

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE B

Tuesday 6 December 2011

MEMBERS

Mr Dean
Mr Farrell
Mr Finch
Mr Gaffney
Mr Mulder
Ms Rattray (Chair)
Mrs Taylor

IN ATTENDANCE

Mr O'Byrne, Minister for Infrastructure

Ministerial Office

Mr Neale Tomlin, Senior Adviser

Tasmanian Ports Corporation Pty Ltd

Dr Dan Norton, Chairman

Mr Paul Weedon, Chief Executive Officer

Mr Geoff Duggan, Chief Financial Officer

Ms Barbara McGregor, Manager Corporate Communications (Observer)

The committee resumed at 2 p.m.

CHAIR - Minister, welcome back to the table.

Mr O'BYRNE - Thank you, Madam Chair.

CHAIR - I invite you to provide a brief overview which is an important part of the scrutiny process.

Mr O'BYRNE - Thanks, Madam Chair. Again, I will preface the opening comments by saying, similar to the TT-line, that we were in very difficult trading circumstances given the nature of the Australian dollar, the impact of the global financial crisis and reverberations around the world in terms of our trade and exports, and also we were in a fairly difficult operating environment.

Having said that, it is important that we acknowledge that TasPorts has a significant and widely dispersed asset portfolio and they are responsible for 12 ports across Tasmania and the Bass Strait islands with four major operational ports in Burnie, Devonport, Bell Bay and Hobart.

CHAIR - In that order?

Mr O'BYRNE - No, Bell Bay, Burnie, Hobart and Devonport, of course - I was trying to think it alphabetically there.

The year 2011 has seen some changes in the shipping market, firstly with a AAA shipping consortium leaving Tasmania due to scheduling difficulties in its Oceania service and Agility Shipping leaving due to the inability to secure a permanent berth at the Port of Melbourne. However, like all managers of life-long assets, TasPorts takes a long-term view of its infrastructure and is continuing to invest in maintenance and infrastructure around the State to meet the needs of its existing and future customers.

In relation to the financials, TasPorts' revenue was up almost \$1.8 million from \$61.9 million in 2010 to \$63.7 million in 2011. There has been continued growth in investment in maintenance, up from \$7 million in 2010 to \$10.2 million in 2011. The increased investment in maintenance along with challenging trading conditions have seen the operating profit after income tax of \$443 299 which is down from \$1.37 million in 2010. Again, despite these challenges in trading conditions, there have been some wonderful highlights for TasPorts, including the announcement of the \$7 million redevelopment of the Macquarie 3 shed with construction starting around May 2012 as a dedicated cruise ship terminal and a logistical home for the Antarctic sector. The announcement by TasPorts has been very well received by the cruise and Antarctic industries and the local community.

There has been a completion of the 10-year infrastructure plan based on a massive engineering and market assessment. This is the first time in TasPorts' history that this work has occurred and the 10-year infrastructure plan will help inform strategy, development of a comprehensive life cycle database and maintenance and infrastructure planning.

We have seen a 57 per cent increase in passenger numbers since 2007 at a Devonport airport with an 11 per cent increase in the 2010-11 financial year. The recent appointment of a highly-experienced airport general manager in Wayne Tucker and the submissions of plans to Latrobe Council for a \$5.2 million redevelopment project will ensure that the airport continues to provide economic and social benefits for the region.

There has been \$13 million spent on the combined maintenance and infrastructure spend with the Macquarie 4 remediation, at Bell Bay with a jet slinger and feed-shoot replacement, in Strahan with a remediation of Fishermans Wharf, at Franklin Wharf with a remediation program, at Bell Bay with a reclamation program and in Hobart with a ferry pontoon.

TasPorts, as I have said, despite difficult operating environments, has continued to respond well to the needs of its current and future customers. It is investing in its infrastructure and challenging times; it has a diverse portfolio and I think, with the consolidation of all the ports under the TasPorts cap, has meant that we have been able to build that 10-year infrastructure plan in a way that benefits Tasmania.

With that, I now seek to take questions.

CHAIR - Thank you, Minister, for that information. I am going to invite Mr Dean to kick off.

Mr DEAN - We talked about the number of ports that TasPorts is responsible for - four major ports, Minister. In this State today, can we afford to have four major seaports?

Mr O'BYRNE - That is an interesting question. I think there has been much debate, especially in the context of changing market circumstances in Tasmania and changing demands and needs of freight users. Probably over the last 20 or 30 years, I think we have seen since the late 1970s and early 1980s a reorganisation of port activity while volumes have been increasing. We have seen a reorganisation of activities predominantly from the south to the north. There is a range of reasons for that in terms of costs and reliability, and for major operators such as Toll making market decisions on where they seek to base their operations. The answer to your question is 'yes' and 'no'. I do not think we can afford to have a range of ports providing the whole range of services to the Tasmanian industry and community that we have now, but I think we are seeing more of a specialisation and that is where the direction will be. I think we can have a number of major ports that operate bulk and freight and meet the needs of their users, but we are moving to specialisation. In the Hobart port, you are looking at cruise ships and the Antarctic gateway. As you know, we are the home of the Australian Antarctic Division and the French program, and through the French program we are the home of the Italians. That produces more than \$140 million worth of economic activity to the State. The Antarctic programs and research programs contribute directly 840 jobs and indirectly thousands of jobs to the Tasmanian economy. The redevelopment around Macquarie 2 has been to respond to that need.

At Bell Bay, clearly the market has made a decision that container freight will not go through there in the short term. They are moving towards the Burnie and, to a lesser extent, the Devonport ports. That is a decision made by the market and the role of TasPorts is to respond to that to best suit our needs. We must have a short-, medium- and long-term vision of the port strategy for Tasmania. It has been clearly identified in the Infrastructure Australia bid that Bell Bay, unlike the two other coastal ports, is not constrained by urban encroachment. So if there were a significant increase in volumes, and we saw the increase in volumes plateau off during the global financial crisis - I think it is now more than 460 000 TEUs that now leave our State and that is close to double in the last five years - if we had seen those volumes increase and if the market had made the decision to maintain their activity at Bell Bay, that is where you would see Bell Bay's future. Bell Bay will have more than 250 port calls for non-containerised freight out of that area.

The long answer to your question is as I have put it. The short answer is that I think the future is specialisation. We need to work with markets and operators such as Toll and SeaRoad to ensure that we meet the future needs of the Tasmanian freight industry. I am not sure if Dan or Paul would like to add to that.

Mr WEEDON - I think the other part of that discussion is the economic cost of seeking to develop a single port to handle the freight needs of the State. Whilst we have not costed that specific solution, it would not be an inexpensive solution in an environment where you still have sustainable infrastructure around the State. As the minister referenced, the long-term future for container freight is Bell Bay. A number of the other ports will exist for their proximity in the supply chain efficiency - whether it is a mining production source or whatever - to the ocean-based supply chain. If you look at the geography of Tasmania and reflect on where the minerals are likely to come from, it is in that north-west region and the relevance of Burnie needs to be looked at in that setting. It does not make economic sense to start directing production coming from those mines to some preferred alternative port when the infrastructure is there. You have fundamentally efficient supply chains under development and it makes sense to maintain that link, particularly for the dry dock.

Mr O'BYRNE - So currently we are meeting the needs of the exporters in terms of the port facilities. I think that is where governments needs to be mindful of what is going to happen in the next 20 or 30 years and we need to prepare for that, as Paul said, in infrastructure spend and that is why we have the bid in with Infrastructure Australia of \$150 million for the redevelopment of the Bell Bay port to facilitate an increase. Currently we have the capacity for 100 000 containers to go through Bell Bay. We are not carrying any at the moment because the markets - customers and Toll - made the decision, to take it through, predominantly, Burnie.

Mr DEAN - You said that your position is to make Bell Bay the containerised port for Tasmania. Currently, market forces are telling us and they are telling you very clearly that, no, it is not, they want Burnie and to some lesser extent, Devonport. How do you propose, in your future planning, to turn Bell Bay around to be the containerised port in Tasmania when the market is telling you, no, we are going north and we are not interested in Bell Bay?

Mr O'BYRNE - That is why, in terms of the Infrastructure Australia bid, we have moved it into a staged development. Currently, on the trends that were predicted in terms of exporting of containerised freight out of Tasmania, prior to the GFC, you would have seen demand outstrip capacity across the three northern ports. What we are saying is, the decision around Bell Bay is a medium- to long-term decision. There comes a tipping point where you need to make a decision to meet the needs.

As for Burnie, if we continue to grow, there is going to be a time when Burnie will not have the capacity to contain the amount of containerised freight that needs to come out of Tasmania. So Bell Bay is the long-term view of the Government. That is where we need to go. There will be a tipping point when we will need to start to make the infrastructure investment to meet the needs of the market. One thing is certain about those freight companies: they will move where the money is and if they are constrained by space at Burnie, and at the moment there is a whole range of reasons why they have made that decision. They have existing infrastructure, so the replacement cost is an issue for them. But if it gets to the point where they are no longer able to meet the needs of containerised freight, they are going to have to make a market decision to get product out of Tasmania because that is how they make money and then that will be that tipping point when we need to make the infrastructure investment.

At the moment, if we started that investment now, you would say it would not be the best investment for Tasmania. That is why we are working with the port users at Burnie on a Burnie optimisation plan to ensure that we can meet the current needs of the users out of the Burnie port. But there will be a tipping point where we will need to start to make those decisions to prepare for the hopeful increase in the containerised exports out of Tasmania.

Mr DEAN - When is it envisaged that tipping point is going to get here? We are talking about it and the stakeholders we have been talking to are concerned about what is happening at Bell Bay, about the money that is earmarked for Bell Bay, everything else is going to occur at Bell Bay when they say they have a greater interest in other areas. So they are asking that question. When is the tipping point likely to be and I would like to know how you are going to turn it around. We have heard what you would like to do.

Mr O'BYRNE - There is a couple of points. Let us be clear with the Infrastructure Australia bid. No State or Territory received any money from Infrastructure Australia in the last two financial years and that is predominantly because the Queensland floods really sucked up a whole lot of that money. We do have four bids in beyond our road projects. We do have four bids in to the Infrastructure Australia projects, which Bell Bay is one of, and at this stage we are in the hands of Infrastructure Australia and they are cognisant of the fact that containerised freight out of Bell Bay is not occurring at the moment. So I think our ability to get that bid up in the short term is extremely difficult.

Regarding Burnie and the responding to the needs of port users in Burnie, I know that we and TasPorts and TasRail have been working collaboratively with the Burnie Council to make an investment in the Burnie port to ensure that we can meet the needs of those users. We have been having very good, constructive discussions with Toll about that sort of development. I might ask Dan or Paul to update the committee on where those discussions are at because I think that is where the tipping point is. Before I defer to Dan or Paul, the tipping point is where we start to hear companies saying, 'We are a bit constrained here.' Based on these trends, within a number of years, we are going to be constrained and I think that is when you start to have that conversation. Any infrastructure spend needs to be in the right place, at the right time, for the right price.

[2.15 p.m.]

Mr DEAN - That is an interesting position because Toll and a number of stakeholders have been talking about increasing their ships by two new ships and that is out in the open and it is publicly known for a long, long time and they say they are working towards Burnie and remaining at Burnie. This tipping point is an interesting issue because it could be in five years' or 10 years' time -

Mr O'BYRNE - It could be.

Mr DEAN - and yet we are looking at Bell Bay and the money expenditure at Bell Bay getting the funding for Bell Bay, which could well be a white elephant.

Mr WEEDON - If I could comment a little further, I think there are a number of mechanisms and strategies that are currently in play to try to cope with the task that Toll has in Burnie. One of the short-term initiatives that is in play is the development plan that the minister has made reference to. That is primarily about getting containers on and off the wharf faster and more cost-effectively. Instead of having congestion and a truck build-up all sitting around what is a very

urban-encroached port, the short-term focus is if we can get containers in and out it makes the operation of the container terminal - the actual wharf area - that much more efficient. In all likelihood that will get them a number of years of relief and probably five to 10 years of relief can be achieved by that initiative, and that is the development that is under negotiation at the moment.

The next stage of development, which would be a matter for the terminal operator, would be to get themselves involved in expenditure and investment in upgrading the technology within their terminal. At the moment, Toll's operation, as that of most container operators in Tasmania, is premised on a fairly broad-spread nature of operation whereas if you look at high-intensity container terminals around the world, they are using straddle cranes, they stack their containers five and six high, they use the air space around the terminal much more effectively rather than just spreading the footprint of the terminal. Those options available up to a point continue to cope with the growth forecast that Toll will have for Burnie so whether they re-tonnage at some point or whether they add more sailings at some point, that is a commercial matter for them but there is some scalability through both the road-rail enhancement strategy that we have and whether they would be willing to invest in upgrading the technology and converting the terminal into more high-density usage. But that will only get so far and we think that if they can get five to 10 years out of better freight flows in and out and they make some investments in terminals, you might get a 10 to 15-year time frame where they are going to be approaching maximum capacity. Then the real pressures become urban encroachment and you cannot go back into the town so the only option is to expand out into the water.

One of the advantages that Burnie has is its extremely deep water, therefore more reclamation to expand the footprint becomes extremely expensive and they are some of the factors that then drive the discussion about Bell Bay's development and its context. It is certainly minimal for urban encroachment, there are large available footprints of land that will facilitate our bringing operators in who provide services to the container freight sector.

Mr MULDER - Just in that same vein, we are talking about an infrastructure bid to do work at George Town in the knowledge that in the medium to long term it is going to regain its container potential and on the basis that in the long term, no doubt, that is the only place where there is viable expansion. You talked about the tipping point and about the constraints around Burnie in particular but I think Devonport shares them so I think we could take the two together.

Mr O'BYRNE - Yes, it does.

Mr MULDER - It just seems to me, though, that if there is some investment in that required - and I pick up the fact that you said some investment in Burnie would give you another 10 to 15 years perhaps - is it too late to say that Infrastructure Australia is short- to medium-term money but for a long-term purpose, where there is a need at Burnie for short- to medium-term investment which would match the Infrastructure Australia, in recognition of the fact of course that our bid is not too good but one of the reasons it is looking a bit sick -

Mr O'BYRNE - What do you mean by 'our bid is not too good'?

Mr MULDER - The prospects of our bid are a little bit sick -

Mr O'BYRNE - Okay, sorry.

Mr MULDER - on the basis that the market has switched across to Burnie so I am wondering what is the opportunity to say that we will take that money now, give Burnie that 15-year capacity and then we will be in a better position to say whether we need it at Bell Bay in the future?

Mr O'BYRNE - It is a good question. With Infrastructure Australia the minimum bid has to be \$100 million. The concept behind Infrastructure Australia is nation building and projects of significance which have an impact on the national economy. They really were designed around looking at the coal bottlenecks in Queensland, looking at some of the infrastructure bids in ports around Australia but also in freight corridors.

