



PARLIAMENT OF TASMANIA  
Legislative Council

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# **GOVERNMENT BUSINESSES SCRUTINY COMMITTEE 'B' 2017**

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## **Report with Minutes of Proceedings**

### **Members of the Committee:**

Hon Rosemary Armitage MLC  
Hon Ivan Dean MLC  
Hon Kerry Finch MLC (Deputy-Chair)  
Hon Tania Rattray MLC (Chair)  
Hon Jo Siejka MLC  
Hon Josh Willie MLC

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

**MINUTES**

**Thursday, 7 and Friday 8 December 2017**

The Committee met on Thursday 7 December at 12.03pm in Committee Room No. 2, Parliament House, Hobart.

**Present:**

*Mr Dean*

*Mr Finch*

*Mrs Rattray* (Chair)

*Ms Siejka*

*Mr Willie*

**In Attendance:**

Ms Natasha Exel (Secretary)

**Re-election of Deputy Chair**

*Mr Finch* was unanimously elected Deputy Chair.

**The Minutes of the Meeting held** on Wednesday, 22 November 2017 were confirmed as a true and accurate record.

**Stakeholder Meetings**

At 12.07 pm the Committee commenced informal discussions with stakeholders.

The Committee suspended at 12.58 pm.

The Committee resumed at 2.03 pm.

[*Mr Dean* left his seat at 2.58 pm]

[*Mr Dean* took his place at the table at 3.00 pm]

[*Mr Willie* left his seat at 3.25 pm]

[*Mr Willie* took his place at the table at 3.26 pm]

The meeting was suspended at 3.45 pm until 8.50am on Friday, 8 December 2017 in Committee Room No. 1, Parliament House, Hobart.

The Committee resumed at 8.55 am on Friday 8 December 2017 in Committee Room 1, Parliament House, Hobart.

**Present:**

Mr *Dean*

Mr *Finch* (Deputy Chair)

Mrs *Rattray* (Chair)

Ms *Siejka*

Mr *Willie*

**Apology:**

Ms *Armitage*

**In Attendance:**

Ms Natasha Exel (Secretary)

## **SUSTAINABLE TIMBER TASMANIA**

At 9.00am the following witnesses appeared before the Committee:

Hon Guy Barnett MP, Minister for Resources

Mr Rob de Fégely, Chairman, Sustainable Timber Tasmania

Mr Steve Whiteley, CEO, Sustainable Timber Tasmania

Mr Chris Brookwell, General Manager, Corporate Services, Sustainable Timber Tasmania

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

**Question on Notice**

- After renegotiation of the five year period as referred to in the contracts for the sale of hardwood timbers, what product increases, if any, have occurred? If so, how much is this increase? Additionally, what is the quantum of CPI increase.

[Ms *Siejka* left the table at 9.52 am]

[Ms *Siejka* took her place at the table at 9.54 am]

[Mr *Willie* left the table at 10.18 am]

[Mr *Willie* took his place at the table at 10.20 am]

The Committee suspended at 11.25 am.

The Committee resumed at 1.04 pm.

## **PUBLIC TRUSTEE**

Hon Elise Archer MP, Attorney General  
Mr Mark Scanlon, Chair, Public Trustee  
Mr David Benbow, Chief Executive Officer, Public Trustee  
Mr Glenn Lucas, Chief Financial Officer, Public Trustee  
Mr Tim Levis Corporate Solicitor Public Trustee

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

### **Questions on Notice**

- Advise whether the Minister for Justice received correspondence regarding the tabling of the annual report of the Public Trustee in Parliament and whether the annual report needs to be re-tabled in Parliament referred to the correct Responsible Minister.
- Provide the number of cases of misappropriation of estate assets that have been referred to the police over the past three year period.
- Provide the final cost for the completion of the Public Trustee document management system.
- Provide figures on the number of complaints received over the past three-year period.
- Provide figures on the number of estate management cases that have been pending for more than twelve-months for the past three-year period.

[Mr *Willie* left the table at 12.37 pm]

[Mr *Willie* took his place at the table at 12.39 pm]

[Ms *Siejka* left the table to 12.44 pm]

[Ms *Siejka* took her place at the table at 12.47 pm]

The witnesses withdrew at 1.03 pm.

The Committee suspended at 1.04 pm

The Committee resumed at 2.00 pm

## **TT-LINE**

At 2.00 pm the following witnesses appeared before the Committee:

Hon Rene Hidding, MP, Minister for Infrastructure  
Mr Michael Grainger, Chair, TT-Line  
Mr Bernard Dwyer, Chief Executive Officer, TT-Line

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

### **Table Document**

‘The Next Generation of Spirits in Tasmania’.

