know about the standard of facilities there and the relationship between TT-Line and TasPorts. Obviously the minister's relationship with the minister of that GBE will be excellent but I am wondering about the relationship with TasPorts and what work, if any, is required at the wharf.

Mr ROGERS - I think Charles should answer that question because he has been actively involved in the detail.

Mr GRIPLAS - We have a very good relationship with TasPorts. We are one of their principal customers so we have developed a very close relationship there. At Devonport we have had some dredging done because of build-up of silt and sand around our berth. We are continually talking to them about our terminal upgrades and the walkway upgrades et cetera so we have a very active engagement there. TasPorts have operated to a satisfactory level for us. There are no issues.

CHAIR - But what about future maintenance?

Mr GRIPLAS - As we do at the Port of Melbourne, we engage in an active discussion of what they do there. There are no key issues that come to mind in terms of TasPorts not taking seriously the berthing the vessels.

CHAIR - So there is no identified maintenance program or future development that might need to occur that will enhance the experience of boarding on and off at the East Devonport site?

Mr GRIPLAS - In Devonport we have a covered walkway that we have beautified. That was an area of complaint, not only by our staff but by travellers as well.

TT-Line have undertaken that refurbishment because it is on our end of the lease and it is something that we need to maintain. There have also been some upgrades of the terminal building itself.

CHAIR - Can you tell the committee how much it costs to use that port per annum?

Mr ROGERS - No, sorry, because we have competitors that use the same port.

Mr GRIPLAS - That's commercial in confidence.

Mr GAFFNEY - Through you, Madam Chair - I am just wondering then, and you may not be able to answer, how do the costs you pay in Tasmania compare to the berthing costs that you would have in Melbourne? I think the committee would like to know if what we pay in berthing

in Devonport is similar to the costs in Port Melbourne. You can take that on notice to get back to us. If it is in confidence I understand that, but I would be interested to know.

CHAIR - The committee has the ability to take that information in camera.

Mr STURGES - Can I just confer on that, Chair?

Mr ROGERS - We operate in a highly competitive environment and we are sensitive about being open on commercial-in-confidence matters. We would need to take the question on board and deal with it. The best we could do is deal with it in camera but I would like no record of it whatsoever.

Mr DEAN - You could say that it is greater in Devonport than it is in Melbourne.

Mr ROGERS - No, I do not think that we will because if we disclose that publicly there are our competitors who know what they pay.

Mr STURGES - If I could, Madam Chair, as the minister I can advise you that we will provide you with open and frank answers. Quite rightly, the honourable member has asked the question but we would request that the forum in which we provide it is in camera and that it is held in confidence, given the highly competitive nature of the business in which TT-Line operates. We will oblige the honourable member and provide information if we can be assured that the matter is given in camera and held in the strictest of confidence.

CHAIR - I can assure you that this committee takes anything that is held in camera in a very serious light and you have my word and I am sure that I do not need to speak on behalf of other honourable members at this table.

We will have a discussion at the end of this and we will make a decision and then we will make some contact. Thank you, Minister.

Mr DEAN - I do not think it will help us if it is given in confidence, but -

Mr STURGES - No. It is just that we need to protect the commercial nature of the business, but having said that I am also very much aware of the nature of this scrutiny committee and the need to provide frank and open information to the committee, so we will do that on that basis, Madam Chair.

CHAIR - I guess my next question is are there any discussions about potential future increases? That is nothing to do with specific numbers, but it obviously is going to impact on the bottom line of this organisation. Is that something that you have discussed with TasPorts?

Mr GRIPLAS - I am not representing TasPorts, and it is certainly a question for TasPorts. They publicly disclose their fees and schedules, and they are available off their web site, so they publicly display their tariffs and berthing charges and wharfage charges. Likewise, Port of Melbourne.

CHAIR - So you had no discussions to date?

Mr GRIPLAS - We continually talk about the cost structure of the ports, as we would do as a tenant, as you would with your lease owner. But, yes, they are ongoing. To give you the context, our leasing in East Devonport goes to 2021, so you would have a lot of those conversations and discussions at that end of the lease term as opposed to now. It is just issues around general maintenance, and so on, if that makes sense.

Mr STURGES - If I may, just to attempt to assist, and you might want to go further into this matter with TasPorts this afternoon, as minister for TasPorts I know a little bit about what they do -

CHAIR - I did allude to the good relationship you have.

Mr STURGES - Thank you. They do have port user group committees set up throughout Tasmania with the users of the port facility, but then there are also specific commercial negotiations that are conducted with those users in relation to lease arrangements, berthing arrangements and other commercial arrangements; storage facilities at their ports. So again they are very much commercial matters. In broad terms the port user groups meet on a very regular basis and deal with the more general issues of access and workings of the port. Then of course there are specific arrangements between TasPorts and lessees of facilities on those port facilities which are very much commercial in nature, and I am sure that some of the larger shipping companies would protect the nature of those commercial discussions.

Mr FINCH - Just on that subject, if I could, please, I am curious about the leasing arrangement with the Port of Melbourne and the operation there. What is the status at the moment, and could it be improved?

Mr GRIPLAS - The status in terms of the lease terms?