Mr MULDER - In short, the answer is that the bid requirement is too big for what is needed.

Mr O'BYRNE - Having said that, I think that it would be good for the committee to hear about the kind of things that we are working with TasRail on today, right now, to upgrade the Burnie facility to ensure that it is more user-friendly for port users. Paul touched on it before but would it be of benefit to talk a bit more about that to give you an idea of the -

Mr MULDER - I was going to get to that later on about what the plans for those three major ports are. I am happy to take it then and get on with the next line.

CHAIR - Do we want to continue on that path while we are here then?

Mr DEAN - I am happy for you to continue on there.

Mr MULDER - I am happy for it to come later myself.

Mr WEEDON - Essentially the status of our negotiations on the Burnie development project can be summarised as follows: we have essentially come to an agreement between Tasrail, TasPorts and Toll with respect to an \$8 million project to reconfigure the railhead at Burnie. It contemplates a significant upgrade to the rail area, relocation of the port roads, realignment of a number of security barriers and how access into the port is managed. Importantly for the local community it contemplates ceasing the shunting of trains on the beachfront.

Essentially, once we complete the physical works at Burnie railhead, full trainloads will stop at that terminal rather than being broken down and then shunted into the Toll yard. That extra shunting takes time and adds costs. The idea is that we have designed the Burnie terminal to mirror the Brighton operation. I am not a rail guy so I will let rail comment but certainly one of the fundamental premises in rail transport efficiency is if you can standardise the nature of your operations at both ends. So if you have trains that are 600 metres long or 400 metres long at one end and they can go and be unloaded and loaded in the same configuration at the other end of the rail then it is fundamentally more efficient than having to break the train down into two or three chunks to break it off going into smaller terminals. That is essentially the concept; standardise the train at both lengths. Toll will do their train loading and unloading in the TasRail terminal when it is reconfigured and that provides them some additional space within their terminal as well which they can employ for their own cost efficiency benefits.

It gets trains off the beach, improves the community benefit and gives Toll some short-term efficiencies by being able to use more space. As you can imagine, in the middle of their terminal there is a great train line and they have to preserve that corridor to be available at all times. In the

future they can use that space for container stacking and for vessel operations, so they will get more freight through their terminal in that environment. They will also be able to reconfigure their gateway to be able to receive and handle trucks more effectively. We have had some problems with truck congestion in Burnie in the last 12 months. This is part of resolving that issue as well.

The current state of negotiations is, we have agreed, the capital works in principle and we are now working on the detailed operating arrangements. How well do Toll, for example, get the containers from the rail yard to their terminal? There is a wish to operate high-intensity vehicles, super B-doubles where you can load eight containers on one truck. Those will have to comply with the normal Tasmanian rules of the road and the registration and compliance obligations on those vehicles but Toll are well advanced in their discussions with the department about that.

There are those operational details we are still sorting our way through but we hope to be able to resolve this finally and get agreement on the investment program by early 2012.

Mr O'BYRNE - If I might add, the decision to bring back the rail into public hands has been crucially important in enabling infrastructure and logistics conversations in Tasmania to line up. It is the first time that the State has been in control through GBEs and through direct ownership of roads, rail and port. That means that the conversation that is happening at Burnie and across the State is the first time in many years that we have been able to line up the needs of the Tasmanian economy with the needs of those infrastructure logistics elements of our framework. It is a very important time and if we had not done that, that conversation probably would not have gone as well as it has. I am very encouraged by the cooperation between TasRail and TasPorts in that regard.

Mrs TAYLOR - I am sorry, you have lost me now. I think the rail idea is terrific, that we use the rail and the ports together, but how is it going to make it more efficient if the rail drops them earlier and then you have to put them on trucks and take them to the wharf? Is that not extra handling again, rather than them being handled straight from the train onto the ships?

Mr WEEDON - It depends where you re-handle. Essentially this will significantly reduce the amount of re-handling in the total chain. What we are seeing today is that Toll is reportedly re-handling containers three and four times within their turn. This way they will be able to spread their operations -

Mrs TAYLOR - Because they do not have the room.

Mr WEEDON - Precisely.

Dr NORTON - When the train comes in they have to strip it and get it out. The train is broken up in, I think, three sections at the moment, so logistically it is very complex. From Toll's perspective, they are quite excited with the benefits they can derive out of this.

Mrs TAYLOR - I thought I heard something about extending the railway line rather than shortening it.

Mr WEEDON - No, expanding the rail yard.

Mr O'BYRNE - The Burnie City Council is very happy, too, because lots of shunting going on in the middle of the night has been very noisy for the community.

Mr DEAN - If I can just cover off on Bell Bay, the position with Agility moving on at a loss of around \$10 million - that is the information we were provided -

Mr O'BYRNE - Sorry, Agility lost \$10 million?

Mr DEAN - Yes, that is the information we were given. I think I am right in saying that. What does the movement of those containers now through to Burnie do to the ports with the extra cost that is on the businesses? How is that going to be absorbed?

Mr O'BYRNE - It is important that we put it in context. We lost our AAA service, which is our direct service for exporters, in March-April this year. Not because of anything that occurred out of Tasmania, but because of a scheduling issue with international carriers. I think Tasmania is probably the first island that will be dealing with this and all the freight and logistic experts, when you look at international maritime freight, they are saying New Zealand will be impacted by this as well - where you are moving to these supercarriers hub-and-spokes model.

Tasmania has fallen victim to it because the volumes that were coming in and out of Tasmania and the amount of empty freight containers they were bringing out of Tasmania and the costs associated with that brought that consortium to the point where it was better they go to a hub-and-spokes situation. We fixed the major centres with their scheduling as opposed to the Launceston port of call. We were fortunate that Agility happened to purchase a vessel that could meet the needs of the hub-and-spokes model - so the transshipment from Bell Bay to the Port of Melbourne. I think they represented about 10 per cent of the containerised freight container market out of Tasmania. They made us aware very early that they were having some difficulties on the Port Melbourne side. I personally spoke to the Port of Melbourne and the people from Melbourne Ports on a number of occasions to impress on them the importance of maintaining a fourth vessel on the run and the importance of the Bell Bay to Melbourne Port run to see if we could facilitate that. I think we were successful in allowing more time for the Agility company to resolve their issues in Melbourne. They were not able to do that and, unfortunately, that service fell over.

We then worked with the Bell Bay users. There are some iconic Tasmanian companies that relied on a Bell Bay service and we worked with them to see if we could facilitate Toll or SeaRoad or another carrier coming into that. That is still ongoing. There are still those discussions but a number, we were told, particular Searoad, have said that their preference is to use their existing base, which is Devonport or Burnie. So, yes, there is a transshipment on-island cost to the 10 per cent of the market that use Bell Bay. They will now need to move that across and we have Tasrail in there working with them to provide them freight options in terms of costs. So there is a cost associated with that. Obviously companies, and especially the freight companies, are very close to their chest in terms of their market and they do not like to signal to the market a particular cost for a container. But we understand that is an extra cost and it varies, depending on the volumes, depending on the client and depending whether they are using rail, road or they are going to Devonport or Burnie. We acknowledge there is a cost but short of our purchasing a vessel, either an international carrier or another vessel beyond the TT-Line and that is not really our space and I do not think anyone would support us doing that, we have to try to support those companies in making sure that they get the best outcome for their businesses.

[2.30 p.m.]

Mr FINCH - I would like to get on to the subject of the cruise ships specifically at Burnie. In respect of infrastructure for when cruise ships come in, are they accommodated well? It must be a welcoming port because they keep on coming.

Mr O'BYRNE - You get the mayor in the robes and the bands and all those things. I think there was a recent survey where they said in Burnie they received the warmest welcome of all the ports. Is that right?

Mr WEEDON - Something like that.

Mr FINCH - Have you spoken to the new mayor about turning up in the robes?

Mr O'BYRNE - Not recently but I would be there to see it.

Mr FINCH - I am wondering about a comment that we had which was in respect of the scrutiny that takes place. I suppose it is security and scrutiny of people as they come on. 'It is over the top', was the comment that we had.

Mr O'BYRNE -Okay.

Dr NORTON - Paul can explain that it is out of our hands.

Mr WEEDON - Certainly the security issues are. Your first question I think was what plans there are for infrastructure development specific to cruises in Burnie. At this stage there is none. The volume of vessel calls we have is eight to 10 calls a year and there is just not the economic base at the moment to be able to justify investment in specific infrastructure. Most of the focus of our work has been on looking at what passengers do when they call into Burnie. Most of that work has indicated to us that most of them get straight onto a bus and head off to the Cradle coast. That is the great attraction of the Burnie port and whilst I am sure the Burnie community does a great job and there are some people who do walk into town, the vast majority of passengers head to the Cradle coast.

Our focus has been to make sure that passengers are able to disembark the vessel and get straight onto their assigned coaches and head off to the tourist locations as efficiently as possible.

Mr FINCH - When you say, the Cradle coast, what do you mean, Cradle Mountain?

Mr WEEDON - Cradle Mountain primarily. But there are other coastal destinations. There is the Tarkine and various other tourist destinations which are part of the appeal of the Burnie port.

As the chairman made reference to, the security obligations we have to comply with are basically derived out of the Office of Transport Security in Canberra. It is a Federal authority; our obligation is to develop a set of security arrangements which they have to sign off on, and they do quite frequently send plans back saying this is not sufficiently compliant, you need to upgrade this, you need to have more CCTV presence or more physical security presence in that location - so it is a negotiation process with the Office of Transport Security to sign off on the security plans, and then we are off audited at least annually, sometimes twice annually, to ensure that our operating procedures comply with that framework.

Mr FINCH - What is the security about - protecting the locals or protecting the people on the boat?

Mr MULDER - Protecting Australia.

Mr WEEDON - That is certainly the attitude that is evident in OTS - it is all about 'What don't you remember about 9/11?' We cannot let security events like that occur. So most of their focus is around ports, airports, major places where large numbers of people congregate and they want to make sure that appropriate security regimes are in place.

Are they onerous? Absolutely. Are they costly? Yes, they are, but in the current setting, in our marketplace, this is the cost of security.

Mr FINCH - I would have thought that the people on cruise ships would have been through enough security checks to have an understanding that those vessels are okay.

Mr O'BYRNE - OTS issue guidelines for making sure that the integrity of the country is maintained at each of these ports and, again, also we need to make sure that security is not only about making sure - there is a whole range of roles that they can play and making sure they are safe in the wharf precinct is important as well. So it is their safety as well as the local community's safety.

Mr FINCH - Okay, it is about not relaxing, I suppose. As I say, the comment we had was that the security is over the top.

Dr NORTON - From a casual point of view, it is probably over the top but what we are saying is, that is what we are required to do. So the criticism, if there is criticism, is really at the rules or the regulations that are established in Canberra.

Mr O'BYRNE - This issue was raised in the hearing this morning with TT-Line and I think we are seeing some, as with aviation security, I suppose, honing of the procedures and the requirements to make it more efficient. Mr Mulder made that point earlier this morning.

Mr MULDER - I think it also goes to the fact that it is not even driven by the Commonwealth Government, as far as I understand it, the covenants that relate to that are driven by the International Maritime Organisation. It is about protecting the US ship market, if you must know, who put the muscle on the IMO.

Mr WEEDON - The Scandinavians had a fair bit to do with it at the time.

Mr FINCH - So in respect of Burnie - and I am wondering about that experience to the egress that the tourists have from the boat onto the wharf and into the city, or off to the Cradle coast - you are saying that you do not want to invest in infrastructure because there are only eight to 10 visits when we are told 18 to 20 are coming next year, whether that is right or wrong, so you are saying you are comfortable with the facilities that you provide now and the safety and the comfort with which people make their way into Tasmania?

Mr WEEDON - Yes, I think all of the customer feedback that we rely on indicates that we have an arrangement which works and they are broadly happy. That is not to say every passenger at every point will always be happy, there is always someone who has a complaint.

Mr O'BYRNE - I also think from our perspective that if the market continues to grow, of course we would respond with appropriate infrastructure as we have done at Macquarie Shed 2 with the \$7 million redevelopment at that facility, which has significantly higher volumes of cruise ship visits and also passengers. They are getting bigger and bigger. In 2012 we are going to see the biggest ocean liner in the world drop into Hobart with 5 000 passengers in a day.

So I think when you see the markets move up or the volumes move up, that is where you respond with the infrastructure and TasPorts has a challenge across all of its port facilities to make sure that the infrastructure is fit for purpose and that is why the 10-year infrastructure plan has been put together to respond to those needs and if Burnie starts to receive more port calls, of course TasPorts would consider what is the appropriate response within the budget we have.

So it is not a 'no' at this stage - we think we have it about right - you could always build far better facilities but within the budget we have and the constraints that we have, we think it is fit for purpose for now but we would not discount it in the future. I think that would be fair, would it not, Paul?

Mr WEEDON - That is fair, Minister. I think our customers are very pragmatic in this regard as well, whether it is Carnival Cruise Lines, P&O cruises or the Royal Caribbean line, they are global operators, they see large and small ports around the world and their advice is do not over-invest in this stuff because they know we will have to charge them.

Mr FINCH - But drawing a long bow from what the minister said and the State Government owning TasRail, I still see some hope for that rail trip between Burnie and Devonport but that is another matter. Chair, I am finished, thanks.

CHAIR - Do all the ports charge the same fees?

Mr O'BYRNE - We have moved to a new fee structure because for many years it was a real patchwork across the whole State which led to frustration, it led to increased administrative costs and you had some customers going to certain points and being charged one thing for similar things - it was a real problem for TasPorts.

CHAIR - So there are no more Burnie sweetheart deals.

Dr NORTON - There was on cruise ships.

Mr O'BYRNE - I might get the chair to talk through the fees change in terms of attracting business.

Dr NORTON - Paul can explain but we have looked at our pricing structure to get more uniformity. To clarify the point that I have just made, on cruise ships we do not charge as much in Burnie as we do in Hobart, reflecting the growing nature of that market. We did not want to jeopardise it by charging a higher cost which, knowing the sensitivity of the cruise ship operators, could mean that they stop calling into Burnie. So in a sense we have not built infrastructure at

Burnie but we have maintained a differential pricing structure to support the cruise ship industry in Burnie.

Mr O'BYRNE - Was your question purely for cruise ships?

CHAIR - No.

Mr O'BYRNE - Sorry, Paul might talk about the broader context.

Mr WEEDON - We initiated a project about 18 months ago, soon after I arrived in the role, to standbys and move to a statewide tax. The first phase of that work has been completed and rolled out and negotiated with customers. I think we are very sensitive to costs and how they impact on a customer's business so in a number of cases we have agreed to a glide path on how prices will be adjusted over a five-year period to get them from where they are today to where we would like them to be tomorrow. I think the important thing is not to have sudden significant changes at any price. None of us likes that. The progress has been to align and standardise on a statewide basis.