### **Questions on Notice**

- Provide a viable pensioner concession cost that would enable pensioner concession fares to be available on a year-round basis.
- Provide details on employee benefit expenses, particularly relating to termination expenses and an explanation as to the increase in the latter in 2016/17.
- Provide, if available, the number of on-board security incidents requiring action by TT-Line security staff for the past three years.

The witnesses withdrew at 4.00 pm

### **Next Meeting**

9.00am on Thursday 14 December 2017 in Hobart and via teleconference.

### **Adjournment**

At 4.06 pm the Committee adjourned until 9.00am on Thursday 14 December 2015.

**DATE 14/12/2017**

**CONFIRMED**

A handwritten signature in black ink, appearing to read 'Gavin Roddery', written in a cursive style.

**CHAIR**

# UNCORRECTED PROOF ISSUE

**Friday 8 December 2017 - Legislative Council - Government Businesses Scrutiny Committee B - Sustainable Timber Tasmania**

## LEGISLATIVE COUNCIL

### GOVERNMENT BUSINESSES SCRUTINY COMMITTEE B

**Friday 8 December 2017**

#### MEMBERS

Ms Armitage  
Mr Dean  
Mr Finch  
Ms Rattray (Chair)  
Ms Siejka  
Mr Valentine  
Mr Willie

**Hon. Guy Barnett MP**, Minister for Resources

#### Ministerial Office

**Mr Jim Dunham**, Chief of Staff  
**Mr Adrian Lacey**, Senior Adviser

#### Sustainable Timber Tasmania

**Mr Rob de Fégely**, Chairman  
**Mr Steve Whiteley**, Chief Executive Officer  
**Mr Chris Brookwell**, General Manager, Corporate Services

**The Committee met at 9 a.m.**

**CHAIR** (Ms Rattray) - Welcome, everyone, to the hearing today. As always, we like to provide an opportunity for the minister to make a brief overview.

**Mr BARNETT** - I have a very short opening statement, as does the Chairman. I appreciate the opportunity to speak to the committee. We are here to discuss the final year of operations of Forestry Tasmania, now Sustainable Timber Tasmania. I will hand over to the Chairman shortly to expand on the board's perspective.

From the Government's perspective, 2016-17 was a very substantial year of progress. The Government and STT have made very substantial changes, which take effect in the current financial year and therefore aren't reflected in the 2016-17 annual report. This includes, through a restructure, renewed commercial focus and the sale of the plantation forestry rights. There is progress on a number of fronts: significant increase in revenue, beginning the transition to achieving appropriate commercial returns for our valuable forest fibre; a reduction in the ongoing cost of operations, once you allow for the once-off costs associated with the transition; and a hefty advance towards the Government's commitment to return the forestry business to a sustainable footing with the bottom line improving by \$41 million compared to the previous year.

The annual report shows the Government's decision to restructure the business has been justified, with STT to deliver a financial improvement of \$7.5 million per year, and some \$30 million over a four-year period. The report also confirms the plantation sale of \$60.7 million was well above the amount required to pay off all debt and transition costs. That means the restructured STT begins with a clean sheet and strong prospects. In addition, because of the sale, the Government has been able to directly invest an extra \$15 million into our health system. We have made very real progress and I am confident there will be better times ahead.

**Mr de FÉGELY** - I want to give short overview of our year to 30 June this year. I will touch very briefly on a number of topics and give a quick overview. This last year, up to 30 June, there was a significant level of change. I put on the public record the great effort the staff within Forestry Tasmania put in over the last year, not only to keep the operations moving but also to go through a significant period of restructure. The CEO, CFO, the general management team and all staff should be congratulated on the work they did.

We always start off on safety. Our safety record this year of an LTIFR - lost time injury frequency rate - of eight is not where we wanted it to be. It was slightly higher than in the year before when we were around about two, but much better than the year before, which was around 19. It was a little disappointing. The board takes safety very seriously. We start every board meeting with a safety moment and the first key report before finance and production is safety.

In our production year we managed to keep volumes running fairly much at the same level, around 1.43 million; high-quality sawlogs were about 117 000.

There was a period of slow demand from saw mills around this time last year, and then they picked up demand in the early part of this year, and we managed to meet demand from all our customers bar one, where we made up the volume difference in lower-quality saw logs. In that respect, generally it was a pretty solid year. In special species we sold about 8500 or 8600 cubic metres, of which around 80 per cent was blackwood from the swamps in the north-west.