Mr FINCH - Yes.

Mr GRIPLAS - The current lease is to 2012 with a five-year option to extend that to 2017. We are in a heritage-listed building, which creates a lot of issues in terms of what you would like to put into play. We have cleaned up that terminal dramatically; we have removed airconditioners and we have improved toilet amenities. We have put some screens in there as well. We have been actively engaged in discussions with Port of Melbourne but we are also talking long term. There have been a lot of issues considering the iconic status of the *Spirit of Tasmania* and how we provide public access, and a whole series of things. There is active engagement such as you would have with your landlord.

As well, on the other end of Station Pier the international cruise terminal has brought some additional benefits for us in terms of the terminal upgrades and the improvements that we have been able to achieve as well.

Mr DEAN - So the heritage listing is the reason you cannot put a covered-in area for pedestrians. That was a concern that was raised with me by a number of people. We got through by ducking showers when we were there, but -

Mr STURGES - What, raining in Melbourne?

Mr DEAN - Yes.

Mr STURGES - That is unusual.

[11.45 a.m.]

Mr DEAN - So obviously you will not be able to get a covered area for pedestrians to walk through?

Mr GRIPLAS - No, unless they change the rules around heritage listing and in terms of the encroachment of the architectural design.

Mr DEAN - Because it is much longer than the one in Devonport, I think.

Mr FINCH - With your observations in respect of the Port of Melbourne operation from Station Pier, is that the ideal home for TT-Line? Is there a better pier that might be available? Is that something you might consider?

Mr GRIPLAS - Devonport is our home and Station Pier is our home.

Mr FINCH - So you are quite happy to maintain that relationship with the Port of Melbourne?

Mr GRIPLAS - Yes. If you look at their 2035 strategic plan, we are clearly in Station Pier.

Mr FINCH - So, we are out to 2017, and then there is another five-year option?

Mr GRIPLAS - No, 2012, with a five-year option to 2017.

Mr FINCH - Would the board be actively looking to increase that or negotiate it? Are we in a negotiating time with the Port of Melbourne for that lease?

Mr ROGERS - No. There is a lot of water to flow under the bridge in relation to ship replacement - 'ship' meaning plural ships. We will get to that as we progress the ship-replacement program - it is not coincidental that 2017 applies in both instances. We clearly understand the Government's position with Devonport and that is something we have to deal with. Station Pier will come into focus more as we work through our ship-replacement program.

Mr DEAN - Five years is only a short term for the business we are conducting, isn't it?

Mr ROGERS - It is not five years from now, it is 2009 now so there is enough time. We will know well before 2017 what our ship replacement will be.

Mr FINCH - Mr Rogers, are you actively working on the ship-replacement program now?

Mr ROGERS - We are.

Mr FINCH - It is that moveable feast of what is happening from year to year and the competition.

Mr ROGERS - You know a lot about it and it is. I think I may have said here that one of the things that was worrying us was about an eight- or nine-year lead time to get a new ship built. I can tell you it is much less than that now because the shipyards are empty.

CHAIR - That is our information, that you can get your new ship a lot sooner now.

Mr ROGERS - What form that ship - meaning ships - takes remains to be seen.

CHAIR - Is there an opportunity to exchange one over and leave the other one, or is that not an option?

Mr ROGERS - Nothing is ruled in or out. We are not far enough along the road yet.

CHAIR - Is one in better shape than the other?

Mr ROGERS - No. That is a fundamental issue that I raised with the shareholders when we put that date in place of 2017. It was to ensure that both those ships were maintained at the appropriate level, and same level.

Mr STURGES - In relation to the ongoing maintenance program, I know we have spoken about it and I will not dwell on it too much, but I am very heartened as a shareholder to be advised of the very high quality of maintenance in which the ships are currently maintained.

Dr GOODWIN - There are a couple of areas I would like to cover. The first one relates to the issue of quarantine. Mr Finch and I drove on and off the *Spirit* in Melbourne and Devonport and got to experience the quarantine check, but there apparently has been a massive reduction in the amount of confiscated quarantine material, which is well short of the State Government's target. Some concerns have been raised around the issue of Tasmania's quarantine barrier and its effectiveness, so are you satisfied that the quarantine checks that are being done on the *Spirit* are satisfactory?

Mr STURGES - This is at the Tasmanian end?

Dr GOODWIN - Yes.

Mr STURGES - I am not going to duck this but you would need to refer it to the appropriate minister, the Honourable David Llewellyn, to talk about whether he is satisfied or not. But certainly, we have had a number of discussions with Quarantine in relation to their activities, particularly to ensure that we do not compromise the biosecurity arrangements in Tasmania. I think more so the discussions that the TT-Line have had have involved more the expediency of that checking process to ensure that our visitors to the island are able to get off the ship and start enjoying the benefits of our beautiful State - but at the same time not compromising the biosecurity arrangements. If you want to write to the Minister for Primary Industries, who is responsible for quarantine, I am sure he would provide you with a lot more information on that basis.

Dr GOODWIN - But from the TT-Line perspective, are the quarantine checks going as well as they can be expected to?