We substantially simplified our tariff. We had literally dozens of line items in a tariff, which made for complexity, so we cleaned out a lot of that. It is a much more simple tariff, it is applied statewide and we are progressively moving on a pre-agreed, pre-negotiated glide path with those major customers as to how we get the pricing up to the level that we think is necessary for us to have the revenue base to reinvest in infrastructure and service the cost.

CHAIR - What about the smaller customers? I am thinking the Furneaux Group, the islands and the wharfage fees there. Is it the same thing; they are treated the same and those fees are clearly identified in their invoicing -

Mr WEEDON - That is my understanding. That question has never been raised with me before and certainly not by them.

Mr DEAN - Are you saying that you are going to align Bell Bay, Burnie, Devonport and Hobart all with similar wharfage fees and costs and so on?

Mr WEEDON - Yes.

Mr DEAN - Is that in place right now?

Mr WEEDON - That is in place for our tariff, yes. There are a number of long-term contracts around, be it SeaRoad in Devonport or the TT-Line. Those are subject to annual negotiation or review and in many cases they are very long-lived contracts.

Mr O'BYRNE - There was pretty extensive discussion with all of the customers to ensure that, as Paul said, that glide path was appropriate so we could allow people to adjust. The internal productivity efficiency gains by aligning up those fees has been pretty good. It has been consistent and efficient and I think that is great.

Mr DEAN - When we went through the legislation on the former TasPorts, that was one of the selling points to us, that the costing would be similar throughout the State.

CHAIR - And there was going to be a lot of money for infrastructure in the future, but I will get to that later.

Mr DEAN - You are right.

Dr NORTON - Just to clarify that, it does not mean that all our fees to all our customers are going to be the same because, as Paul said, there are some long-term contracts such as Toll and SeaRoads where some of the costs that are charged to them are subject to a long-term contract.

Mr DEAN - I think we will probably get on to the SeaRoads contract shortly.

CHAIR - We will. I think Mrs Taylor just wants to explore a little bit more.

Mrs TAYLOR - We have introduced Flinders Island and the Furneaux Group so I would quite like to continue on that line a bit if we could. When you say that the aim eventually anyway is to have much the same tariff for everywhere including the Furneaux Group, what do you give for that tariff? What do you provide? Do you say that it costs you this much to moor here, to dock here or do you provide stevedoring? Do you provide cranes? What do they get because it appears that at Lady Barron at least they are having difficulty with that aspect?

[2.45 p.m.]

Mr WEEDON - Usually the tariff structure is broken up into a number of major components. Typically, tonnage dues, which is a charge that is levied on the size of the ship, goes to provide for safe navigation services. That is typically where you find money for dredging to make sure that the channel and the berths are available at the declared depths. It goes to things like provision of navigation aids, making sure there are maintenance guys who can come out at three o'clock on a Sunday morning and repair the lights on the nav aids. Typically tonnage dues tend to cover those types of cost buckets. Then you have largely wharfage charges; they have different names, but broadly a bucket of wharfage charges tends to go to maintenance of the land-based infrastructure - everything from making sure that the pavage, the roadways, lighting, the provision of wharf labour but not stevedoring labour, to make sure that operations are running safely.

Mrs TAYLOR - I am not sure what the difference is but that is all right.

Mr WEEDON - Stevedores load and unload the ship. Wharf labour is not that. There is a range of things that are required to be done around wharves to make sure that ships can enter the wharf and tie up and then leave the wharf and that all that happens effectively. With regard to the receipt of cargo into and out of the terminal there are often issues around transport logistics and coordination and they are handled by that team as well.

Normally your wharfage covers that bucket of charges. Subject to the vessel size, pilotage or other charges are specifically required for bringing certain vessels into the ports. That is typically how the tariff is constructed.

Mrs TAYLOR - Can I go a bit deeper into Lady Barron. We were told by more than one stakeholder that basically they have some major problems. One is that the ship arrives and is unloaded and then nothing happens so that every company who has goods delivered to them needs to provide its own infrastructure like forklifts for instance; there are no forklifts to move the containers around. We were told that there is no provision for refrigerated goods being plugged in, that the council is currently picking up the bill for providing electricity so that refrigerated

containers that are dropped off are kept cold. All those kinds of things. They are concerned that local government has to pick up the electricity charge so that the stuff that gets delivered does not go rotten.

Mr O'BYRNE - That is why we have provided a \$1.6 million grant to upgrade facilities at the Lady Barron port. I went across to the island, I met with the council, we had reps from TasPorts there, I had the secretary of DIER with me to look at the site physically and look at the plans and we have been in consultation with the local community and the shippers to say that it is pretty constrained in terms of facilities there. We had first of all to agree on what the site would need to look like to make it more efficient, safer and for TasPorts to be able to deliver those kinds of services to the local community, the exporters and the importers. I think we are finalised on the design now and we have an agreement with the local council over the last few months on the design. We had some crown land issues and a lease issue with a slither of land just up off the wharf area and I think that we have resolved that now. My understanding is the development application is with the council, we have approval for that and as soon as we finalise those negotiations that capital expenditure will be spent to resolve those issues, particularly the refrigeration issues.

Mrs TAYLOR - Why are they still just as concerned as late as yesterday then? These are issues they raised with us yesterday.

Mr O'BYRNE - This is the local council?

Dr NORTON - I was on Flinders Island two weeks ago. I met with the mayor and the general manager and I am very happy with the plans and the status of what we were doing.

Mrs TAYLOR - We met with them yesterday and that was not the impression I got.

Mr DEAN - I must have been talking to somebody else yesterday.

Dr NORTON - I had a site visit with the mayor and general manager and they were excited that we had actually got something that everybody, it seemed, agrees with -

Mr O'BYRNE - This is news to us. We have been working on the basis that we had agreement, the money is there and we are going to upgrade it and Raoul and the mayor -

Mrs TAYLOR - They were certainly happy about the \$1.6 million but it did not seem that we were talking about these kinds of things.

Mr O'BYRNE - We had a crown land issue.

Mr MULDER - Just to clarify, there was also an issue about Lady Barron versus Whitemark. There was some of that coming in there too.

Dr NORTON - There are constituents on the island who want to see the port operate at Whitemark rather than Lady Barron but it is impossible to run two ports on a small island. The Government's commitment of \$1.6 million is going to significantly upgrade Lady Barron. When I was there, someone said that there are some people who want a port further north in the island, so there are differences of opinion on the island as to what facilities they want.

Mrs TAYLOR - I understand that, but yesterday we were talking about Lady Barron and they acknowledged the \$1.6 million and said it was fantastic but that they would still have issues with stevedoring -

CHAIR - About the mechanics of unloading.

Mr O'BYRNE - TasPorts does not provide stevedoring anywhere; so they are the complexities of a very small port with small volumes.

Mr FINCH - One of the issues they had, Minister, was with the storage of logs. They said that it does not suit the island in the way that TasPorts goes about it. Can you enlighten us on that issue?

Mrs TAYLOR - Apparently they wanted to store logs on the wharf rather than double-handle and they were told they could not be stored on the wharf.

CHAIR - They are looking for some flexibility around completing this half-done log exit from the island project. That was thrust upon them, and obviously at a difficult time when there was this requirement for logs to come from somewhere - anywhere - so they are caught in the middle and are looking for some flexibility. On behalf of the island, this committee would like to ask for some flexibility in being able to remove those logs. It is a short-term project and six months will see the end of it and there will be no more logs.

Mr O'BYRNE - I know Furneaux Freight has been raising this and there have been discussions. I think we have been trying to negotiate an agreement but moving logs across wharf areas is a very different proposition to moving containers and other kinds of freight and livestock. There are different risks involved with different materials.

CHAIR - Hence the flexibility that is required at a small port when there are so many activities going on in such a confined area and under duress.

Mr WEEDON - I am prepared to look at it flexibly. What we will not resile from is the safety obligations required, but that has been a problem on the island in the past.

Mr O'BYRNE - My understanding is that there is an agreement that has been offered which allows some short-term storage and we are waiting to hear back from Furneaux Freight.

CHAIR - We will pass that on because that was one of the issues. This is a short-term issue but it seems to be taking a long time to resolve.

Mr O'BYRNE - I undertake to follow up with the council. I visited there and they showed me the wharf area. We agree on the designs and there has been no negative correspondence back from the council about the capital upgrades that are required and will be delivered. We had an issue of making sure there was a complexity around crown land and a lease and we had to negotiate with the lease-owner to make sure that we would get access to that area so we could redevelop it. We have now done that and we are into the final stages.

Mr GAFFNEY - I think the general manager and the mayor had slightly different opinions. I thought the general manager was quite supportive of the input they had been having and the mayor, rightly so, listens more to the community and had some other concerns.

Mr O'BYRNE - We will undertake to contact them as a result of this hearing.

Mrs TAYLOR - I heard you say that you do not provide stevedoring, but we were told yesterday that back to the charter that says it is your job on a commercial basis, to act on a commercial basis to facilitate trade - and they were the words they used - they need someone to facilitate the trade for them.

Mr O'BYRNE - On a commercial basis.

Mrs TAYLOR - Yes, absolutely. I think part of their issue was that everybody who used the port, because there is no infrastructure that is common there, has to provide their own stuff and that seems terribly inefficient.

Mr O'BYRNE - The \$1.6 million upgrade will facilitate a lot of that to make it easier. Whether that gets to the point of stevedoring, we can talk to the local community about that, but it is not within TasPorts remit to provide those services.

Mrs TAYLOR - But you might be able to arrange something for them.

Dr NORTON - The shipping operator handles that activity. Certainly that is what happens from King Island.

CHAIR - There are rather different facilities, if you do not mind my saying so, on King Island than we have on Flinders.

Dr NORTON - I did not say anything about facilities. I said that it is normal for them, on these vessels, to handle the stevedoring because, effectively, the containers are often owned by the shipping company as well. So they do not want other people handling their containers.

Mrs TAYLOR - So is the problem between Flinders Island and the shipping companies?

Mr O'BYRNE - That is probably not for us to make a judgment on.

Mr MULDER - I think it raises the whole issue of operating on a commercial basis, when we get to these smaller ports. We understand that big ports operate on a commercial basis, but there is just no way in the world that Flinders Island is ever going to operate on a commercial basis. I am interested to see what obligation the Government feels to the people of these communities to facilitate trade which simply can never stack up on a commercial basis. The people of Flinders Island are running exactly the same argument past you today as we run constantly past the Commonwealth. We of all people should understand that argument better.

Mr O'BYRNE - That is why this State Government is committed to the \$1.6 million capital upgrade of the facility to make it more fit-for-purpose for the local community. That is why, when we had a problem with Bass Strait Shipping a number of years ago, when we had one operator taking a form of industrial action, we had to intervene and provide a subsidy to get the Furneaux Freight up and running again. They are now operating commercially. There is no need for us at this stage -

CHAIR - At a loss.

Mr O'BYRNE - That is not my information. But we have subsidy arrangements in place for Bass Strait Shipping and if there is a need for us to intervene in that, we have done and will do. But I am sure operators have maybe said, 'We are operating a loss and we need more government help'. Our information is that they are not and they are operating commercially. When the market fails, that is when governments intervene and we have a long history of doing that. If, as you report it is said, we take an offhand approach, that is not the case. When there has been failure we have intervened. We have provided significant subsidies to get that trade up and running again and we are investing \$1.6 million in capital infrastructure to upgrade the port. I think that is trying to help out and look after it.

Mr MULDER - In the direct context of Flinders Island, the scenario was put to us and it was not by the operators, they did not speak to us, but there was some suggestion that there are two aspects. There is the freight and the livestock. At the moment, the livestock part is subsidising the freight bit. So all it would take for market failure to occur would be for the operator to say, 'Sorry, we are splitting into two divisions and this division is not commercial, therefore we are dropping out of it now'. There is no answer to that; we have to wait for it to happen.

Mr O'BYRNE - That is a market decision.

Mr MULDER - Hopefully they will continue to be happy to run one division at a loss and make it up in the other.

Mr O'BYRNE - But in commercial activities that is not uncommon. To get the market share, you make sure you corner it off by saying, 'We will take a loss on that but we are going to make money on this, but we have the whole market sorted'.

Mr MULDER - We have just seen Qantas run through a little exercise like that so we are pretty familiar with it.

Mr O'BYRNE - A different market from Bass Strait Shipping.

Mr MULDER - But it leads me onto my next one where there are other ports such as, for example, Nubeena or Alonnah and places like that which occasionally do a bit of freight, but that is infrastructure that is probably not being used for commercial purposes much at all. But what is the history of those things? Are we just going to let them crumble into the sea?

Mr O'BYRNE - They are not TasPorts facilities. They are governed by MAST which through its licences has an infrastructure fund where -

Mr MULDER - I am aware of that. You answered the question by saying it is not in your domain.

Mr FINCH - So there is not a community service obligation in budgeting to assist Flinders Island and TasPorts' operation?

Mr O'BYRNE - I think the Government always has an inherent, overarching community service obligation. Our preference is for a market to exist and for people to undertake commerce and activities, and that is occurring. Where the market fails and where there is a community service obligation for governments to intervene, to provide a minimum service in making sure that

there is that link to mainland Tasmania, that is exactly what we will do. Our preference is for the market to really resolve these things efficiently and over many years, it has done. Where it has failed we intervene.

[3.00 p.m.]

Mr FINCH - There is one point I would like to bring up before we move off the subject of Flinders Island. There seemed to be a bit of concern about the website for TasPorts in respect of Flinders Island. It is out of date - 2006 - the summary of shipping dates and some of the operations on Flinders Island, so I think somebody needs to have a look at that to make Flinders feel as if it is part of Tasmania.

Mr O'BYRNE - Okay.

CHAIR - Before we leave the island, obviously the island is very pleased to see that support from the Government. That takes me to the point when there was an amalgamation of the single entities into the one. It was indicated to the Parliament that this was going to be a perfect opportunity to raise funds to put infrastructure into areas around the State. Perhaps we are still relying on government to come forward with the money.

Mr O'BYRNE - Since 2006 TasPorts has spent \$53 million in infrastructure.

CHAIR - But none on the island virtually. I think you will find it is virtually none.

Mr O'BYRNE - Okay.

CHAIR - As to the one employee that TasPorts has on the island, would that not be a reasonable role for that employee, if there was a forklift on the island, that they use it to unload everybody's freight and then you are not relying on the goodwill of any operator? There is more than one operator coming backwards and forwards to the island, so would that not be a reasonable CSO obligation?