We are concentrating very carefully on managing habitat for the swift parrot. That is a very important issue. We try at all times to avoid sensitive coupes and sensitive areas. However, where that is not possible and we have to go into areas that are sensitive, we do extensive planning to ensure we have as best as we can our management around all those particular issues in relation to particular species. We manage for a number of those.

We continue to work with the Tasmanian Forest Practices Authority, DPIWE, the ANU and other researchers and UTAS, where appropriate, to ensure we do the best we can in managing the environment.

## UNCORRECTED PROOF ISSUE

The board is still very committed to certification. We are still pushing forward with our aims to get Forest Stewardship Council certification. We will aim to bring the auditors back next year. We were hoping to have them back this year, but they are changing the standard to a new Australian Standard. That will not be done until about now, December. We will go under the new Australian FSC standard next year. We retained our Australian Forestry Standard this year, and we also have the FSC controlled wood standard for our plantations. That was a good result.

Financially, we showed a loss of -\$24.1 million. A lot of that was to do with revaluation of assets and forests - we can talk about that in more detail - and issues in relation to our liabilities for the defined benefits. The Tasmanian Audit Office showed we had an underlying loss of \$13.8 million, which was an improvement on the year before, which was about a negative of \$17.2 million.

As the minister mentioned, we have, over the year, worked through savings of around \$7 million, which we will bring to bear over the coming years. We will see substantial savings in our operational costs. Our net borrowings at the end of the year were about \$26.1 million, and they have all been repaid now following the plantation sale. We have repaid all our debt.

Through the year we restructured Forestry Tasmania into Sustainable Timber Tasmania. There were a number of projects running at that time to achieve that restructure. We had new contracts for southern residues. We increased our prices for sawlogs. We looked at the whole organisational restructure and have moved into a two-division structure - a land management division and our wood products division.

We moved several offices to save funding. We changed the head office from Melville Street to Bathurst Street. Our southern region office is now at Lampton Avenue in Glenorchy, and there is a smaller office for our staff in New Norfolk, and some changes in the north.

It has been a busy year in many respects. We sold the Tahune Airwalk, or at least the licence for that business.

I mentioned we transferred the defined benefits liability. This was for our former employees to the government, and of course the hardwood plantation sale.

In closing, there are two things I would like to touch on. We have already started this year with a significant fire at St Helens, but I am pleased to say that we have around 200 trained staff and a number of contractors working for us to maintain our firefighting capacity for this coming fire season. Second, I acknowledge again the work the staff have done to keep everything running well and safely over the last financial year, and achieved the result that we did get, plus go through a major restructure.

**CHAIR** - Thank you very much, we appreciate that. Members will address our questions to the minister and then the answers will come as the minister sees fit. I invite Mr Dean to commence the questions.

**Mr DEAN** - My first question is a general one, and you have partly gone through it. The average punter out there cannot understand how Sustainable Timber Tasmania, with the valuable resource it has and manages, continues to run at this loss year in, year out. How and what can you do to satisfy the average person that things will change? We get this rhetoric time and time again, so how can you get that positive message through to these people that there will be changes?



**Mr BARNETT** - Through you, Chair, thanks for the question, Mr Dean. It is an excellent question and a very fair one and it has been around for some time.

We have bitten the bullet in my ministerial statement in October last year. I said that enough is enough. With the full support of the Government, a full scope of measures have put place to ensure that Sustainable Timber Tasmania, formerly Forestry Tasmania, now gets onto a sustainable footing.

You are right. There has been loss-making year in, year out, year in, year out. That is not good enough. We had a policy coming into government to rebuild the forest industry. That has been occurring. You have seen the exports, the production, the income. Obviously confidence is up - and I am sure we all agree on that - but there is still a lot more work to do.

The ministerial statement put in place the restructure, operational reductions in expenses and increased income. As a result we are now moving on this trajectory to a sustainable footing going forward.

In the past, under previous governments the lockups were massive and constrained the amount of timber available. If you have more timber available for harvesting in a sustainable way in accordance with our Forest Practices Authority and an independent objective approach and it is done sustainability, of course you can make more money. If you have less, it makes it very hard.

We have been constrained big time. Going back to the TFA deal in 2013, an agreement was in place. They said they could make 137 000 cubic metres of high-quality sawlog. That has never been met since 2013. The question is: did they know at the time that it would never be met? That is one of the concerns that remains for me, as minister, and for the Government. We have made some very tough decisions. It hasn't been easy but we are now heading in the right direction.

**Mr DEAN** - A further question if I may, Madam Chair, what is the real value of wood? What is the importance of wood and the demand for wood, both at national and international levels? What changes are there in the market moving forward? What are the opportunities for us in Tasmania?