Mr STURGES - Are you talking about the matter of substance that is confiscated or just the time?

Dr GOODWIN - Both really.

Mr ROGERS - The substance itself is of no issue to us, that is for Quarantine specialist officers, but the timing is. The timing is critical for us because it is the first impression people get when they come off the ship and if the delay is too long - someone else sitting around this table would say no delay is too long at all because I am not going to prejudice our quarantine standards to get people off in a certain period of time and that is not our responsibility. Our responsibility is to put our passengers through that service, but we want it to be as quickly as possible because we know what the level of complaint is. We have discussed that with the minister and he has fully been briefed on this.

Mr STURGES - We have had a number of discussions over the past several months in relation to this matter. Effectiveness and efficiency, whilst at the same time not compromising the biosecurity arrangements, those matters are being addressed. The CEO's management team have been involved in some quite extensive work with Quarantine and is it fair to say that you are heartened with the amount of work that has been undertaken and the progress?

Mr GRIPLAS - Yes.

Dr GOODWIN - Apparently there has been an increase in material voluntarily surrendered in Melbourne by passengers, which is obviously preferable to having to do extensive searching and recovering the material once it gets to this point.

Mr GRIPLAS - That has occurred because we worked in conjunction with Quarantine. We have training sessions of our security guys - ours, not Port of Melbourne security guys that actually come through - and that has assisted dramatically, as the Chairman raised, in terms of the time issue.

Mr FINCH - If I might, Chair, the two points that impressed me were the staff who are handling the security at the quarantine checkpoints. I was just amazed at how efficient, friendly and a good advertisement they were for the operation, and that is on the departure from Tasmania. I was also very impressed with the notice that goes with the ticketing arrangements from Quarantine giving people the impression that there are going to be delays and asking for their patience and understanding during this process, so that is about communication to the passengers. A lot of times we put things in place but forget to communicate the message about what is occurring and I was impressed by that.

Mr GRIPLAS - That document is actually sponsored by the TT-Line. We pay for those and we have put it together with Quarantine.

CHAIR - That was obviously your question, was it paid for by the TT-Line?

Mr FINCH - That was the question, if you like.

Dr GOODWIN - Madam Chair, I have one more issue to cover if I may. Minister, I wanted to ask you about that rather well publicised incident that occurred on the 50th Anniversary of the first voyage of the *Princess of Tasmania*. I am just wondering if you or the CEO could possibly

give me some clarification around that incident and then perhaps talk a little bit about what has happened since. Was the security guard involved a TT-Line employee or a privately contracted security guard?

Mr STURGES - Do you want me to answer that?

Dr GOODWIN - Yes.

Mr STURGES - Can I say, with respect, I will answer your question but I do not want to give this matter further oxygen. There is certainly a lot that I want to say but I won't.

I attended the terminal some two hours before the fiftieth celebration for a prearranged meeting with the CEO; in fact, I had dinner with the CEO the night before and met him again at breakfast that morning. Suffice it to say that there was an incident and my behaviour was inappropriate. I have spoken directly with the contract security officer; I spoke with him for a period of time on the telephone, extended an apology to that gentleman, and that apology was accepted. There was also another gentleman who was not present that morning - as I say, it was a couple of hours before the fiftieth celebration - who wrote expressing some concern. I understand he is a supervisory officer at the terminal in Devonport. Again, with his consent, I contacted him, and I have to say that both those people with whom I spoke gave their consent for me to contact them, because I did not want to appear to be in any way, shape or form intimidating or bullying them. So with his consent I rang him, discussed the matter with him and particularly his concerns as a supervisory officer, and offered to him my full and unreserved apology for any distress it may have caused him and the staff he supervises. He accepted my apology, as did the security officer and, as far as I am concerned now, the matter has been resolved and I really do not wish to make any further comment.

Dr GOODWIN - I think you have clarified, though, that they were not TT-Line employees; by the sound of it they were separately contracted.

Mr STURGES - I understand that the security officer with whom I had very brief contact - and I do stress very brief contact - at around 9 a.m. that morning was in fact on contract to TT-Line. But as I say, I would prefer not to give the matter further oxygen. I have spoken to both those gentlemen. Only one was present at nine o'clock that morning. I have apologised unreservedly, both those gentlemen have accepted my apology and I understand the matter now to be resolved.

Dr GOODWIN - Okay, thank you.

Mr WING - What arrangements are made by way of security to prevent weapons, drugs or any items that could be associated with terrorism from being transported by either of the TT-Line ferries?

Mr ROGERS - We should talk about security, bearing in mind that we do not have a role as drug detectors. That is not our role; that is for the police.

Mr WING - Yes.

Mr ROGERS - So now the question has been asked, you need to get that in complete context, Charles, as to what our role is and what the role of the Federal Government is. You could even talk about the cost of security these days; I am very happy for you to talk about that.

Mr STURGES - Because there are very rigid and strict security arrangements. Charles can go into all of that.