Mr O'BYRNE - You raise these issues that there is a whole range of complaints around the port and we have been trying to deal with them through an infrastructure basis to upgrade the port and make the facilities more user-friendly. The issues around stevedoring have not been raised with my office directly and, if that is an issue, we will sit down with the local community and work with them. I think it is important that we acknowledge that TasPorts is not a stevedoring organisation.

CHAIR - Minister, we may have to have a conversation outside of this forum.

Mr O'BYRNE - Okay, we can talk about it.

Dr NORTON - We are not aware of it being raised with us. When I was over there two weeks ago it was not, although I only had a meeting with the general manager and the mayor.

CHAIR - Obviously there are stakeholders who believe that this committee is a fairly powerful committee and can get a lot of issues raised.

Mr FINCH - The same as we had with TT-Line. They see this as an opportunity to push a barrow.

Mr O'BYRNE - We have no problem with that.

CHAIR - If there are no more questions on that, we will move on to SeaRoad. I am interested in the issues over the lease of the terminal. What is the status of that at this point in time?

Mr WEEDON - I have recently re-engaged with SeaRoad on that matter. I have invited them to see if we can agree upon a process as to how the dispute may be resolved. That has been in the form of a discussion with their CEO and a recent follow-up letter, which I am waiting for a response from.

CHAIR - I have not had time to read all the *Hansard* from when the amalgamation took place in 2005, but my understanding is that all contracts and lease arrangements would be transferred over. Is that not the case? If there was a lease until 2022 for the Devonport terminal, what is the issue?

Mr WEEDON - The issue is that there have been a number of parties that have owned that business over time. In the transfer for the sale of the business by the previous owner to SeaRoad there were, I think, some expectations generated by SeaRoad as to what they were buying. Our legal opinion is that all we had agreed to with the previous owner of that service was to enter into a lease.

CHAIR - Okay, so SeaRoad believes it has a lease and TasPorts believes it has only entered into it.

Mr WEEDON - We have entered into an agreement to negotiate a lease.

Mrs TAYLOR - I think they agreed with that, that there was an agreement that said you would enter into a lease but it was never finalised. But if you have agreed to enter into a lease then shouldn't you follow that through and give them the lease? If you have an agreement to enter into a lease with them, isn't that legally, morally or ethically then binding on you to actually then follow through that, if you have said that is what you will do.

Mr WEEDON - That is what we have been trying to do for a number of years, to negotiate a new form of lease but their attitude is, 'We bought a lease in the long term and that's when we bought the business', and we are saying, 'You don't have a lease'. We are always happy to negotiate a new lease with them and that is what we have been offering to do.

Mr O'BYRNE - It is a legal point, which is unfortunate, but I think in my discussions with the chairman and the CEO that there are genuine attempts to resolve this matter with SeaRoad. But again, ultimately, it is also up to SeaRoad to genuinely attempt to resolve the matter as well.

Mrs TAYLOR - Chair, that raises the other big issue that he heard over the last couple of stakeholder days, and that is about the level of engagement from TasPorts with people like SeaRoad and the others. Correct me if I am wrong, but their understanding, for instance, of when we said do you regularly therefore engage with TasPorts a number of them said that they found that very difficult. The issue you are talking about, for instance, they said that on this lease arrangement that, yes, they had spoken with TasPorts on one occasion but that they had to come down here to do it, that you had rung up, made an agreement and they had to come from

Devonport down to here and that there would be one follow-up phone call. They thought that that was insufficient.

But they were not the only people who talked about it being hard to get to talk with all of you.

CHAIR - Client-wise. Not stakeholder, client.

Mrs TAYLOR - Client-wise, would you like to comment on that?

Mr WEEDON - I am just thinking about the SeaRoad circumstances, specifically. I jointly chaired with the CEO of SeaRoad three joint workshops on the matter. I meet with James two to three times a year - and most of the time I go to Melbourne to visit him - and we have a regular and, I think, a very good dialogue. The dialogue at working level is almost daily in its transaction. It is everything from how invoices are raised, how we exchange data with each other, issues around maintenance and repairs to wharves - that is a dynamic process.

Mrs TAYLOR - We understand that when we hear stakeholders, we hear it from one side, which is why we bring it up here to discuss.

Dr NORTON - Toll is the same.

Mr WEEDON - Toll is similar, yes. We have a fairly structured engagement with our customers and one of the things that I have tried to inject into TasPorts is a much more proactive move to customers. We have changed our organisation structure to introduce the role of segment of managers into the organisation so we have three marketing managers whose specific task is to spend time with their customers, following up. I have seen both anecdotal information and information from our customer surveys that indicate a significant improvement in the level of engagement between TasPorts and our customer base. Would they like to see more? Always.

Mrs TAYLOR - I think in actual fact some of them might have said that it had improved greatly since you have come onboard.

Mr WEEDON - I think there is always something you can improve. You can always talk to people more, you can always engage with them more about a strategic planning process and the like. I am happy to continue to commit to do that.

CHAIR - One of the issues that was raised - and Mrs Taylor has raised a very good point - was in relation to this particular document that a comment was made from one of your clients that TasPorts has been promoting substantial capital investment in port facilities in Bell Bay - and we got the run-down on that - and yet in their view this report contains 'misleading assumptions and conclusions, ignores international trends in the shipping and port industries, ignores customer requirements and displays a complete lack of understanding of the economics of coastal shipping' -

Mr O'BYRNE - Who said that, sorry - you are quoting?

CHAIR - One of your clients - one of TasPorts' clients.

Dr NORTON - When you say 'client', is that a shipping company?

CHAIR - Yes, 'and significantly completely ignores the future plans of this client which will produce substantial growth in its container and trailer volume from one of the ports'. There is a company that would like to have been engaged in some of the information that is in this report and this is to go to Infrastructure Australia.

Mr GAFFNEY - I think there is a comment there too about consultation, which interested me.

CHAIR - Yes, how about consultation - engagement with the operators who have key roles in this? That is the committee's concern about that engagement with customers and clients. We heard good reports from stakeholders - some of the local government stakeholders were very positive. But they are not buying services.

Mr O'BYRNE - I think that it is important that you also acknowledge that the Infrastructure Australia application is a Tasmanian Government bid and there are times when the government has a medium or a long-term view about infrastructure in terms of trends and meeting the needs of the Tasmanian economy broadly which may not fit into the long-term strategy of one shipper. Whilst I can understand that, I think we have taken on board the changes that Paul has put in place in terms of that day-to-day client relationship stuff but on matters of big infrastructure and matters of big important issues to the State, one shipper may have a view that, 'Hang on; we have all our eggs in one basket. If the government makes a decision that is not in our interests, we are not happy with it'. But if we make a decision that is the best interests of the Tasmanian community, we are trying to do that in the best interests of the Tasmanian community.

When I sat down with all the mayors from councils in the northern region - Dorset, George Town, West Tamar, Northern Midlands, and Launceston - they said, 'You put money into Bell Bay and that will probably work against a shipper that has its operations at another port'. We understand that and that is the contest of ideas around how we meet the needs of the Tasmanian economy.

There are two points to this - in terms of the consultation, I think that it has taken on board that it is an evolving space and Paul has made some significant changes to ensure that we deal not only with stakeholders but with our clients as well. But on matters of infrastructure and matters of importance to the State, there will be times when we disagree with a section of an industry.

Mrs TAYLOR - You would want to know their opinion, though?

Mr O'BYRNE - And they have made it very clear. I pretty well know who it is.

Mr GAFFNEY - This company is talking about significant funds that they wish to invest which is even more than the figure that you have put on the table now, so it is not as though these are -

Mr O'BYRNE - A single shipper investing more than \$150 million?

Mr GAFFNEY - Yes. This company believe that they want to be involved in these discussions because they are willing to put significant sums into it and have not even been at the table in a document that is going to the Federal Government asking to build a container area at

Bell Bay where there is no - I do not want to go back to that. It amazes me that you have got to this level with this without having these significant discussions.

Dr NORTON - I am amazed that there is somebody that wants to spend that sort of money and is not willing to talk to us. They have not talked to us.

Mrs TAYLOR - We are talking about them investing in ships and -

CHAIR - Vessels - big vessels.

Mr GAFFNEY - I think from out of this you need to go back to groups and have further discussion about the impact of this.

CHAIR - We had representation from the Tasmanian Freight Logistics Council who also would appreciate an opportunity to have some input.

Mr O'BYRNE - I have met with Robin McGuire a number of times and we have had discussions about this in my office and we are in ongoing discussions with the Freight Logistics Council about a whole range of issues. They acknowledge the changing nature of international and trans-shipping issues in Tasmania.

We have been in discussions with shippers not only through TasPorts but also through TasRail in terms of the Brighton hub. No doubt that will come up at another time. We do have negotiations with these companies but we do not publicise them and there are times when we have disagreements. They are commercial entities and they will seek leverage points against governments to see if they can get their desired outcome. Again, regarding the Infrastructure Australia bid, my understanding is that there has been broad consultation around that. But we have acknowledged in the last 6-12 months that because of a whole range of issues not within our control, the market has moved away from Bell Bay. In my earlier contribution we acknowledged that that is not lost on Infrastructure Australia. So we need to reconsider that. That is a view that that is where the long-term need is.

[3.15 p.m.]

Mrs TAYLOR - Minister, can I just ask then that really the Bell Bay decision - and I understand that you are saying it may well be staged or long term or whatever which might well take the heat out of the issue - but are you saying that really the Government made that as a political decision for northern Tasmania rather than the freight known? That is not what you are saying? You mentioned that all the mayors, for instance, of the area you have talked to are all very strong on that and that is absolutely right.

Mr O'BYRNE - We absolutely have local support. When you look at the freight lines north and south, in efficiencies and being able to meet the potential volumes that go through and in terms of the urban encroachment and the current restrictions that we have at the two other major northern ports, we started in 1999-2000 and we had 290 000 freight containers out of Tasmania and we have now over 460 000. Before the GFC we thought that was going to continue to grow but it has plateaued but there will be a time when it will grow again and we need to be mindful of what are the best and most efficient freight routes for Tasmania and that is a decision State and Federal governments need to make from time to time about what is the most efficient way to get product off the island and on the island.

Mrs TAYLOR - It was an economic development decision and not a political decision?

Mr O'BYRNE - It is infrastructure. It is in broad consultation with the needs of industry. Industry has been consulted as well and not just the shippers. I suppose the challenge for us is walking that tightrope between all the different vested interests and making sure that we make the best decisions in the interests of the community and we put all the good minds together to make sure that we apply those decisions appropriately.

CHAIR - The 10-year infrastructure plan, is that on track?

Mr WEEDON - Yes, it is. We have had a number of iterations to the plan really in response to the changing nature of the markets, so we have had to revisit some of the assumptions we made around the middle of the year.

CHAIR - Even in 2010.

Mr WEEDON - They have been resized and rejigged a little bit so the last version of the plan had board sign off at our last meeting in November so now we start a process for the briefing and the departments of Infrastructure, Economic Development and Treasury are the key government stakeholders in the bureaucracy as to what the fundamentals of that plan are and use that as a basis for discussion around expectations with them and then we will be ready to release that early in the new year.

CHAIR - Can we have the quantum of the maintenance budget for 2011? Is it possible to get that and how much is going to be spent?

Mr WEEDON - This year it is \$10.3 million.

CHAIR - Obviously, future commitments for infrastructure and the State Government are being very generous and have given \$1.6 million to the Furneaux group or to Lady Barron, so what happens with the other infrastructure? Are we waiting for handouts, or is the company going to be able to fully fund those on that 10-year plan?

Mr WEEDON - We are funding them ourselves.

Mr O'BYRNE - That is a part of the strategy. Obviously, needs will come up and you need to predict them in terms of the lifespan of certain facilities and that is the importance of having a 10-year strategy and we know that this port is fit-for-purpose and the replacement is around 2019 or 2020 so we start to put that into the budget. Of course from time to time there will be emergency repairs but, touch wood, we have been pretty good over previous years to be able to pretty well predict the needs and that is why in some respects we have a diminished return this year from TasPorts because of the need to upgrade facilities and, for example, deal with some of the issues we are facing with the Hobart port. An in excess of \$10 million investment in maintenance this year is pretty significant.

Dr NORTON - I think it is important to say, though, that we can deal with our existing requirements except that ideally we would probably be spending more than \$10 million a year. We are obviously constrained by our financial situation in some respects but we have the funds to do the capital expansions that the minister talked about in his opening speech.

CHAIR - Where does King Island fit in the expansion, taking those increased-size vessels that are going to be taken?

Dr NORTON - We cannot fund that. Certainly TasPorts cannot fund what could be a \$50 million investment and the island could never provide the volumes to sustain that sort of investment. A \$50 million investment at King Island or a \$50 million investment at Whitemark or for that matter, on the mainland, those things are just not funded.

Mr O'BYRNE - We have established a King Island ports group, which is now starting to work quite well. We are consulting with the local community about how best we manage the volumes and manage the work there and it seems to be going pretty well.

Mr MULDER - On the King Island issue, there is that prospect of mining being viable on the island and the requirements that flow from that and I am wondering whether that has some impact upon their infrastructure needs and how that could possibly be met. You said that the operations on the island could never sustain a port and I am just pointing out that perhaps -

Mr O'BYRNE - Again, we respond. If that mine does get up again and that is a big question mark if it does, of course we would have to have discussions. It depends on how they want to take it out.

Mr MULDER - Yes, I was just a bit frightened of putting that off the books altogether and I think that would be a huge shame if we did that.

Mr O'BYRNE - It is a good point. There is no blanket no to anything. If there are changing circumstances and the flexibility in infrastructure, you respond to market needs. But it needs to stack up and that is where you sit down with -

Mr MULDER - We take some comfort that should that mine come under a proposal that it is not just automatically put off the book. Yet, as we come to it, it may not be fully commercial.

Dr NORTON - There are a number of ways of exporting without going into a major port expansion.

Mr O'BYRNE - Also it is important to note that the taxpayer should not necessarily bear the risk or the major cost of a private sector organisation. I think it is important that we find that balance. If that mine can get up and it will work and we can play a role, then we will.

Mr MULDER - I will remind you of that next time Optus thinks a call centre looks like it is going ahead, but -

Mr O'BYRNE - It is about a reasonable ability to do it and the number of jobs, the amount of contribution et cetera - lots of variables.

Mr MULDER - We will not go down to voters and electorates either. The other area with King Island was -

CHAIR - Before we take a break we will sort King Island.

Mr MULDER - There was some concern raised by stakeholders relating to King Island that the Port Authority or its local port committee perhaps or report group was engaged in some non-port activities. I think one of the things was top-dressings, spreading fertilisers and things like that which was perhaps in competition with existing activities occurring on the island and also that being connected to the port with those things was giving it perhaps an unfair advantage. I would just like your comment on the non-core activities that some of these entities engage in and whether that is a really good thing to be dabbling in local markets like that?