**Mr BARNETT** - That is an excellent question. I will start it off and then I might hand it to the chair who is very well accomplished in this space in terms of the value of wood.

The board's advice in September last year made it very clear that we weren't getting value for our wood in Tasmania. It needed to increase. As a result, we have made that decision through STT. They have been making those arrangements with sawmillers and others. They are getting more for their wood and that will continue over time.

There was a comparison with the mainland - Victoria, New South Wales and other mainland states - between what we are getting for our wood here in Tasmania. We are now on a trajectory to increase the value of wood to get a market price that delivers a sustainable future for our forestry business in Tasmania.

Rob de Fégely as chairman is very well placed to respond to some of those questions.

**Mr de FÉGELY** - Thank you, minister, and thank you for the question. It is one I grapple with every day, having worked in the industry for around 37 years, understanding the value of wood and the transition in Australia generally, as to where we are going with wood products.

It is very, very hard for anyone to live a day without using a wood product somewhere, somehow. All of us, on an aggregate basis, use about 800 kilos, not quite a tonne, of wood every year. It is the same the world over.

The issue is that the supply is not even around the world and demand is increasing. What we have seen is a big change from the mid-2000s, where the main international demand was in Europe and North America; this has now switched to Asia.

In the early 2000s industrial wood demand globally was around about 1.8 billion cubic metres. Remember we harvest about 1.4 million; we were a very small producer. That demand has shifted to Asia. Asia's demand was something like about 400 million in the early 2000s. I expect it will get to - this is our best forecast and it is always a little difficult - somewhere around - a billion cubic metres around 2020-25. That is a 60 per cent increase in demand. What is driving that is population and economic growth. If you look at the world and the economies as to how they are growing, if you look at the top 10 economies in the world, six of the economies that are growing the strongest are in Asia. The top three are India, China and Indonesia, which are the top growing countries in the world. They are all short of wood. The outlook for us, I think, is very strong.

There are two ways of looking at wood demand. One is the commodity market, which is where pine and our woodchips go into; they tend to be high volume, low value products. The second is the high-value market. That is exactly what this table is pushing for. This is a locally produced product. I am not wrong, minister, I think this might be hydro wood.

**CHAIR** - This is a hydro wood product, is my understanding.

**Mr BARNETT** - Beautiful Tasmanian speciality timber.

**CHAIR** - Next door there is a pine.

**Mr BARNETT** - But beautiful Tasmanian specialty timber, both of them and we are proud of it.

**Mr de FÉGELY** - One of the long-term aims for us is to make that definition between the commodity products and the high-value boutique products, particularly the products that come from our natural forests.

I was looking at some data in relation to teak. I am sure you are familiar with teak, which is a tropical plantation hardwood and probably the prime hardwood sold around the world. India is the biggest market for teak. Logs sold into the Indian market on a C&F basis - that is, cost insurance and freight - range between \$US370 a cubic metre to \$US600 a cubic metre in log form.

You do not have to do a lot of maths to work out that that is a high-value product. I would love to see Tasmanian timbers get to those sorts of prices. I think with the branding Tasmania has - you have done a fantastic job in pitching the natural beauty, the naturalness of products in

Tasmania, whether it be organic farm production, fine wine, whisky, a whole range of products - timber fits really neatly into that.

Do many tourists come to Hobart and catch the MONA ferry? They all go past the Macq01 Hotel, which is clad in cypress pine. That is not a species that grows in Tasmania. That timber came from south-east Queensland, produced by a family sawmilling company called Hurfords in northern New South Wales. But it is a naturally durable timber. We need to take those natural features of either appearance or durability and some special factors, particularly things like Tassie oak, which was used as a commodity house-framing product, and put it into the boutique market. I think there is a great opportunity for both demand and movement in volume and price. Where that will end up, I am not game to pitch at the moment, Mr Dean, but I think we have a good chance.

**Mr DEAN** - If we follow that, what is the value of the Tasmanian brand to the demand and sale of our wood? How important is that when you compare that with our food, our berries, our fruits and so on, minister?

**Mr BARNETT** - I think it fits beautifully with the Tasmanian brand of clean, green and fresh, whether it be specialty timber, or, as Rob said, Tassie oak and our native timber. The Tassie brand is working really well. It is happening in terms of tourism and the benefits, and in production and our productive activities going right through to the salmon and our salmon industry. It all fits beautifully: agriculture, forestry, fishing, farming and the whole range of different fruits and vegetables.

I think Rob might have some extra to say about it. It is consistent with the Tassie brand. It is looking good. The prospects are positive in terms of getting more value for our product. That's what we need to be doing.