Mr GRIPLAS - There are very strict security regimes that occur in play. For instance, if you look at the Melbourne site or even the East Devonport site, you have the various port authorities who have their own security. You then have a Federal jurisdiction, the Office of Transport Security, which monitors security both at airports and seaports. You then have our own security regime which is there to protect our assets and our passengers. As you drive through the terminal and before you can gain entry onto the vessel, there is a check done of the vehicle for firearms et cetera. If you are carrying a firearm for commercial purposes you declare it, it then goes into a closed trolley with a padlock on it that then sits there and you claim it back at the other end of the journey. So we have all those regimes in place.

[12.00 p.m.]

Mr WING - How thorough are the checks for firearms or items that could be used as weapons?

Mr GRIPLAS - You cannot give any sort of guarantee that it is foolproof but they go through and check the boot, under the bonnet, within the vehicle, ask questions, have a look, and the security guys that we engage have a good sense of where to look and where things can be hidden. Also there is -

Mr STURGES - I am going to try to help you here, Charles. I am sure the honourable member, Mr Dean, would understand this, but there are security arrangements that I think the CEO would again prefer not to publicly discuss. I am not trying to cut across the CEO but given the fact that it is his second appearance before one of these committees, if members really want a detailed briefing in relation to what security arrangements are in place I am sure that, in camera and in the strictest of confidence, that could be provided.

Mr WING - I would just like to be assured that the security checks are adequate because when people fly in aircraft they pass through electronic security and so does their luggage, and I have no understanding that there are similar stringent security tests for people travelling on the ferries.

Mr STURGES - I am sure the CEO can assure you that there are very stringent, rigorous processes in place and again, an in-confidence briefing could be provided to members in relation to that. But please be assured that there are very rigorous, stringent security arrangements in place on the *Spirits*.

Mr GRIPLAS - The cars are checked by security but if you are a foot passenger you are screened in the same way that you would be at an airport.

Mr WING - Right, and the cars being checked by security - is that just a visual check or are there any electronic mechanisms used?

Mr GRIPLAS - They are a visual check.

Mr WING - Just a visual check, right, thank you. I look forward to receiving all the details.

Mr STURGES - If the member wishes that to be provided.

Mr WING - If we are having an in camera session later.

Mr FINCH - I think the point needs to be made that when we checked in on the trip over to Melbourne I thought I had got through the process quite easily and was making the comment that it has not improved much here, but when we turned the corner there was the screening waiting like at the airport where they check for metal and you are asked to open your bags and so on.

Mr DEAN - Suitcases were inspected and everything.

Mr FINCH - So the security that we had been concerned about in the past is now up to standard.

Mr STURGES - Does that satisfy the member?

Mr WING - Yes, thank you.

Mr GAFFNEY - I direct this to the CEO. I read your audit statement here and it was good but it said there was some concern about staff leave entitlements raised in 2007-08 and management addressed this according to the company's policy guidelines. Sorry, I have gone ahead to TasPorts.

CHAIR - It could well be understood because we have the same minister so it is very easy to do. They do sort of fit together as we have talked about TasPorts' role with TT-Line.

I want to talk about the lack of return to government this financial year. Is that correct?

Mr STURGES - No requirement for a dividend.

CHAIR - Is that a policy of yours, Minister, on behalf of the Government?

Mr STURGES - No, that was a conscious decision taken by both myself and the Treasurer after seeking advice from Treasury. I should also point out that the Treasurer and I have, as an absolute minimum, a monthly meeting with the chairman and the CEO. Those meetings occur after the board meetings where we receive briefings on decisions that have been taken by the board, so based on the comprehensive level of information that the chair provides the shareholder minister, an informed decision was taken not to seek a dividend from TT, given the matters that we have discussed in relation to marketing requirements, ship-replacement requirements, and the financial challenges as a result of the global financial circumstances.

Mr DEAN - So each year you would make that decision?

Mr STURGES - Yes.

Mr ROGERS - But there is a context and you need to hear about that. The shareholders clearly enunciated that whatever dividends were to be declared, if there were any to be declared,

had to be directed to debt retirement for TT-Line and future funding for ship replacement. I think it was a very strategic and positive thing to do for us. Despite all the challenges we faced last year, we still were able to pay off \$25 million of debt. Going forward, in October this year we paid another \$25 million off in debt. You will see \$50 million in the balance sheet but I can tell that because we have paid off \$25 million there is \$25 million debt still to be paid and we will clear that by June 2011. It is because of that very strategic policy that the shareholders have directed that we have been able to get our debt down and that is our first priority - debt reduction and then replacement of the vessels. I think it was very clever and very wise. That is my view on that.

CHAIR - I do not disagree, I am just looking at the financials and when I see that the net profit before tax of \$5.823 million has decreased by 57.49 per cent I am wondering how you can continue to pay off that debt. Is that something that the board has looked at?

Mr ROGERS - Yes, that is constantly before us.

CHAIR - So there is no real strategy in place?

Mr ROGERS - Yes, there is a budget strategy. We have very tight budgetary controls. What you are talking about there does not affect cash flow. The bottom-line number does not impact on our cash flow whatsoever.

CHAIR - When the Auditor-General makes comment about your fuel-hedging strategy and talks about providing benefits in future years, do you have an idea of the number of future years before you might see that come out in a positive?