Mr WEEDON - I have a proposal on my desk which is not being progressed. So all the white noise that is coming around this at the moment is purely speculative. I have not decided yet and I have not sought board agreement to whether I would ever make that investment at all.

Mrs TAYLOR - Which investment is that?

Mr WEEDON - Spreading fertiliser. So it is purely speculative.

Mr MULDER - That was one thing. The other thing was fuel delivery on to the fuel -

CHAIR - Distribution.

Dr NORTON - Thank you. A little bit of history: when Hobart Ports saved the King Island Port Corporation a decade or so ago, King Island Port Corporation did get into fuel distribution on King Island and on Flinders Island. It has been the subject of Legislative Council reviews on pricing and so on. That business still exists. So TasPorts has inherited that and it is currently continuing to do that fuel distribution service.

The King Island Port Corporation also, a number of years ago, bought a transport operation which distributes fuel but also distributes fertiliser and that was subject to review by the King Island Port Corporation as to whether they continue it and now it will be subject to review from TasPorts as to whether we continue. So the three businesses that we have inherited from King Island Port Corporation are the port - core business, no trouble, the fuel distribution business, which effectively was cross-subsidising the port and ensuring that there were lower port fees than would otherwise occur, and the transport business, which is up for review.

As Paul said, there has been a recent proposal, and some stakeholders on the island have suggested, that we could provide a service in spreading fertiliser but there has been no decision made on that either.

Mr MULDER - Just to tidy that point up, I think there needs to be communication about when such a decision is likely to be made and when the decision is made that that be communicated too because, quite clearly, the stakeholders are under the distinct impression that it is a done deal and it is all happening and that is the role that TasPorts sees for itself in the future. I appreciate that you have told us differently but I think that message needs to get back to the stakeholders.

CHAIR - And we did not know any different -

Mr O'BYRNE - I am sure even if we tell people they would still have a view that it is a done deal.

CHAIR - Obviously with the livestock, there was a time when they were in competition with livestock and I believe that went belly up so there is already a bit of a test case, and why would you, but I am not in charge.

Mr O'BYRNE - King Island Ports have only recently been integrated into TasPorts so we have inherited a whole range of issues -

CHAIR - It was 2005, Minister - six years now.

Dr NORTON - No, it was a subsidiary of TasPorts and it is only since July of this year that we have effectively made the operations part of TasPorts.

CHAIR - You have subsumed King Island?

Dr NORTON - Yes, and we have established an advisory board and it has its first meeting in a couple of weeks' time. It is basically made up of a chair from off the island, Alan Carey, who was previously on TasPorts and before that was involved with the Port of Burnie and four locals who will be the vehicle that we will use to engage with the community on issues such as whether the fuel distribution business is of value or not. One of the difficulties in any community is that on these issues you have differences of opinion.

Mrs TAYLOR - And the smaller the community the more differences of opinion sometimes.

Dr NORTON - If we pull out some of these services, people will criticise us for not continuing to provide them with the benefit of the service and others see it as being something we should not do.

Mr DEAN - On the live cattle, you are not interested in that any longer and that has gone but the perception is that you were once again investigating that. The perception on the island is that you are once again looking at that but you are not?

Mr WEEDON *shaking his head.*

Mrs TAYLOR - Would you say that out loud for the record?

Mr WEEDON - No - with emphasis.

CHAIR - Are there any other King Island questions before we have a break?

Mrs TAYLOR - I think it was SeaRoad that talked to us about their plans of two new vessels at some stage in the future, and the timing issue is obviously a commercial issue for them, but they did say that when those two vessels happen they will be bigger than the current vessels and they will not be able to go into the port at King Island. I understand that it is not your problem in a sense but it is our problem in another sense in that what would then happen to the King Island service because, as you have said, the cost involved in upgrading the port is so big that you are never going to do that. So what is going to happen then, if suddenly they cannot service that island any longer?

Mr WEEDON - Essentially what has happened is there is the King Island Shipping Group, which is formally constituted under the Local Government Act and is coordinated by the local

council. They took a formalised expressions-of-interest process to the market in the middle of this year and, to my knowledge, they have had expressions of interest from three or four new operators who have indicated to them that they would be able to serve King Island in different ways, shapes and forms. At the end of the day it is up to SeaRoad, who is the current operator, to decide whether they want to ensure that they have a fleet that is capable of calling at King Island. If they make the decision not to then it may be one of the other operators that will step in. I gather they have had a reasonable level of interest from the expressions -

Mrs TAYLOR - None of us wants to be in the position that Flinders was in.

Dr NORTON - We have been supporting that group and providing assistance to them.

Mrs TAYLOR - Thank you.

CHAIR - Another question from Mr Finch in relation to King Island before we break.

Mr FINCH - Yes, just a couple and you might just answer these, Minister, or they might be to Paul Weedon. I had a comment that the port is not open often enough. Is that an issue that has been mentioned to you or that you have an understanding of?

Mr WEEDON - It is open every time a ship comes in.

CHAIR - Which is often on a Sunday.

Mr WEEDON - That is not our determination. We would love it to arrive mid-week so we did not have to pay overtime to our employees but that is a decision a liner operator makes because it fits their schedule.

[3.30 p.m.]

Mr FINCH - It was about obstructive scheduling, too - that was the comment that was made. That comes back to the shipping companies themselves.

Mr WEEDON - It does. There is no impediment so far as TasPorts is concerned. If that vessel wants to come seven days a week we would happily receive it; if it wants to start calling on a Wednesday, we would happily receive it on a Wednesday.

Mr FINCH - So that is not from your operation point of view?

Mr WEEDON - No.

Mr FINCH - Is the scheelite mine functioning?

Mr WEEDON - No.

Mr FINCH - Is it intended to? They were talking about a stockpiling opportunity at King Island as well. Is that available?

Mr WEEDON - There is some in the area but -

Mr O'BYRNE - If it does open up, we would be in discussions with what their requirements are and we would try to meet their needs. That is a very simple equation. My understanding is that they are at very early stages of running the numbers on what they are going to need to produce and where their markets are and how they get it to market.

Dr NORTON - We have had a lot of engagement with them on the island about their fuel needs because they have significant fuel requirements, and shipping needs as well. Everyone hopes it will get going, but it has been to the wire a few times and has not got up.

Mr FINCH - They talked about the cost of fuel, too. It is \$1.90 a litre for unleaded.

CHAIR - I am not sure why they thought the committee could help them there, but it was a good try.

Dr NORTON - It has been an issue of interest to at least the council committees in the past. There were allegations years ago, before TasPorts got going, that there was some form of unfortunate price setting but I think the committee - Tony Fletcher, I think, may have overseen it - indicated that the costs were justified. Our costs are transparent, we have to fully justify any costs we charge.

CHAIR - That certainly is an issue for both the islands, the price of fuel and the availability.

The committee suspended from 3.32 p.m. to 3.45 p.m.

CHAIR - Welcome back, Minister, for the last part of this very important process. I am going to hand over to Mr Gaffney and we are going to talk about a very significant issue - Devonport airport. You will want all the notes you can find, Minister.

Mr GAFFNEY - Minister, I want to start by saying it was good to hear you speak about the amount of money being spent at the Devonport airport. It is increasing in its use on a regular basis so that is a positive. From one point of view we are very pleased to see some money going into it and you might like to explain, for the benefit of everybody, the make-up of that \$5.2 million, as to where that is coming from. That would be helpful. I also understand that Geoff mentioned that the airport is doing the best in the country.

Mr DUGGAN - I said with our passenger growth rates we would be one of the fastest-growing airports.

Mr GAFFNEY - That is a positive. If you would like to explain first of all where the funding is coming from.

Mr O'BYRNE - The total investment is \$5.2 million. Under our national agreement with the Federal Government on security the Federal Government have required an upgrade of the security facility there, and the Federal Government have provided \$600 000 for that. That \$600 000 is included in the \$5.2 million and the rest of the money is coming from TasPorts' budget to apply.

What might be of some assistance here is some diagrams we have here of the work that is being done. We could talk the committee through the work that is occurring at Devonport to give them a greater understanding, if that would be of some assistance.

Mr GAFFNEY - They chose the plans, they look great, they look terrific, they are in, but I am interested to know other than the structure itself what money is being invested into the upkeep of the runway so that it can service other or larger. I think that is important too. This is great because it is doing the Federal thing. It is cosmetic infrastructure, which is still important, it has put a gateway in but it would be handy to hear what are the plans for the runway infrastructure.

Mr O'BYRNE - We received a report from GHD and that has determined a 20-year maintenance program on the runway. We will spend \$1.3 million in the 2014-15 year and \$7.6 million by 2030 on the upkeep of the runway. I might defer to Paul to talk about the then capacity of that. Obviously we can get Dash 8s in there now and other forms of aircraft that are suitable. I would like to defer to Paul to talk more about the specifics of the runway and some of the other costs that we have talked about.

CHAIR - Before we move on, are we tabling these for the committee?

Mr O'BYRNE - Yes.

Mr DUGGAN - We have done a lot of work on the runway in terms of understanding its condition and its capacity and that was undertaken in conjunction with the sale process. The runway itself is 1.8 kilometres long and 45 metres wide. Currently Qantas fly Q400s and Q300s into that airport. The runway itself has capacity for larger aircraft and that is well known to both us and to the industry. Continued use by larger aircraft would accelerate the maintenance program we have in place but it does not require a wider or a longer runway than we have at the moment. The work that we had done by GHD outlined a 20-year maintenance plan and that is their annual recurrent maintenance together with some more periodic upgrades that are required to the runway due to ongoing use throughout that 20-year period. That is fully budgeted. It is now forecast out to the next four to five years as to what is required but the message that we would give is that it certainly caters for the current fleet that fly in there and can cater for larger aircraft as well.

Mr GAFFNEY - Just on that point, you said that the next 20-year plan could cater for a Q300 or Q400 and ultimately a larger jet. If there was a regular jet service interested in landing at Devonport, would there need to be more money spent than you have budgeted for by 2020-30 be able to cater for that constant?

Mr DUGGAN - Not so much more, it will be more around the timing. The important thing is that the runway is long enough and it is wide enough. So it is really around heavier aircraft landing at that airport and, bearing in mind that they do not land with full loads of fuel because of the short distance between Melbourne and Devonport, so it is more the timing of the maintenance as opposed to additional maintenance.

Mr GAFFNEY - We had representation from the Devonport Airport Consortium yesterday so others may wish to ask some questions here. I am perhaps a little bit more familiar with the background of that but they were very disappointed, to use a soft word, in the process in the fact that when it was put up for sale, they believe that they had a fair crack at it, I suppose would be a good way of putting it. So could you explain, for our benefit, the process from the Government's

point of view and TasPorts' point of view about how this process started, what went wrong for the DAC, or what they believe went wrong, because the 12 members have some questions from that.

Mr O'BYRNE - There is no doubt that the Devonport Airport Consortium are very disappointed that they have missed out on the purchase of that facility. They were very keen on it. We had discussions with them.

CHAIR - It has not been sold though, has it?

Mr O'BYRNE - No, it has not.

CHAIR - So they haven't missed out.

Mr GAFFNEY - It has been withdrawn.

Mr O'BYRNE - It is no longer for sale and TasPorts needed to make a decision to move on with significant capital expenditure and the appointing of a general manager and really put in place not only a management structure but also a capital infrastructure process to ensure that it meets the needs of the local community and continues to grow.

There is a strong commitment from TasPorts to the facility to take advantage of the opportunity that it is. In terms of the history, there were two processes. The first process was concluded and the offer of sale from Devonport Airport Consortium did not meet the needs of TasPorts. Following that first process, a letter from myself and the Treasury, as shareholder ministers, to TasPorts requested them to re-engage with the Devonport Airport Consortium a second time, to go through a process where if an offer of fair market value was achieved - and the Government is not about going in a fire sale of assets and the Devonport Airport is an asset to the Government, is an asset to TasPorts, which is important to us - then that would be considered. We, as shareholder ministers, instructed TasPorts to re-engage with the Devonport Airport Consortium. They did so, and they sought independent market advice on a cost and a price of what the airport would be worth.

Devonport Airport Consortium put in an offer that did not reach that. There were some ongoing discussions - I was not privy to them on a day-to-day basis - but they were clearly told that they needed to sharpen their pencil and come up to the fair market value. Devonport Airport Consortium did not do that, they did not increase their offer, I understand, to meet the needs of TasPorts. Devonport Airport Consortium came to the shareholder ministers and raised a number of issues about the process and about the valuation. We then referred all of those allegations to Treasury for an investigation about that and Treasury undertook an investigation and saw no problems with the valuation.

There were question marks by the DAC about the nature of the valuation of the facility. Treasury found that there were no concerns about the valuation and the valuation that was achieved was market value and the offer from the consortium was significantly lower in market value and, on that basis, we had to move forward.

I understand they are disappointed. When you work so hard for a period of time to try to get a bid up and the bid does not pass muster, of course they would be disappointed. If it were not in TasPorts' hands, as a government we would encourage local ownership but they were not able to make fair market value. We also have an obligation not only to support local businesses but to

ensure, if we have an asset that is transferred from public hands to private hands, that we achieve fair market value. We were not able to do that, unfortunately. Devonport Airport Consortium could not pull together a bid that could get to fair market value and now we have moved on.

Mr FINCH - Did fair market value change though, with the sale of the Hobart Airport in the Devonport region?

Mr O'BYRNE - Hobart or Devonport airport?

Mr MULDER - Did the sale of Hobart have an impact upon what you understood to be fair market value?

Mr O'BYRNE - Not in my understanding. I think I am going to elect the chair talk about the process they went through.

Dr NORTON - I am not aware that there was any change as a result of the sale of Hobart Airport.

Mr O'BYRNE - My understanding is that they were very well versed in dealing with regional airports and fair market value. There has been a fair amount of activity in purchasing and sale of airports across the country, both regional and metropolitan feeder. They had a look at the facility and said this is probably where the market will be or this is definitely where the market will be. The airport consortium raised concerns over that process and we put that through the wringer through Treasury.

Mr FINCH - You have the notes that I took. Others might have their notes from that gathering.

Mr GAFFNEY - I will help you with that one. The honourable member's point about the airport is that the sale of the Burnie airport a few years before that was \$2.5 million and then the sale of the Hobart Airport was 20 times what it was worth. So there was some concern that when this company from Sydney who work in markets in regional areas -

CHAIR - Triple-B Capital?

Mr GAFFNEY - Triple-B Capital - are not really overly au fait with what happens down here, just saw the sale of the Hobart Airport at this value and took that into consideration and this is what we have been told. When the DAC were asked to revise their price, they did so and when they came back to the discussions they felt that the goalposts had moved.