**Mr de FÉGELY** - One thing that always strikes me when I come to Tasmania is Tasmania grows trees really well. It is a really competitive advantage for this state. Other states can do it well and they do different things, but if you are an astute observer of forest quality, condition and size, you can say trees do really well in Tasmania. It is a competitive advantage with generally good logistics, particularly in the north. Access to markets and things are good.

The branding is a function of selling both the quality of the products being produced, but also the naturalness of those products, particularly from natural forests. Given the way in which the forests are managed with the world-class Tasmanian Forest Practices Authority, which has stood the test of time. Their conference in Hobart two weeks ago celebrated 30 years. Other states would be very envious of having something like that, which gives you the comfort of knowing there is an independent arbiter and policeman. That also helps the marketplace to be able to say things are being done well in Tasmania, so when sell your brand you can say, 'By the way, we do all these things to ensure things are being done really well'. Ultimately that bodes you well. You have done it for a long time and not a flash in the pan. There is a mood, particularly in Europe, now towards natural production.

Plantations have issues; they are monocultures. It is too simplistic to say plantations versus natural forests. That definition is not as distinct in the marketplace. In the north-east of Tasmania I could show you a plantation nearly 30 years old and it will look more or less exactly the same as a natural forest. Over time they become the same.

## UNCORRECTED PROOF ISSUE

**CHAIR** - Probably in my backyard. Minister, you indicated in a response to Mr Dean that Sustainable Timber is going to receive more revenue from its sawlogs. Can I have some understanding of what impact that is going to have on sawmilling in the state and how are the sawmillers expected to cover the increased cost where we have contracts in place where they will not have an increase in price? The sawlog industry and sawmillers are going to subsidise those very nice contracts in place with others. Can I have some understanding around that?

**Mr BARNETT** - Of course. The first point is that I am backing the chair's comment that wood is good, sustainable, renewable, recyclable and that we grow trees really well in Tassie.

In terms of increased revenue, we have a \$7.5-million benefit based on the restructure from 1 July this year for the next four years. That is a \$30-million turnaround. This has come about by two areas - reduced operational costs, which the CEO can speak more about, and increased income.

In the area of increased income, that is through mutually agreeable arrangements between STT, sawmillers and those who are paying for the wood. That has come about over time and in accordance with their contractual obligations. I might ask the CEO to outline in more detail how that works.

**Mr WHITELEY** - In terms of what we have done, there are five yearly reviews in place for many of our customers, some are at slightly different times, but periodically.

**CHAIR** - With those major contracts?

**Mr WHITELEY** - Yes.

**CHAIR** - There are?

**Mr WHITELEY** - The contracts themselves run until 2027. Some time ago, the contracts were aligned and most of our major contracts run to 2027. Within each of those contracts, there are periodic price reviews. Many of those are five-yearly. Some are not exactly five-yearly. We had a five-yearly review or a periodic review process, so people had been simply having CPI increases for the preceding period. There had been a period when the millers needed to consolidate. There were some issues in the market they needed to deal with. That was around resetting for the next five years. The millers have worked with us to look at how to increase those prices, and we have agreed to a progressive escalation during that period rather than a big shock right up front, which can happen when reviews are only periodically. We have worked with them. We need to increase our revenue and they are working on their markets. We have talked to them recently about some of the things they are working on. They are transitioning out of some traditional products and actively looking at new products.

In their own way each major customer is innovating. While paying any more for a product is clearly a challenge, we have sought to work with our customers to progressively implement that increase, combined with them doing some work on market and product development.

The current feedback is they are actively getting out there and looking at innovative new products, and are very keen to capture more of the Tasmania brand. Following up from the previous question, it is going to be very important to their and our collective success to have the customers attribute the value of these special products being produced.

They are experts in selecting and milling the timber. Rather than just thinking about their traditional products, they are putting more energy into looking at other ways of meeting different customers and attracting more value back into their businesses.

**CHAIR** - Minister, we can be assured everyone who takes resource from Sustainable Timber Tasmania, effectively the people of Tasmania, is paying a fair and reasonable price. My concern is that it not lands with one particular group?

**Mr BARNETT** - That is a fair question. The answer is yes, it is fair and reasonable and is moving to market, based on the advice of the board since last September, which was a public document. I think you all saw it indicated we were not quite where we needed to be. Rather making it all happen in one day, we have wisely worked with Sustainable Timber Tasmania and key stakeholders to move towards increased income over a period of time so it can be mutually agreeable and they can work together.

The Government is backing the industry with a growth strategy and has worked with the Ministerial Advisory Council on Forestry. The strategy been developed by the advisory council and reported to government; we have responded and agreed.