Mr ROGERS - That is a great question! If only we knew, but it all depends on the fuel price. As we said before, we do not speculate on it. We do a three-monthly review.

CHAIR - Is KPMG still involved in that strategy? You said that you took advice, as I recall.

Mr ROGERS - We took advice from KPMG and Treasury and we certainly talked to the Auditor-General - and you can see from his report that he fully understands that. KPMG is not currently involved because it was a three-year hedge, so we were committed for three years. That is the idea of hedging. You do not hedge in the short term, you hedge over a period of time, and we will hedge again because it is the only way we can really protect that price when the prices go back.

CHAIR - What percentage of the fuel that you purchase is in that hedging bracket? Obviously you purchase outside the hedging period as well - am I reading that correctly?

Mr HADLEY - Yes, we do not purchase 100 per cent.

CHAIR - What percentage is it?

Mr HADLEY - It depends. Our policy, as the chairman said, is a three-year policy so we probably hedge less in our years than we do in future years. We have a board-approved policy that we can only hedge between certain percentages and it depends on the price at the time. As we said, we top up, so it depends on what the current spot price is as to whether we hedge more or

less. We are trying to manage our long-term average price, so that could range anywhere from 30 per cent of our fuel to 60 per cent or 70 per cent.

CHAIR - I get the feeling I am asking questions that are a little bit out of left field. Is that right?

Mr HADLEY - No, they are good questions.

CHAIR - Right, because it seemed to be -

Mr HADLEY - No, because there is not a definitive answer. As it says in the Auditor-General's report, we are trying to manage for the long term. It is a long-term strategy, and the aim is to make sure that the price we pay is the long-term average, so if the price of fuel suddenly went up tomorrow, we would probably hedge less than if the price of fuel went a long way down because -

CHAIR - And that is why you look at it on a three-monthly basis because that is about the time frame where you can get an idea of where the pricing is?

Mr HADLEY - It is religiously looked at every quarter because, I think it might have been Charles who said we are not speculating. It is a religious quarterly review of our fuel-hedging requirements.

Mr DEAN - I just want to make a couple of comments from our meeting with the Tourism Victoria group there. They raised a number of issues with us along the lines of the specials being advertised on the *Spirit* ships and how that is being done. They indicated to us that Tourism Victoria are currently looking at their strategy of three-day holidays, that is Friday, Saturday and Sunday, and they were wondering just what *Spirit of Tasmania* can do to increase travel at those times, I guess, in winter perhaps when numbers may well be down on the ships. One of their strategies they referred to concerned caravans in particular, the grey nomads who are constant users of the ship, as to whether or not you should look at a position of offering free travel for caravans, for instance.

They raised it with us that you should not look at the cost or loss to the *Spirit* but you should look at the gains for the State. You could offer, say, free travel with the caravan only on condition that it was a 10-day holiday in Tasmania. They are saying that the return to Tasmania would be far greater than the cost lost in travelling on the *Spirit*. It was an interesting issue they raised.

Mr ROGERS - It is, and it is easy for them to raise it, but remember our terms of reference are that we have to be a profitable company. As far as the contribution to the community is concerned, Charles could give you some numbers that TT-Line contribute to the community taken from the Tasmanian Visitors Survey and other documentation we have. But let me say this: as far as public good is concerned, that is not for me to say, nor my board. That is a matter of government policy.

Mr DEAN - And that is why I was looking at the minister while I was asking that question. Just to follow it up a bit more, and you are getting to it now. My further addition to that question was, how much consultation do you have with the State Government in relation to those packages and specials that you want to run, or should run, or could consider running?

Mr STURGES - The level of consultation - and certainly in my opinion, the relationship I have with the CEO and the Chair of the Board is a very strong, positive relationship. We meet on a regular basis. I want to answer your question, but I have to say I was somewhat staggered - not staggered, but it surprised me - at a recent meeting that I had with the gentlemen when they told me the actual number of people who do come to Tasmania on the *Spirit* for long weekends - the Friday, Saturday, Sunday. In fact, Charles was going through that with me only a matter of a few months ago, and I did not realise it was quite as large as that. That market is obviously growing and Charles can talk a little more about that.

I think where you are coming from, I say to the honourable member, is the Tasmanian Government providing some form of significant subsidisation in those off-peak periods for caravans. To get to the nub of the issue, I think that is where you are coming from.

Mr DEAN - Not really, it was just an example I gave that would benefit the State. It is just an example they gave, and I should add here that they were very complimentary of TT-Line and Mr Griplas in particular.

Mr STURGES - Again, I get the stats on a very regular basis and I have a look at the passenger numbers, I have a look at the vehicle numbers, I have a look at the lane meters as being occupied on the ship. I have to say to you that while the business is ticking over the way it is at this point in time, I would not see a need to actually go down that path. I do not know whether you care to endorse that or disagree?

[12.15 p.m.]

Mr GRIPLAS - Absolutely. Mr Dean, there were three parts to your question; the first question was about the travel on Thursday, Friday and coming back on the Monday, in terms of those short weekends. In terms of our double sailings that we put into play, we do have the double day sailings on a Thursday, Friday, Sunday, Monday. So there was a bit of logic in our madness. We wanted to capture that market and it was a growing segment.