Mr O'BYRNE - I suppose there were two processes. The first process was a negotiation that was not able to be concluded to the satisfaction of the Devonport Airport Consortium. TasPorts made a decision at that stage to conclude that first negotiation before I was shareholder minister. When I became shareholder minister, a discussion was held between the Premier and me and we were of a view that we wanted to give the Devonport Airport Consortium the best opportunity to provide their best price in the negotiation. They raised some concerns with us about the process so we instructed TasPorts to re-engage with the consortium. They did so. That process concluded and obviously TasPorts, going through appropriate processes, sought an independent value, so that their judgment could not be second-guessed or a shadow cast upon it.

Then the Devonport Airport Consortium came back and cast some aspersions on that valuation. That is why, in the interests of probity and making sure that we were acting transparently and appropriately, we asked Treasury to investigate that, not only to engage with the players in that negotiation but to fully understand the nature of the work that was done to arrive at that fair market value. They found very clearly that there was nothing untoward in that process and the valuation that Triple-B arrived at was completely defensible.

Mr DEAN - What was the market value at the time?

CHAIR - Is that report available, Minister, for the committee?

Mr O'BYRNE - The Treasury report?

CHAIR - The report.

Mr O'BYRNE - I would have to take advice on that. It was more of an internal document for us.

CHAIR - I would be interested in having a copy of that report for the committee.

Mr MULDER - Was the Devonport Airport Corporation told what your target was?

Mr O'BYRNE - It was a negotiation.

Mr DEAN - They say they offered \$5.1 million. That was their final offer and they say that was clearly market value, that they had it assessed and so on.

[4.00 p.m.]

Mr DUGGAN - There was a couple of issues that were raised. In terms of the multiples of earnings that you referred to for other airports, we did not value the airport based on earnings multiple but we tested it against earnings multiples at other airports sold, including Hobart. I can guarantee that the earnings multiple that we ended up applying for Devonport was significantly below the earnings multiple used at other airports.

CHAIR - Not Burnie.

Mr DUGGAN - We did not test Burnie. In terms of the process, Devonport Airport Corporation submitted an indicative offer when they first engaged in the process and they then submitted two revised offers. After the second offer, that process was closed. They then submitted two further offers that were never formalised and referred to the board. During those processes they were provided with guidance as to what the airport might be worth, but they were unable to meet that in terms of price or the conditions they attached to the sale.

Mr FINCH - I just heard about the ABC with its national network. The Government asked for tenders and took the ABC and Sky News on a process and then decided that they are going to let the ABC have it. Sky News is seeking compensation for that government process that they were drawn into but then abandoned. If this consortium has spent something like \$700 000 and, I believe, been led up the garden path in respect of this process they have gone through - they have been drawn along and it has cost them \$700 000 on what has turned out to be a wild goose chase.

Mr O'BYRNE - That is a pretty serious allegation - that we would engage a private organisation, drag them in and waste their time on a fool's errand.

Mr FINCH - It has cost them \$700 000.

Mr O'BYRNE - I can understand that has cost them some money, but in my involvement as shareholder minister since this time last year it was the Devonport Airport Consortium that pursued the sale of this facility and TasPorts was instructed by the shareholder ministers to engage in that process. I will not say it is offensive but it is bordering on it, Kerry.

Mr FINCH - I will withdraw the strength of the comment. I was really heading down the path to see whether there might be a case for compensation.

Mr O'BYRNE - I think the comparison between the ABC and their process and what we have done here is completely different. There were two processes. The first was a process that I as shareholder minister was involved in where the Devonport Airport Consortium was unhappy with the first process and they sought an opinion from the Government. The Government said, 'We believe that another process should be engaged in to see if we can achieve fair market value'. It is not a case of our saying, 'Can you put in an offer that we're not going to take or listen to and give it to somebody else'. It has remained in government hands; it has remained in public hands, purely on the basis that they could not pull together a bid that could reach market value. Treasury has checked it and I am very comfortable with the process we went through to make sure that we had a fair market value price but, unfortunately, the consortium could not get to that figure. I, as minister, and TasPorts are not giving away public assets. It is not a fire sale and we needed to make sure that we achieved a fair market value. That is why we went to the extra step when further concerns were raised by the consortium and got Treasury to do an independent analysis of the process and they gave it a clean bill of health. Disappointing as it is for the Devonport Airport Consortium, I met with them on a number of occasions and they were very passionate and wanted to get hold of that asset but could not reach market value.

Mr DEAN - Why has it now been withdrawn from sale? Is it no longer interested in selling it? I ask the question because at a previous GBE session it was identified that it was not a core position to TasPorts, that TasPorts should concentrate on the wharves, ports and merchandise and so on and that airports would be better run by somebody else. Has that position now changed because it is making money?

Mr O'BYRNE - First of all, as a principle we do not just give away assets because we do not think it is core business necessarily. If we could achieve fair market value for that asset, I think it would be in Devonport Airport Consortium's hands now if they could reach that price.

Mr DEAN - But it is now not on the market? It has been withdrawn from sale.

Mr O'BYRNE - You cannot have a never-ending process. You either have to make a call and open up the window for negotiations. We had that and they are now closed because we could not get market value for it. To maintain the integrity of the facility and support for the local community we had to employ a general manager to run the show and we had to sink significant dollars into an upgrade of the facilities not only to meet national security guidelines but also make sure that we could drive passenger numbers through that area.

Mr DEAN - What is market value then?

Mrs TAYLOR - I can quote you, Chair, from the 2009 GBE -

Mr DEAN - First of all if I can get an answer to my question, if you do not mind, what is market value? What was the Government looking for?

CHAIR - Is anyone willing to have a stab?

Mr O'BYRNE - It really is a commercial-in-confidence figure.

Mr DEAN - But surely you must know roughly what the market value was?

Mr O'BYRNE - Of course we do.

Mr DEAN - Was it \$10 million?

Mrs TAYLOR - That is what they said two years ago but two years ago is not the same as today, necessarily.

Mr DEAN - What did they say two years ago - sorry?

Mrs TAYLOR - It said 'The sale of the Devonport airport is expected to raise about \$10 million' -

Mr DEAN - That is why I mentioned that because I can recall that.

Mrs TAYLOR - 'and expected to be finalised in the second quarter of 2010'.

Mr O'BYRNE - If we were able to get an offer of \$10 million.

Mrs TAYLOR - Yes, that is correct. That is what you were looking for, obviously.

Mr O'BYRNE - No. We had a valuation and the market is what a market pays and that is the market value and you do the assessment. Of course, as a government, if you have an asset you can take a stab at what you think it is worth and what you would like to get out of it if you were to offload it but what we have seen in this case is that a market valuation and \$10 million would have been great but we had an offer of \$5.1 million which did not meet the market valuation as tested by people who are in the game. I share their disappointment but we are just not going to give away assets.

Mr MULDER - Thanks for that. I, too, was at the stakeholder meeting and heard these concerns and I probably did not take them quite to the point where I was going to throw an allegation at you so I am not. What I did, though, I got back there and when I worked out what the dollar was -

Laughter.

CHAIR - Order. Could we have some order?

Mr MULDER - I had a look at that and I thought that they made an offer of \$5.5 -

Mr O'BYRNE - \$5.1 million, wasn't it?

Mr DEAN - They made an offer of \$5.1 million – that is what they told me.

Mr MULDER - Okay - in the quantum of five over five, how is that? They looked at the sale of another government asset of recent times and I worked out that there was an annual earnings multiplier of \$5.1 for the Devonport airport and then you multiply for the other asset of \$16 so I thought that any suggestions that they were offering value for money really would have to be tested. If you ran any sort of value-for-money scenario my question is, were the Devonport Airport Corporation given some idea of the ballpark figure in the range in which you would start to think about the offer or at least a ceiling to say it has to be around about here but that is a bit negotiable because it seems to me that if they are that far short of the quantum -

Mr DUGGAN - We had one and only one conversation with them around value and that was during the first round of negotiations and our advice to them was that the offer needed to be, in these sorts of words, north of \$5 million for it to be considered by the board and then we said and do not come back to us with \$5.1 million - and whether they offered \$5.1 million I am not commenting on - but the point was it needed to be somewhere north of \$5 million but do not use that as the price and they need to do their due diligence around earning some capex to be able to come back with the value.

Mr MULDER - With that sort of an answer, I guess that they can feel a little misled. They were clearly very short of the market because no doubt that was an opening bid and they were obviously in -

Mr O'BYRNE - No, that was the first process.

Mr DUGGAN - As I mentioned earlier, as they flowed through, there was a number of conditions and so forth attached to the bids. It was not just a -

Mr MULDER - My comment is that they were given something to aim at, they aimed at it and then you said it was nowhere near what you are aiming at and I would be concerned about that.

Mr O'BYRNE - That was that first process. In the second process, my understanding is that we said, 'Give us your best offer' and they gave us their best offer and it did not pass muster and that is unfortunate. I think people are confusing the two processes. There was the first process where arguably you could say that maybe there needed to be a bit more rigour applied, a bit more commercial discussion and that is why those shareholder ministers signed a letter for TasPorts to say, 'Can you re-engage with the consortium?' Then the second process occurred where it was a case of 'Give us your best offer?' and it did not pass muster. There was an independent valuation to back up the view of the board of the value of the asset and we could not reach a conclusion.

Mr MULDER - I would like to note my concern that if it fell so greatly short of what you had in mind, perhaps you should have given them a better idea of what to aim at - but anyway.

CHAIR - That is a statement not a question.

Mr DEAN - Just on that, did TasPorts pay for a valuation to be done of the airport? Did you have that process done? We were given a figure of about \$55 000 that you paid to have an assessment done of the reasonable value of that airport. Is that factual or not?

Mr WEEDON - Of course we had to pay for the services of Triple-B Capital to do the independent valuation.

Mr DEAN - It was \$55 000, is that right?

Mr WEEDON - I do not have the figures available when it was in there doing that.

Mr DUGGAN - Triple-B were engaged not just to do the valuation but to conduct the sale process and to assist us with the subsequent re-engagement with the consortium second time around. It was not just a valuation.

Mr DEAN - What did that cost TasPorts?

Mr DUGGAN - I would have to take that on notice.

CHAIR - Thank you.

Dr NORTON - I guess the bottom line from the board's perspective was that firstly, we were concerned that we ran a proper process and I think the Treasury review confirmed that. At the end of the day, if we are going to sell an asset which is a public asset of which we are the only custodians, we have to sell that at a defensible price. I could not have sold that airport at the price that they offered and justified it to the Auditor-General. That was the test in my mind, as one director, it was quite clear that this it was manifestly deficient.

CHAIR - Can I take you, Minister, to the debt levels and debt reduction strategy? It is of keen interest to most members. Is the debt reduction strategy still in place? There has been a decrease in cash from operations so how is that going to affect the future dividend payments? A concern of the minister, I am sure.

Mr O'BYRNE - Well, there is no dividend payment to the Government this year. Again, as I said in the pervious hearing, our strategy around dividends to the Government depends very much on the condition and the operation at the time that the GBE is operating in and what are the challenges for the GBE. What I might do is ask Dan to talk about that.

Dr NORTON - Geoff can comment on our cash position and on our debt reduction, which is ongoing.

Mr DUGGAN - In terms of debt reduction our debt is with Tascorp. Progressively over a three- to four-year period our debt has reduced from \$33 million to \$20 million. We did not make any further debt reduction last year. In looking at what our debt equity position is, our debt equity position is quite low comparative to what you would normally expect to see in an infrastructure company. Part of that has been that we have not needed to borrow funds to fund the investments that we have made over the last few years. In terms of our infrastructure program going forward, we are able to fund that from existing cash reserves which, despite the difficult trading period that we have been through, have remained quite stable.

Our debt limit, albeit in what we can borrow from Tascorp, has progressively been reduced over the last three or four years and that has been on the back of Tascorp assessments based on our trading performance. One important thing to understand about our profit level compared to our cash level is that we have significant depreciation charges that go through our operator profit which are not reflected in cash. Our cash from operations will usually always be better than our trading profit. The depreciation charges provide a buffer to our cash that we generate from the business. Our forecast going out for four years in the capex program that we have shows that we are able to fund things like the Devonport Airport and the Macquarie Shed 2 development.

CHAIR - They are the two biggies.

Dr NORTON - Since the depreciation is doing what it ought to do, it is generating a situation where we can use our funds to maintain the considerable maintenance effort that is required in our business.

[4.15 p.m.]

Mr WEEDON - That is very much the strategy of the business. Historically we have tended to - and it predates TasPorts times - under-invest in maintenance of our wharf infrastructure. In the last two years we have made a strong commitment from the board and the management, supported by the shareholders, to get stuck into the level of investment we need in both infrastructure and maintenance from the renewal and then having the free cash to be able to ensure that we can fund the projects that are necessary to be funded - Macquarie Wharf Shed 2 and the airport are two - but we will make a significant contribution to the Burnie development plan when we are able to finalise those negotiations with Toll and the Burnie operators.

Dr NORTON - Because our infrastructure is old it is always deteriorating, so you have to continue to put money into it to refurbish it. I think what we have been able to do in Hobart, for instance, we have put a lot of money in there over the last few years, \$4 million-odd, to deal with some of the concrete cancer issues on the prime areas that are needed to serve the Antarctic business and other business. Macquarie 3 and 4 do not have the deficiencies now that they had several years ago. We still have deck-loading issues with Macquarie 5 and 6, but we can still use those wharves to tie vessels up. If there were an economic case to acquire additional space on 5 and 6, then you could look at remediating those assets, albeit it is very expensive.

The \$10 million a year means that our infrastructure across all the ports is in better shape than it was three or four years ago. When TasPorts took over, the maintenance spend was very low. I have said to this committee previously that our estimate was that ideally we should be spending closer to \$15 million a year. We are now spending \$10 million so it is getting closer. I think we are on the way but it is a never-ending task, that is the problem. You have to make hard decisions. We have been criticised in Hobart because of Macquarie 5 and 6, 'Why haven't you fixed that up?' The answer is that the cost far outweighs the benefit that we would get from that additional port area. We have adequate space in 3 and 4 to meet the needs of our customers at the moment in Hobart.

Mrs TAYLOR - But that might always be a chicken-and-egg situation, though. There is probably capacity potential for the Antarctic business to grow. We are talking about ships from Russia and other countries coming here; also from China.

Dr NORTON - Yes, and if you could get into a situation where there was a prospective client then you could start to do it, but you only have to look at our profitability and financial

situation to see we are not in that luxurious position of investing large amounts of money ahead of demand.

Mrs TAYLOR - As to the headquarters of TasPorts -

Mr O'BYRNE - Oatlands.

Mrs TAYLOR - We were told it was Devonport. In 2009 you said:

'The corporation has deferred plans to construct a new head office in Devonport in light of the current economic conditions.'

I presume that means that you consider Devonport as the headquarters of TasPorts and you just have not build a new head office yet? Or does it not say that?