We are agreeing and backing the strategy with \$4 million in this last budget, and the industry are very pleased. It is their strategy. That target is to double the value of our timber products to 2036. We are all on board. It is the industry's and our target. We support it. I think we can do better, but that is the target.

The growth strategy has a whole range of ingredients and I am happy to respond to that. It includes promotional, advertising and marketing for working for the industry. It talks about an umbrella body to help promote and support the industry. We are on board to support these measures.

**Mr DEAN** - A follow-up to the chair's question. Have the occurring reviews of some long-term contracts in place seen an increase in the contracted prices? If they have seen an increase, what has been the increase from the time first put in place until now? What is the percentage increase? Our product has gone up tremendously in value.

**Mr BARNETT** - Excellent question. I do not know the back part personally, but I will pass to the CEO. The answer is yes, these contracts are in place till 2026-27. We are all on board in terms of the major sawmillers. Those agreements, those five-year reviews have been taking place. Those negotiations and discussions have been had with the STT. Perhaps the CEO could add.

**Mr WHITELEY** - I cannot give you a precise percentage answer, but during the past five-year period, effectively there were no real increases in price. It was simply tracking CPI, tracking inflation. During that period, the price of the wood did not increase. However, through this process there have been some real increases in price.

**Mr DEAN** - They might prefer to take the question on notice, because I would like to know what the percentage increase has been from the times these contracts were first put into place to now. What has been the percentage increase -

## UNCORRECTED PROOF ISSUE

**Mr WHITELEY** - We may need to deal with that as commercial-in-confidence, but I am happy to take that question on notice.

**CHAIR** - The committee is happy to accept that information in confidence.

**Mr DEAN** - I can't see where it is commercial-in-confidence because all the question asks for is the percentage increase. We are not asking for what it was; we simply want to know when it was first put in place until now - if there has been a 20 per cent increase or a 30 per cent increase, or 10 or none. There is nothing commercial-in-confidence in that.

**Mr BARNETT** - I will ask STT to look at that. There are contracts in place and we can't breach commercial confidentiality with the contracts, but this is more of a bigger picture look at where we were some years ago.

**Mr WHITELEY** - We can take that on notice, but we would need the caveat against our contracts to make sure we don't breach the contract.

**Mr FINCH** - I want to get some clarification on the reference Steve made to the product going to millers. Is that hardwood or specialty timbers? What sort of wood and throughput are we talking about there?

**Mr BARNETT** - I will pass it to the CEO. We are talking about eucalypt hardwood -

**Mr FINCH** - Exclusively?

**Mr BARNETT** - For the major sawmillers.

**Mr WHITELEY** - The conversation we have just had was around eucalypt, but prior to that time we'd gone through a similar process for our other special timbers, particularly blackwood from the blackwood swamps, which is the volume product. We have had a couple of structural reviews. One has been around blackwood pricing, and that was some time ago; the one we have just discussed was around eucalypt sawlog pricing. Perhaps just to pre-empt the next question, there will be a review next year around the peeler logs. We have a series of price reviews under our contracts that we work through progressively during the life of the contracts.

**Mr FINCH** - Can I get a snapshot of who those contracts and millers are? Who would be the big contractors, the medium contractors and the smaller contractors?

**Mr WHITELEY** - Perhaps just a characterisation around the state. The big contract holders in the north-west are Britton Timbers and Ta Ann. Coming across the coast we have Specialty Veneers at Camdale. In the north-east we have Barbers, Morgan and ARTEC Australia with a different range of products. There are a number of smaller mills as well, but these are the major mills. Coming into the south there is Torenus Timber, McKay Timber, Porta Mouldings and Neville Smith Forest Products and Ta Ann's southern business. That is not exclusive but it characterises the major businesses for which we hold long-term contracts.

**Mr FINCH** - And the medium-level timber contracts?

## UNCORRECTED PROOF ISSUE

**Mr WHITELEY** - They are significant businesses and we have a number of smaller mills we also supply. As indicated in our report, we have about 50 customers. We service large, medium and small size.

**Mr WILLIE** - I want to move to the asset sale of the plantations and the Australian Accounting Standard exemption, which relates to assessing the value in wholesale exemptions. The Auditor-General has described that move as unusual. In fact he said -

... the process ... should only be used in rare circumstances where changes to the reporting framework are necessary in order to present more reliable information to users.

What was the justification for that exemption? Wouldn't it be in the public interest for that accounting standard to remain in place?

**Mr BARNETT** - The member referred to the asset sale, and I want to confirm on the public record that is not the case. It is the sale of a forestry right. We are not selling the assets; we are selling the trees on a 99-year lease. It is a 99-year forestry right, so that is a mistaken belief.