In terms of the caravaners, we have recently promoted the great Tassie escape for caravaners where they pay \$40 fares. They would have to pay the below-deck fare but they pay \$40 to get on board. It is certainly a segment that we target.

In terms of tourism authorities, we talk with every tourism authority. Our main game is to build up tourism numbers for Tasmania, so we have a very active engagement, also a very active engagement in trade exhibitions and shows. We have open days in Melbourne to actively promote Tasmania. We get close to 50 exhibitors turning up to that; all the operators and tourist operators from Tasmania would turn up to those events. So we actively engage in that.

I think if we have given you a sense, Mr Dean, it is one that we are all about growth. So we will talk to whoever to ensure that we build those numbers.

Mr DEAN - Very clearly, they were saying that you should be more strategic, not just about the boat and the earning that the boat will make, but Tasmania.

Mr STURGES - I accept the member's point and I conclude by saying that given the figures that I have seen in relation to passenger numbers, vehicle numbers and lane meterage occupation,

I do not think there is a need for us to contemplate that at this point in time. But I acknowledge the point you make.

Mr FINCH - I did have a comment from Andy Thompson, who may be known to TT-Line as he transports caravans for Tasmania Campervan Rentals, and has been constantly through the years. He has had eight trips this year. In fact, he was bringing over three vehicles on our return trip and he said, 'The prices are not too bad.' That was his comment and he pays for his people to stay in cabins rather than have them stay in chairs. That was an observation that he had. He did make the suggestion and he said, 'It is almost impossible to try to get your appropriate time to get the caravans across because of the busy schedule at this time.' He was saying, bring the daylight sailings forward and I did alert him to the fact that that had been done.

Mr GRIPLAS - Mr Finch, you are singing my tune; it is music to my ears. Let us not take this out of context. If I could run day sailings every day of the year, I would. But, having said that, the demand and the market has to be there. But we are all about growth for those opportunities and we will look at them.

Mr FINCH - Yes, and that could be our scenario in Australia, the grey nomads, as they are referred to, the baby boomers, retiring earlier and travelling around Australia, we are a prime market for that section of the population.

Mr GRIPLAS - It's a great destination - Tasmania itself has some great natural qualities that appeal to a broad spectrum even beyond the grey nomads and we want to capture that.

Dr GOODWIN - I have a question concerning trailers and their dimensions and the costs associated with bringing them backwards and forwards, particularly for dog breeders who have trailers which are not for recreational purposes because they are for dog breeding. But apparently they find the cost quite prohibitive to use the TT-Line to transport their dogs to and from the mainland to compete in shows. Is there any flexibility around the rule about the size of trailers?

Mr GRIPLAS - For that particular segment the reason goes back to the Bass Strait Passenger Equalisation Scheme, Dr Goodwin. If you look at the type of vehicles that attract that rebate amount, a motor vehicle, a bus, a motor home or campervan, an eligible passenger vehicle towing a caravan, a motorcycle and bicycle fall into that category. That is where, when trailers become involved, they do not attract that rebate and it is at a higher cost.

Dr GOODWIN - So there essentially is not any flexibility because it only applies to those things you have talked about?

Mr GRIPLAS - That is right, in terms of the rebate.

Mr ROGERS - Get the trailers on the list.

Mr STURGES - That is right. That may well be included in a representation on the boats for bream fishing and -

Mr ROGERS - That is what needs to be looked at.

Mr HILL - On these sorts of vessels what you are paying for is the amount of space you take up, not the weight. Weight is not important.

Mr STURGES - I do acknowledge the dog trailer issue, one that had not been brought to my attention actually.

Dr GOODWIN - It might be worth looking at because dog show people might come and spend some time travelling around the State as well as competing in shows.

Mr STURGES - Again, I would be happy to flick a letter over to Canberra strongly suggesting that that be put on the list.

Mr HILL - Given the price that they charge for the dogs, though, they could probably afford the fare.

CHAIR - I suggest personal representation, Minister, is always a good way to go.

Mr STURGES - I do regularly meet with my counterpart, Hon. Anthony Albanese, and I have a very good working relationship with him but, having said that, I do not always get what I ask for. But I ask a lot.

Mr FINCH - If I can just ask about salespeople - marketing people within Tasmania and the work that goes on to communicate with our tourism operators and to keep them embraced with TT-Line. How many do we have and what does their work entail? You might care also, Mr Griplas, to tell us about those marketing and salespeople that you have on the mainland as well.

Mr GRIPLAS - Our sales staff engage very actively; they do hit the roads. They are out there attending everything from regional travel shows all the way to engaging discussions with commissioned agents, travel agents. We also work very closely with a lot of the authorities such as convention centres and bureaus et cetera. We also have a special groups area within our organisation that go and target large events and large travellers on our vessel. We engage at all different levels. In terms of talking to the tourism industry I have a very active engagement through the TICT because we sponsor the tourism awards as part of our sponsorship of TICT. We openly discuss future strategy campaigns et cetera. As many tourism conferences that I am able to attend and present at I do, but your time is limited with that. We also talk to the NRMA, the RACV and do deals there. Where we target is very much an open game but it is a very specific target audience that we go after. It has to meet our demographic group, our particular geographical spread et cetera; we do not just do a scatter-gun approach.