Dr NORTON - This is a difficult issue for people to come to grips with. It was decided by the then minister that the head office ought to be in Devonport.

Mr DEAN - He said it would be in Devonport because they had gone ahead with the plans.

Mrs TAYLOR - So it is in Devonport?

Dr NORTON - It is, technically. At the time of the merger - and I think quite reasonably - we said there will not be any redundancies or forced relocations to result as a part of this merger. We were stuck, if you like, with people in situ. That changes over time. The other fact is that we are a distributed business. In other words, you are never going to have 80 per cent of your people in one office, be it Hobart or Devonport. A lot of our people are in the north because that is where the business activities are. So we have senior people located right around the State, including Devonport. We have some senior people in Hobart. The first CEO happened to live in Devonport. The second CEO happened to live in Launceston and Paul happens to reside in Hobart but he spends a lot of time on the road in Devonport, in Burnie and in Bell Bay.

So it is a distributed business. It is always going to be that and our capacity to forcibly relocate people to any one spot around the State has been significantly limited. We were going to upgrade our office in Devonport because it was not what we deemed to be satisfactory. We had a refurbishment of our office in Burnie. We worked out of the old Burnie Port Corporation office and at the end of the day, given the financial circumstances, we could not justify that expenditure ahead of other expenditures. We can re-look at that as time goes on.

But I think the notion, in TasPorts' case, of having a large, central head office is never going to occur and it will never be in Hobart and it will never be in Devonport, for that matter.

Mrs TAYLOR - I am not sure what the question was I asked in the beginning now.

Dr NORTON - You were asking me about the headquarters in Devonport.

Mrs TAYLOR - I know. I understand what you are saying about no forced relocation or whatever, but certainly if an intent is there, regardless of the fact you might be a distributor around the State, to have your nominated headquarters in a particular place, the next time you advertised a job you would say that the headquarters are in Devonport so that the people you

attract or who might have that mindset at least, are more likely to say, yes, I want that job and therefore I am happy to live in Devonport, which means no forced relocation. It is intent, I suppose, I am talking about. Do you believe, nominally at least, that your headquarters is or should be in Devonport and that that is the face of it?

Mr DEAN - Not dissimilar to Onstream.

Mr FINCH - Where are board meetings held?

Dr NORTON - We hold them around the State. We hold them in Burnie, Devonport, Bell Bay and Hobart. We have more in Hobart than we have anywhere else because of convenience of getting flights in and out.

Mrs TAYLOR - If you had this really great airport at Devonport - we do have this airport but they do not yet have the big jets.

Mr MULDER - We have talked about the future of Fairfield reports but in our discussions there were some issues about the Port of Devonport. One of them was the fact that the rail only runs up one side of the port even though there are berthing facilities on both. The other one related to the constraint of the port in terms of the maximum length of a ship is 205 metres length overall. If it is going to go forward, given the size of ships and things like that, is there anything on the horizon from Devonport's strategic survival to do anything about those constraints? Is there any consideration, for example, being given to either widening the river or creating a berth outside the heads?

Mr O'BYRNE - You are right. There is that issue with the interface between rail and the port area, basically because historically it has come from Railton -

Mr MULDER - It came into Formby instead of Torquay.

Laughter.

Mr O'BYRNE - Yes, exactly. That is a historical thing and that is ultimately a matter for Tasrail, and whether they can construct a business case to resolve those issues and a matter for this State. There is not enough volume coming through that area to justify any capital expenditure beyond ongoing maintenance of the current line.

In terms of widening the river, that is not an uncontroversial thing to do in terms of dredging and those issues. Unless there is a strong -

Mr MULDER - I was not talking about shoving the banks back a kilometre, I was talking about cleaning out the navigatable area of the river.

Mr O'BYRNE - I will get Paul to answer that. There is a couple of considerations there.

Mr WEEDON - The topography within the river is quite complex. There is a lot of hard rock there and the 205 metres you refer to is the diameter of the swing basin. The vessels come up the river and they have to swing around and head out, facing the right direction. To do hard rock, under water, deepening and widening of the swing basin is an extraordinary amount of

money. It will also impact on the way silt builds up and is deposited down the river. It is a very complex and very expensive process. It really is off the agenda at this time.

At this stage the re-tonnaging indications we get from the primary operators in the port are that they are both looking at vessels below 200 metres in length anyway. So the swing basin is not the critical issue, the issue will be our capacity to redevelop the east side of Devonport to accommodate larger TT vessels and larger SeaRoad vessels if they were both to occur in a similar time frame.

Mr MULDER - So they are the two operators who are saying they do not plan to go over 200 metres.

Mr WEEDON - Exactly. At this stage, SeaRoad's indications are 185 to 188 metres so it is tight but it is there. We can certainly accommodate them in the river and the swing basin so navigation safety is fine for those and certainly TT are well aware of the swing basin limitations and that we do not see investment in that. But they are both constrained in terms of their terminal configuration and layout. They would both, in all likelihood, need to reconfigure those terminals significantly, not just to accommodate the longer ships but to give themselves the space to be able to cope with all the cargo.

It is easy to say in SeaRoad's case they are going to go from 115 metre lengths to 185 metre lengths but their annual capacity doubles. So they are not going to do that without making a significant commitment to reconfigure their yard space, new technology, new roadways and then we run into the issues of the encroachment, the road structures on the east side of the river and behind the berth. It would make it very hard to expand any further inland so then you talk about going up river where you go from an 8 metre draft to a 4 metre draught in a very short period of time. Then you run into some hard rock excavation issues the further you go up the river, to the extent that you say for a business like SeaRoad, their capacity to contribute to funding of that type of capital dredging work is just not there.

So it is a real challenge for us. We have not come to a conclusion yet. All we can do at this stage is to continue working closely with our customers to make sure that we understand their plans and there is a long enough lead time that we can do the requisite work. We can work with them on how these things might be funded to ensure that we can accommodate their business.

Mr MULDER - One last issue separate to that was your port charges across the various ports, particularly the main northern ones. Are they consistent across all the ports or do they vary by location?

CHAIR - We did talk about that this morning. There are some that are easing into higher fees.

Mr MULDER - We spoke about that on the TT-Line but I am asking about this.

Mr WEEDON - We have moved to bring that into line. So safer oil and gas, so for fuelling ports, for example, there were wide variations in ports-specific charging historically. We have moved to bring all those into line and within the next five years it will be a standard.

Mr MULDER - So the same applies for freight forwarders into the State? There is not a price differential from one to the other?

Mr WEEDON - We charge the shipping lines.

CHAIR - I remember asking specifically about the Burnie sweetheart deal.

Mr GAFFNEY - Through you, Madam Chair - on the comment you made, Paul, about significant expenditure to do anything with those ports, I think SeaRoad is a classic example with their issue regarding the lease that occurred in 2008-09. To put that much money into infrastructure, as you would know, they would probably need some greater certainty than a 10-year lease because you are looking at a 30-, 40- and 50-year lease. So I think that is where they would appreciate back-at-the-table discussions.

Mr WEEDON - That is exactly why I have invited them into a process to say, 'Look, you have to make investment decisions about your fleet, you have to make investment decisions about your terminal and the reconfiguration of your land space, we have to make major investment decisions about what to do with the port'. Neither of us can do those things while there is this dispute over the lease. So let's resolve it. Let's agree on a process for resolution of this matter and then we can both go forward.

Mr GAFFNEY - I hear what you are saying, which is great, and then they do not believe that this document reflects any of the concerns that they have regarding the very point you just raised about development of the Devonport port or whatever in comparison to Bell Bay.

Mr WEEDON - The Bell Bay proposal?

Mr GAFFNEY - Yes.

[4.30 p.m.]

Mr O'BYRNE - That is a government-initiated process about how we fund port infrastructure in Tasmania. We know that we have two players and they are pretty well attached to their ports and that is great for their businesses but if we are going to meet the volume we can either spend a bucket-load of money across all the three ports to try to build it up with duplication and all that sort of problem - which is arguably a waste of taxpayers' money to duplicate resources within an hour-and-a-half of each other - or you make a decision in the best interests of the State to say, 'Our money is best spent in the long term in one facility that does not have the constraints and the other costs associated with it with the other ports'. Now obviously with the market moving across to Burnie and Devonport, that is a matter that is up for debate and we will sit down with them, obviously. They have raised concerns through you through this committee that as a government we are not engaging with them on that but we will engage with them. But that does not necessarily mean that we agree that we should replicate and spend a whole lot of infrastructure money across three ports. We do not think that is the best use of taxpayers' money but we are willing to sit down with SeaRoad and with Toll to see if we can find our way through that and I think we have been. But clearly they are saying to you that they are not satisfied and if they want us to spend \$100 million at Devonport we will obviously look at that but is that the best spend for Tasmania? That is the question that we have to come up with.

Mr GAFFNEY - I suppose the question they might be asking is that after spending this money at Bell Bay they may not get a carrier. They may not get somebody to use that facility with the containers.

Mr O'BYRNE - One thing about these companies is that they will know where they get the money from and if SeaRoad take their facilities across and that is the most efficient way, or Toll take it across, that is where the money will flow.

Mr WEEDON - Just as an adjunct comment to that, the other thing that is important to understand is that the Bell Bay development is not purely about containers. A large part of the development is about handling the rest of the commodities that need to go through Bell Bay. So whether it is forestry, whether it is minerals, there is a very active port still in operation despite what the media would have us believe that because containers have gone -

Mr O'BYRNE - Mr Hidding called it a ghost port and it has over 250 calls in there in the next 12 months.

CHAIR - It costs more, though, doesn't it? At the end of the day, it will cost more to put it out at Bell Bay.

Mr O'BYRNE - No.

CHAIR - If it is coming from the west coast, it will.

Mr WEEDON - For bulk commodities, absolutely, but for containers when there were three operators in the market for that period of time it was a very competitive market between them, irrespective of which port they called on and that is the unfortunate development that we have suffered in the course of this year.

Mr GAFFNEY - Thank you.

CHAIR - I want to talk about Triabunna. It is close to my heart and obviously everyone is feeling for the situation.

Mr O'BYRNE - Absolutely.

CHAIR - I am interested to know what the status is and what the status is of the wharf lease to Triabunna Investments at this point in time.

Mr O'BYRNE - The Government has been unequivocal about this. We have been wanting Triabunna opened since Triabunna Investments purchased it from Gunns and we have been working as hard as we can and doing all that we can to make sure that we can get it open but I think if you want the current update I will let Paul or Dan answer.

Dr NORTON - It is a legal position that has actually been signed.

CHAIR - Do they have a lease?

Dr NORTON - They have had one for about a month.

CHAIR - Is the detail of that lease available to the committee?

Mr WEEDON - It is a commercial agreement between ourselves and Triabunna Investments.

Dr NORTON - It is the Gunns lease. Gunns approached us, and I do not know when exactly, but it was in the middle of the year and they asked us to agree to their signing the lease we had with them to Triabunna Investments; so it is an assignment of the existing Gunns lease. We had a tripartite discussion with ourselves, Gunns and Triabunna Investments. Our preference, from a strictly commercial basis, was to have a new lease with Triabunna Investments. We put that to them, I think, at that tripartite meeting. They did not refuse that; they indicated that they would give consideration to it. We followed up with them for a couple of months to find out what their position was in relation to that. We then became aware that they did not want to go down that route and the dilemma that we faced was either, do not allow the lease to be assigned or assign it. If we do not allow the lease to be signed, we could potentially be having impacts on the forest industry and the community, so we agreed to sign the lease.

CHAIR - On the same arrangements that you had with Gunns?

Dr NORTON - As far as we are concerned, in relation to Triabunna, the deal that Gunns had is exactly the same as the deal that Triabunna Investments have in relation to the use of the wharf. I think it is important to understand that TasPorts owns the wharf at Triabunna, and that is basically all. Gunns owns all of Triabunna Investments and owned all of the infrastructure for loading woodchips. They sold that to Triabunna Investments as part of the deal. There is absolutely nothing from a port-utilisation point of view that is precluding Triabunna Investments from utilising that. It was about a month ago that we finalised that transaction and immediately after that I think they went out seeking tenders for an operator.

CHAIR - You said it is just a reassignment of the same lease, so is the time frame exactly the same as it was with Gunns?

Dr NORTON - It is the same lease.

CHAIR - What is the time frame on that lease?

Mr WEEDON - We can give you that. It is in the 2020s, so it is a long-term lease.

Mr MULDER - It is interesting you say you have just signed over the lease. I think Triabunna Investments said that several millions of dollars were being demanded upfront.

Dr NORTON - That was never the case.

Mr MULDER - Not more lies, surely?

Dr NORTON - We never demanded an upfront payment.

Mr MULDER - I take your word for it. I do not need much further explanation than that.

Dr NORTON - You can trust us or you can trust Alec Marr.

Mr MULDER - Please do not invite me to choose. There was a question about the wharf maintenance and things such as that. Who was responsible for that in the past and who is responsible for it now?

Dr NORTON - We own the wharf and therefore as a part of the commercial lease arrangements we have to maintain the wharf in appropriate order. We have expenditure which we will have to make on an ongoing basis. Our initial preference was a new lease and that was because under the existing lease we may have to continue to put maintenance in and no woodchips go across it, so we would have outgoings and no income. We have an interesting legislative set of objectives, which has already been referred to here today, which causes some people concern. From where I sit, I think it was very sensibly structured, but it gives us two objectives. One is to act commercially and one is to facilitate trade. The problem is that sometimes there is tension between those two so we have to make a judgment call. In this particular case, if we were looking strictly at a commercial basis, we would have said, 'A new lease or nothing', but that does not facilitate trade or take into account the broader social and community issues. When we reached the decision to assign the lease, we did advise our shareholders that we were doing it because we did not want to be subsequently accused publicly of doing something that was non-commercial. We indicated that in our view that was the case and our shareholders indicated to us that they were not uncomfortable with that decision, but it was our decision.

Mr MULDER - Did you ever make an offer for the Gunns' chipper at Burnie? There was some reporting that you did make an offer.

Dr NORTON - When we say we made an offer, we engaged with Gunns as to whether they would be interested in selling it to us.

Mr WEEDON - The current situation in Burnie is that Gunns has a long-term lease over an area of land adjacent to Berth No. 7, which they use for the storage of the woodchips. They also have a licence over the use of the berth which allows them to operate their privately owned woodchip loader and conveyor systems for the purposes of loading the ships. At a time earlier this year we were approached by a number of mills and operators in the north to say that they would really like to be able to use Burnie as their gateway. Would TasPorts be prepared to see if it was possible to acquire that equipment so that they could turn it from a privately owned and controlled loading facility into a common user facility? That was the base for our exploratory discussions with Gunns. Their position was to say they would be prepared to look at it but their expectations of the value of it were clearly out of any ballpark -

CHAIR - Should have got Alec Marr to negotiate for you. He can get things as cheap as chips.