**Mr WILLIE** - You can dress it up however you like.

**Mr BARNETT** - I am just clarifying because that part of your question was based on a false premise and we cannot allow that information to be left on the public record.

In terms of the price, the pre-sale advice on similar sales in Tasmania and Australia indicated a range of \$1500 to \$2000 paid per hectare for the first rotation hardwood plantation estates and the result we have achieved is at the upper end of that. We are very pleased with the sale price of in excess of \$60 million.

As to the comments about the Australian Accounting Standards, I will pass that to the CEO and/or the CFO.

**Mr BROOKWELL** - The exemption was provided by a Treasurer's instruction. The motive for it was to preserve confidentiality around the asset being sold as part of the plantation sale while we are finalising the financial report. We wanted to avoid a set of circumstances where we published the value of the asset being held out for sale through the forestry right process in the annual report. That was the motive.

In terms of the impact, the Treasurer's instructions are something we have to comply with. The Auditor-General did not qualify his report; he provided an emphasis of matter that draws attention to the fact we had the exemption. In terms of the impact of that, we did not change the basis of measurement in the accounts. All we did was change the disclosure. The value of the plantation estate was properly measured but disclosed within the rest of the estate.

**Mr WILLIE** - What was the total value of the plantation before sale?

**Mr BARNETT** - The advice we received, based on the expert advice and the pre-sale advice that is exactly what I have put on the public record, in the Parliament and again this morning, was that it ranged from between \$1500 and \$2000 per hectare. We have achieved towards the top end of that pre-sale advice.

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**Mr WILLIE** - You previously said the sale would be concluded in October. Has that concluded and what was the final price?

**Mr BARNETT** - The final price is what I have said publicly. It is in excess of \$60 million. It has concluded.

**CHAIR** - \$60.7 million - is that it, firm?

**Mr BARNETT** - That is the figure and that is what I have said publicly. That has been known in the Parliament and elsewhere over a long time. There are no issues there. It has concluded, it is settled and we are very pleased with the outcome. It has paid down the debt, which was in my October ministerial statement in which I made it very clear the key objective was to pay down the debt and the transitional costs of the restructure. It has done more than that. In addition, we have been able to announce a \$15-million investment in health from our forestry asset, and it goes back to Mr Dean's first question. This is the first time in my memory that this has every occurred - that is, reinvesting money in health.

Under the Labor policy of \$25 million per year, it was continuing to subsidise the industry and that is what we do not want to do. We want to put it onto a sustainable footing.

**Mr WILLIE** - You would have to renegotiate the contracts to avoid those subsidies. Is that what you are going to do?

**Mr BARNETT** - We have made decisions to put it onto a sustainable footing. The first question today was an excellent question one from Mr Dean. It has been making losses, year in, year out, with the support of the previous government. We made it very clear we are not continuing to invest \$25 million a year over four years, which is \$100 million that should be going to health, education and police. We are not doing that anymore. It is on a sustainable footing. The hard decisions have been made. As a result of lockups in the past, sadly it was very difficult to access the wood. We need that access to wood and that remains an issue.

**Mr WILLIE** - You would have to renegotiate those contracts to remove the subsidies, minister. I will go back to the sale price and the divvy that up - \$26 million went to retiring the debt, \$6.2 million to the changeover to Sustainable Timber Tasmania -

**CHAIR** - Transition costs.

**Mr WILLIE** - Yes, \$15 million to health. Where did the remainder go?

**Mr BARNETT** - The first part of the question from Mr Willie is not accurate. It is suggesting we have to renegotiate the -

**CHAIR** - I think that was a statement, not a question.

**Mr BARNETT** - I am responding the statement. We have made it very clear that we are getting increased income under our restructure and we are reducing the expenses. It is a \$7.5-million turnaround per year benefit to the budget bottom line. That is a \$30-million benefit over a four-year period. The Labor policy is \$25 million per year going forward over four years. That is \$100 million going out of health, education and elsewhere into forestry.



**Mr WILLIE** - What we would call the super liability? That is a subsidy - moving that into the government accounts.

**Mr BARNETT** - I am more than happy to answer that question on superannuation.

**Mr WILLIE** - If we can address the first question I asked: which is the balance?

**CHAIR** - The balance of the \$60.7 million and then we will go to the next question.

**Mr BARNETT** - In terms of the use of that money, I ask the CFO to respond.

**Mr BROOKWELL** - We have received \$60.7 million on 6 October so we retired the debt with TASCORP fully on that date; that was \$11 million. We invested the balance of those funds with TASCORP in part and with our banker, the Commonwealth Bank. We invested \$12.5 million with TASCORP in a term deposit. We have \$9.8 million with TASCORP at call and we have a term deposit with CBA, which \$27.5 million. All the funds received for the plantation sale were used to retire the debt and invest with those two institutions.