We also have a direct marketing unit and we sent out many hundreds or thousands of direct mail. We have our frequent traveller group that we engage with in conversation. In our direct mail campaigns we provide specials for people who we know are regular travellers on our vessels, to those who book in early et cetera. We certainly have a very active engagement with our customer base.

Mr FINCH - Can you tell me something about the numbers? Obviously you are sales oriented with your thinking but I am wondering if you have numbers of how many people you actually have and are they on the ground in Tasmania, do they make contact with our tourism operators?

Mr GRIPLAS - Yes they are. You are looking for how many people we have on the ground?

Mr FINCH - Yes.

Mr GRIPLAS - Out of that unit we would have six people that would be spread across Tasmania and the mainland. Their reach is as far as regional New South Wales and Queensland, all the way through to Victoria, metro and regional, and South Australia and the State island of Tasmania.

Mr FINCH - So they are doing the sorts of things you were talking about, trying to go to conventions and dealing with travel agents and talking to people?

Mr GRIPLAS - Our sales representative, whose area covers regional New South Wales and Queensland, regularly appears on local community radio promoting the *Spirit* and Tasmania as well. I think that he enjoys that part of his role - a very active engagement there.

Mr FINCH - So tourism operators in Tasmania from time to time are likely to have somebody knock on their door and talk to them about TT-Line matters.

Mr GRIPLAS - Yes, they are. For instance, we recently ran a joint promotion on the mainland in the RACV with the cabin and caravan sector. It is that type of engagement that we seek and go for and then we are able to track it and measure our sales performance. When we engage with them again we know what follow-up promotion is needed.

Mr ROGERS - There was another promotional thing too where we invited Tasmanian operators to join us on the ship in Melbourne -

Mr GRIPLAS - An open day, yes.

Mr ROGERS - An open day where several thousand people turned up and Tasmanian tourism operators were well and truly represented and they reacted very positively to it, but I cannot remember all the detail of that.

Mr GRIPLAS - Mr Finch, I can give you the numbers of direct mail pieces; 525 000 direct mail pieces were mailed out. We executed direct marketing campaigns and the open day attracted over 8 000 people and 50 tourist operators. Also, the company was represented at more than 40 consumer and trade shows through 2008-09 attended by more than \$1.2 million consumers.

Mr FINCH - So that was in Melbourne?

Mr ROGERS - No, the open day consisted of Tasmanian tourism operators.

Mr FINCH - Where were they? In Devonport or -

Mr ROGERS - No, we took them to Melbourne at our cost -

Mr FINCH - I see, from Devonport.

Mr ROGERS - so they could meet their potential customers, and 8 000 went through the door.

Mr FINCH - Thank you. That involvement of your Tasmanian tourism operators gives them then that sense of ownership and link to TT-Line.

Mr GRIPLAS - Also our web site was visited by 1.19 million visitors, so that is a very active web site.

Mr FINCH - Was that over a 12-month period?

Mr GRIPLAS - Over the financial year - 1.19 million visitors to our web site.

Mr FINCH - Okay, thank you.

Mr DEAN - When I was covering reservations before and the call centre and the online services, I think you said about 30 per cent were coming through online.

Mr GRIPLAS - About 19 per cent and we have started to increase that to about 30 per cent.

Mr DEAN - What about the position with the tourism centres around the State? Do you get many bookings through there now? Is that waning?

Mr GRIPLAS - No, it is really that consumer preference now. They would rather go direct to your web site as people now would go to a webjet or a wotif or whatever. People are very Internet savvy in sourcing out the best deals. People would directly come to us on our web site. Many years ago we used to do travel packages and all sorts of stuff. People now are far more savvy than that. They would rather buy their air fare from webjet, for instance, or they come direct to us. They go to wotif to get their hotel accommodation, they would probably go to another site to book in Treetops day out or Bruny Island. People don't necessarily go to one agent or one web site to book everything, they like that flexibility of the chopping and changing so we have to cater for that.

Mr DEAN - Do you still send your marketing people around these tourism centres throughout the State on a regular basis?

Mr GRIPLAS - Yes we do. I could not be precise and tell you how often they meet with them but they are out there on a regular basis. For instance, Tourism Tasmania last month were with us in Melbourne discussing our campaign strategy and we returned that visit in fact this week. We sat there talking about future promotional activity. We do have an engagement at every level for the tourism sector; there is not one sector that we will knock back. I will talk to anyone, Mr Dean.

[12.30 p.m.]

CHAIR - I want to move on to the corporate governance. I note the annual report talks about the board having appointed KPMG to conduct a performance review, Mr Rogers, and it was to be completed in October 2009. Can you give the committee some feedback about that review?

Mr ROGERS - I wanted the minister and the shareholder to know that the board which they have engaged was operating efficiently and effectively, and you just cannot conduct a review by yourselves, it is a bit in-house.

CHAIR - It seems like a good idea, though, doesn't it?