Mr MULDER - I guess on the same line though, the woodchips coming off the Hobart port was also mentioned at that time. Was there any discussions around that?

Mr WEEDON - We have worked with a group that is looking at the statewide feasibility of how forestry products are moved around the State.

Mr O'BYRNE - There is no doubt that Triabunna has created an enormous problem for the southern forest industry. And that is why we worked extremely hard to make sure that the Triabunna issue could have been resolved. And it has been resolved. I know that there have been a lot of accusations made against TasPorts that we have been dragging our chain but quite easily Triabunna Investments could have issued an expression of interest for an operator parallel to discussions with the Government about signing the lease. They chose not to.

Mr MULDER - They will do nothing while they are given an opportunity to explain all that.

Mr O'BYRNE - It is quite in regular commercial negotiations to have running a number of parallel processes on the basis that a situation will occur at a certain point and you need to have your ducks lined up if you are genuinely interested in getting it open and clearly that has not happened in Triabunna Investments' case. It is out to tender so let us see how that process goes.

Mr MULDER - Just going back to the Burnie thing - and I am only interrupting the answer because you have already given it to me - was the intention there to continue to operate that as a chipping facility if you had bought the chipper?

Mr WEEDON - We would not be doing any chipping, no, it was purely the ship-loading equipment that we said we would be prepared to buy. There are two options: you either have a common user basis, which means that anybody that wants to load it brings their ships in and loads it and uses it and they pay us a charge for doing that, or it is privately owned. We felt at the time, the inputs that we were getting from our customers was, it would be great if you would take the capital risk and convert it to a common user facility. We said yes, we would be prepared to if we could get a commercially reasonable outcome.

Mr DEAN - I think Hampshire is about to open again, isn't it? So I am told. I want to move into a different area.

CHAIR - That will be fine, I know that Mrs Taylor wants to go to lost time injury, it is not that, is it?

Mr DEAN - I want to go to Strahan and a question on Bell Bay. Apparently there was a meeting of NTD recently and the chair and the CEO were at the meeting where a regional impact study for the port of Bell Bay was discussed. I understand that coming from that meeting invitations have now gone out for consultants to tender for the purposes of completing a review in relation to the Bell Bay port. Are you aware of that?

Mr WEEDON - Not the specific scope of it, I am aware of the initiative but not the specifics.

Dr NORTON - It did not come from the meeting that I was in attendance at; that was a briefing that Paul and I gave to the mayors. There has been a number of subsequent initiatives.

Mr DEAN - The project objectives are that this will deliver a business case that justifies capital expenditure to upgrade the port of Bell Bay based on increased freight demand potential and regional State competitiveness considerations.

I am wondering, has it been discussed with you as yet, this position that NTD want to adopt? What sort of outcome could be expected from this when TasPorts, you, have completed a fairly close study and background on Bell Bay and what the position is?

Mr WEEDON - I was broadly aware of the initiative but we have not been engaged in any detailed discussions about scope or intent.

Mr O'BYRNE - My understanding is there is work being done because there are some short-term infrastructure needs in the Bell Bay area that both TasPorts and TasRail are committed to. My understanding is, and I will need to clarify, that they are engaging a consultant to facilitate

discussions to get that. This has nothing to do with Infrastructure Australia but this is just some short-term issues with the rail and port interface. So I will need to clarify that.

[4.45 p.m.]

Mr DEAN - It has some fairly serious repercussions, I would think, the Port of Bell Bay regional impact study calls for expressions of interest.

Mr O'BYRNE - Who called for that?

Mr DEAN - Northern Tasmania Development have called for it.

Dr NORTON - Has this just come out?

Mr DEAN - Expressions of interest. It was provided to us yesterday and there was no confidentiality clause on it. It is going out for expressions of interest.

Mrs TAYLOR - We are happy to help.

Mr DEAN - Another objective was, this project will provide a regional perspective on the role of the Port of Bell Bay as a critical piece of regional infrastructure to ensure the progression of northern Tasmania's economic potential.

Mr O'BYRNE - I have met with the Bell Bay Industry Group a number of times, especially around the issue of transshipments, the loss of the triple A and the loss of the Agility facility, shipping facilities. They have been very passionate and Bob Gozzi, as the chair of that industry group, has been very passionate about getting the rest of Tasmania to understand the importance of that Bell Bay Industrial Group, which we accept. We know it is important.

In terms of a regional impact study, we are working with the port users individually and we are working especially with the George Town Council in ensuring - and this refers to the IA bid, but we are working with port users to try to facilitate these issues. This is all good work but it is more about letting people know that it is an important area of Tasmania and we accept that.

Mr DEAN - In fairness to the Strahan council, I ask these questions and I will read them directly from the document I have: 'Underlying infrastructure, piles and support members under the majority of the wharf are in particularly poor condition. Whilst it does not overly affect the local operation at the time, there is ongoing concern and ultimately it will be a major refurbishment that will cause significant disruption in the area.' There are considerable concerns about the infrastructure at Strahan.

If I can quickly go through the other points that I raised and you might be able to answer, Minister, if you do not mind: 'Undercover areas - with the large number of tourists moving across the wharf area to the tour boats, consideration should be given to sail or similar undercover areas. The fuel storage tanks should be relocated away from the tourism, commercial operations, shops, bookings opposite', and I recall that the fuel one was raised two years ago. I am pretty confident of that.

The fourth one was, 'TasPorts needs to develop a plan for use of the whole wharf area that includes future use of the land currently occupied by Huon and Tassal when they ultimately

relocate to Smith Cove, leasing of additional land for commercial development, additional parking space, sealing of areas currently covered by gravel, a major source of airborne dust'.

Those are the issues raised by the council and you can appreciate the position of the mayor there. What is TasPorts' position on those issues that they raise?

Mr WEEDON - Essentially, they are a consistent page of inputs which has been some of the key inputs into our 10-year planning. So the plan for Strahan is part of the 10-year plan.

Mr O'BYRNE - Also we have the aquaculture moving to Smith Cove; that is the opportunity. I think you can make decisions prior to get a landing on the aquaculture industry outcome around Smith Cove and that is where I think, in defence of TasPorts, really, why would you put in a significant investment and make decisions now when you are not exactly sure.

We agree that having that mix of industry and tourism is not ideal but we need to work with industry to get them to move.

Mr DEAN - Minister, there is consideration being given to some of these issues and you have talked about Smith Cove and so on as a part of it. But those are the areas that do concern them and, no doubt, we will have you back here again in two years' time and I might well be present and we will raise the issue again.

Dr NORTON - We have spent a quarter of a million dollars in the last 12 months on the Fishermans Wharf at Strahan. So some money has been spent and there are some detailed plans and an infrastructure plan to continue the redevelopment. Strahan is also a port that has community development opportunities and that is certainly something the board has discussed as well, how we can best engage with the local community to develop the land-side area as distinct from the wharf area specifically.

Mrs TAYLOR - I had a very small question but I think, Chair, that you have an ancillary question that which might be much more important. Just two years ago you said a very strong focus on improving health, safety and environmental performance has resulted in a reduction in the lost time injury frequency rate from a level of 45 to a current level of two, which was fantastic. My question is have you been able to maintain that?

Dr NORTON - No.

Mrs TAYLOR - Not necessarily the two but the small numbers.

Dr NORTON - No, it went from two to four. Yes, it is 100 per cent increase. The difficulty with lost time injuries in relatively small workforces is that one lost time injury can impact on your statistics. I would have to say that anywhere under five is good in our medical treatment frequency injury rate, which covers both lost time injuries and other injuries where people have to go and get stitches or something but they can get back to work. It is an important statistic but it is not a broad statistic.

Mrs TAYLOR - It is if it blows out beneath us.

Dr NORTON - Our LTIFR rate dropped by 40 per cent in the last year. So that indicates that, once again, we are in the zone that we wanted to be in. But I would have to say - and I have

been around this in electricity, in water and sewerage and a whole range of industries - I have seen this before. When I was CEO of the Hydro-Electric Corporation, a vertically integrated business, we had an LTIFR of something of the order of 30-odd and we got that right down.

I am working in other businesses at the moment. You can never take the focus off it. You can never sit back and say, 'Two is fantastic, let's sit back'.

Mrs TAYLOR - That is why my question, have you maintained the low rate? That is good.

Dr NORTON - Certainly in TasPorts' case, we are continuing to try to reinvent the safety and issues of ports showing great leadership in further getting safety in as a day-to-day activity of everybody in the business.

CHAIR - Have there been many breaches of the security, particularly around forest protestors? Is that a big impact on the business or just a small nuisance factor?

Mr WEEDON - It is more nuisance but we take it all very seriously. It disrupts our customers more than us in many respects. It is the ship that gets tied up with delays and costs associated with being in port longer than they should have been or disruption costs associated with that.

Dr NORTON - Then the police have to get involved and so on as well.

CHAIR - Then we are looking for stronger penalties, in my view.

Dr NORTON - We have pretty secure perimeters so generally speaking they do not get in on the land side.

CHAIR - They are pretty slippery.

Dr NORTON - What they do is they come in on the seaside. In fact, we had a recent one in Hobart where our security cameras picked them coming across the water and we were able to alert the police and they were apprehended before they chained themselves to the equipment.

Mr O'BYRNE - With the occupational health and safety laws, the national law, there is a number of elements in that dealing with protestors or people who would come onto a worksite and endanger the lives of other workers. That was dealt with by your House last week.

CHAIR - They are under control.

Mr FINCH - There are some verbal notes that I took yesterday and I am looking to marry up a couple of comments that I had during that evidence. One was the business development manager position that has been eliminated - I was not sure whether that was from TasPorts or whether it was from a meeting on Flinders Island - but there was also a comment made that the Port of Melbourne has a business manager in Tasmania. The question is, what about TasPorts? I am curious as to whether that is factual, that the business development manager position has been eliminated.

Dr NORTON - No, that is incorrect.

Mr FINCH - Do you have a business development manager in Tasmania?

Dr NORTON - Yes, we do.

Mr FINCH - Who is that person?

Dr NORTON - Terry Friend. He has decided to return to his home base in Victoria so we are in the process of recruiting for a replacement.

Mr O'BYRNE - That is probably where it comes from.

Dr NORTON - That may be the confusion.

Mr FINCH - As I say, they were only verbal notes and I was trying to get some clarity around that. So this point that was made by somebody who deals with a lot of freight and a lot of business in Tasmania, and he was really curious about the fact that the Port of Melbourne has a business manager here in Tasmania doing their business, wondering about TasPorts. Would a Melbourne business manager from Port Melbourne be doing work that would be in competition with what TasPorts might be trying to achieve?

Mr O'BYRNE - They are different roles. Tasmania is 30 per cent of the throughput of the Port of Melbourne. We are an important customer so it is important for them. Virtually all our containerised freight now goes through Melbourne, so it is in their interests to make sure that they keep in sweet with Tasmanian companies and understand their needs et cetera. In terms of a business development manager, we have Tasmanian-based people who continue to build the volumes and the market.

Mr WEEDON - I could not have said that any better. We have 30 people in our business development team around the State. It is the leadership position, the incumbent in that role has decided to return to Melbourne for family reasons and we are in the process of recruiting for a replacement.

CHAIR - That is the Nathan Spicer of 2009?

Mr WEEDON - Yes.

Mr DEAN - One area raised with us was the members on the board, where they come from and where they are domiciled. Do we have the list of the board members? There is some concern that there is no local involvement on the board.

Dr NORTON - It has been an issue. Currently there are three resident Tasmanians on the board - myself, Evan Rolley and Jane Bennett. Jane has been on the board for 12 months, Evan for three years and I have been on the board for six years. The other directors - Margaret O'Rourke, who was a resident of Tasmania for many years, was a manager for Telstra and had been on the board of the Devonport Ports Corporation. Several years ago, as a result of her work, she moved to Bendigo and resides in Bendigo. She has a Tasmanian background and a lot of experience here but she is not domiciled in Tasmania. Bruce McGowan has been on the board since its formation. Bruce lives in Melbourne and he is an specialist in transport; he ran BHP's transport shipping area a number of years ago. He has also run rail companies. He was one of the inaugural directors because of his skill base. Owen Williams lives in Sydney and has been on

boards in Tasmania for a decade. He was involved in the initial purchase of the Hobart International Airport and subsequently went on the Hobart Ports Corporation and when the amalgamation occurred he came on the board. He is not a resident but, once again, has had a long history in Tasmania and brings financial skills and an understanding of airport operations. The final director is Barry Berwick. Barry is a Tasmanian who was employed at Burnie as an engineer. He subsequently ran ports in Queensland and the Northern Territory. After leaving as CEO of the Port of Darwin, he became a consultant. He lives in Brisbane so is not domiciled in Tasmania. So three are domiciled and the rest are not, although three of them have had very long connections with the State. The board is refreshed from time to time. We had a refresh of one position last year and two of the long-term directors will come up for reappointment next year. I would expect at least one of those would retire and we will go through a process of identifying a skill-based appointment. Our preference is, as shown by Jane Bennett, to get a skilled person who comes from Tasmania.

Mr DEAN - On average how many times does the board meet in a year?

Dr NORTON - The board has 11 formal meetings. One of those we will probably do by phone. We do not meet in January but the financial report goes out and if there were a need to meet we would. There are three committees: an audit and risk committee which would meet four or five times; a human resources committee that meets about four times a year; and a third committee which is less active than the others. We established an infrastructure and major projects committee several years ago. It goes back to when the Government indicated that it might wish us to be involved in building, owning and operating the Brighton terminal. Things changed there, obviously, but we still have that committee which tends to look at things such as the 10-year infrastructure plan, but it is not as active as the other two committees.

Mr DEAN - You might have to take this question on notice. What is the cost of running the board for a 12-month period?

Dr NORTON - We are happy to provide that. The costs are essentially our remuneration, which is publicly known, and the travel.

Mr DEAN - I could not get that in the annual report.

Dr NORTON - The travel is probably not in there. The remuneration is but I do not think the travel is.

CHAIR - Minister and members, we want to thank you very much for your time today. We appreciate the frankness and openness with which you shared the information. Members put in a lot of hard work to put their information together and to meet with stakeholders and clients.

Mr O'BYRNE - I also want to thank the committee. You were very well researched and there were a number of clear issues that have been raised with you that will inform our deliberations over the coming months to make sure that we can meet those, especially some of the island communities who have a lot of challenges. I also want to thank the team from TasPorts for their work during the year. They are a good, strong team. It is not an easy challenge dealing with ports in Tasmania, given the different challenges, and they have done a great job. As a shareholder minister, I want to put on record my thanks to the team from TasPorts.

CHAIR - I want to add my thanks to our committee support system, and also Majella who does a wonderful job.

The committee adjourned at 5.02 p.m.