Mr ROGERS - It is not a good idea really. We went out to tender and sought at least three tenders and KPMG Tasmania were the selected tenderer in a fair competition. The person responsible conducted that review over an extended period of time by questionnaire and questions. There were two face-to-face meetings with the board of directors. We also included in that three senior management positions - the CEO, the CFO and the Company Secretary - because we were anxious to get senior management's view on how they thought the board was operating.

I am delighted to say that the results were outstandingly good and it reinforced our view for a long time that when you seek out people by skill to sit on a board like that of TT-Line, for example, you just have to have a marine expert sitting at our board table. We just have to. It is as well to have a commercial lawyer, a commercial accountant and a marketing person, if you can. So, when we restructured the board in 2005-06 that is what we set out to do, and I am very pleased with the result of that independent assessment.

Mr STURGES - And a tourism operator.

Mr ROGERS - Yes, and a tourism operator.

CHAIR - Are those areas that you identified all covered with the people that are represented?

Mr ROGERS - Yes, except marketing. We do not have a marketing expert.

CHAIR - Can I take it from that that in the next appointment to the board we will be looking for some expertise in marketing?

Mr ROGERS - No, you cannot take that because we would never sacrifice our marine expertise. If one of our marine experts left now we would replace that person with a marine expert, preferably an ex-sea captain. That has always been the history of the TT-Line. You might remember Captain Ross. He was director of the company for years and we replaced him with Dr Jeff Hawkins, who is a retired sea captain but a young sea captain. He just recently, as a matter of interest, won an Australian export award for the company he operates as Pivot out of Launceston.

CHAIR - What was the cost of that review?

Mr ROGERS - The cost was \$10 000.

CHAIR - And that will be conducted in another two years?

Mr ROGERS - We will do it every two or three years because it is absolutely critical that the shareholders know that the board is operating effectively. Getting that independent review done is the best governance check of all.

Dr GOODWIN - Just a related question: how long is the term of the board members and can they be reappointed?

Mr ROGERS - The Government now has a very rigorous replacement program that is chaired by the Secretary to the Treasury. He is assisted by, in our instance, Dr Michael Vertigan. They have engaged a recruitment firm and the chairman of a respective board sits on that

committee except when that person themselves is up for election so there can be some first-hand information given to the committee. That then goes on, whatever the recommendations are, to Cabinet and then to the AGM of the organisation. TT-Line has been through that process where two of us have been reappointed as directors. It was approved by Cabinet and then went on to the AGM, the two shareholders agreed to those appointments, along with reappointing the Chairman.

Mr STURGES - And may I say congratulations to the Chairman for being reappointed again for another term.

Mr ROGERS - Thank you. It is a very rigorous and transparent process and is quite independent of any other influences, if you get my drift.

Mr STURGES - A minor matter of technicality, if I may, just for the record. Cabinet does not approve appointments, they endorse, and then the shareholders through the AGM.

Mr ROGERS - I was saying that, Minister, to ensure that we got the process right.

Mr STURGES - It is a very rigorous process and just for the record I wanted to get that corrected.

CHAIR - Charles, I want to give you the opportunity to spruik some of those environmental strategies and policies you talked about earlier.

Mr GRIPLAS - I think the proof of the pudding is really in terms of the emission footprint you have. In 2007-08 we had total emissions of 176 000 tonnes of greenhouse emissions. In 2008-09 that has been reduced to 145 000.

CHAIR - What is your next target?

Mr GRIPLAS - We will continually improve that as much as we can. We have engaged several things including silica paint, which is not only an antifouling paint - previously antifouling paints had tin and lead in them and that has been reduced. We have also looked at a whole series of recycling, all our waste, paper, glass et cetera, on board the vessel. We are engaging very actively in terms of all of those emissions. We have recently, as we were required, registered under the national greenhouse reporting regime, whereby our emissions are publicly monitored and actively monitored by us. In terms of a lot of our emissions, we have put a lot of things in place. There was a write-up - I am trying to think of the magazine that appears in the State Climate Change Office - with an article looking at our emission reduction program. That has been put into place and we are very proud of that achievement. Are there any specific questions around that?

CHAIR - I asked about any future reduction in targets. Do you feel as though you are doing the most you can? Is that the limit? There is probably only a certain extent that people can go to.

Mr GRIPLAS - There is, and particularly when you look at the 145 000 tonnes of greenhouse emissions. There is 142 000 of that that relates to ship emissions, so in terms of what is currently available in technology and the paint - or the bunker fuel - if we get a different grade of bunker fuel that would reduce the emissions dramatically. It is those types of things that come into play. Whatever is available in the market that is innovative and pushes that boundary for emission reduction we will do.

CHAIR - Minister, is there anything you would like to add in closing?

Mr DEAN - Are there any significant changes on the horizon for TT-Line?

Mr STURGES - As far as significant changes or moves, we have gone through the ship replacement program comprehensively, the debt retirement program, issues in relation to the Port of Devonport and Station Pier. There is not much more that I can add to that. I thank honourable members for the very analytical way in which they have gone about asking questions. It is somewhat refreshing.

CHAIR - Thank you.

The committee suspended at 12.40 p.m.