**Ms SIEJKA** - Minister, I would like a breakdown of what the health money will be spent on? The money that is being transferred to health.

**Mr BARNETT** - Thank you very much for the question.

**CHAIR** - Can we make it fairly brief? It is not necessarily relating to this particular area.

**Mr BARNETT** - Thank you, I will be as brief as possible, Chair. I thank the member - this is the first question from the member; for the record, I personally congratulate the member on her election.

**Ms SIEJKA** - Thank you, minister.

**Mr BARNETT** - Thank for your first question. It is an absolute pleasure to respond to the question because it highlights that this is the first time in my memory, and I think the memory of many others around this table, that the Government, through its forestry business, has been able to reinvest in Health.

**CHAIR** - With all due respect, we sold an asset, minister. That is the only reason we have any money.

**Mr BARNETT** - It has done exactly what we asked it to do and that was in accordance with our ministerial statement, which was to pay down the debt, pay the transitional costs. The \$15 million for health, ultimately, is a decision for the health minister and for the Government.

**Ms SIEJKA** - Minister, do you expect STT to record a loss in the current financial year?

**Mr BARNETT** - Thank you for the question; it is an excellent one. It is based on the fact that in past years it hasn't made a profit; it has had ongoing losses. As a result of our Government's actions, and the ministerial statement last year, acting on the advice of the board that it needs to be put on sustainable footing, that is exactly what we are doing. The restructure

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has delivered a \$30-million turnaround over the next four years. In terms of the work going forward, there are valuation arrangements in place. [It is too early to tell exactly where we will end up at 30 June next year. We are looking at the 2016-17 financial year in these discussions today. I am certainly remaining confident and looking forward to working with STT to get a future that is sustainable for this business.

**Mr FINCH** - Minister, you are painting a pretty warm picture about the future. Most of my question are about the past.

**Mr BARNETT** - That is fine.

**Mr FINCH** - I don't want to delve too much into that because I think Sustainable Timber Tasmania has to move forward and look to the future.

Some of the figures we are talking about this morning are about government support for Forestry Tasmania through to Sustainable Timber Tasmania. Explain to me a little about the liabilities for superannuation being supported by Treasury. Is that figure moving across to Treasury to ease pressure on the books of Sustainable Timber Tasmania?

**Mr BARNETT** - Thanks for the question. It is a little similar to the question from Mr Willie earlier about the superannuation so I will deal with them both together.

The fact is, yes, formerly Forestry Tasmania was a very large organisation. Under the previous government when Mr Green was the minister, it halved in size. It was at one time over 700 and then it went down to half that size under on his watch. Under us, it has reduced further. It is consistent with the ministerial statement of some 35 employees or thereabouts during that time.

As a result of the reduction in numbers, rather than leaving the liability with a much smaller organisation, the Government made the decision, rightly and properly - totally with the full support of myself as minister and the STT and in consultation with the Treasurer - to ensure that that liability going forward is shared by the Government rather than STT. STT is now a lean, and becoming leaner, organisation that is sustainable, able to do its job, increase revenues and reduce costs to get it onto a sustainable footing. That is our objective. We have made that decision to help them do that.

In terms of the exact detail, I will pass to Mr Brookwell on the superannuation liability.

**Mr BROOKWELL** - The superannuation liability was transferred to the Government in two tranches. The first tranche dealt with all former employees of Forestry Tasmania and Sustainable Timber Tasmania. We got to the stage, as the minister identifies, that we had a lot of legacy in terms of the obligations for former employees. We had a situation last year where we had sponsoring obligations for several hundred pensioners and former employees. We only had 180 current employees so we were paying more pensioners than we had staff.

On 31 December this year just gone, the obligation for the pensioners was transferred to the Government. That amounted to an equity contribution to Sustainable Timber of approximately \$90 million and the obligations for approximately 180 pensioners whom we were paying at the time, and in excess of 300 former employees whose benefits had not crystallised. Those obligations were transferred to the Government. The impact of that was our net assets increased

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by \$90 million and Sustainable Timber Tasmania was obviated of the need to pay approximately \$2.5 million during FY17.

The second component of the ministerial statement was about the Government assuming responsibility for the RBF benefits for those impacted by the restructure. The same process in terms of transfer to the Government occurred June 2017. That amounted to approximately \$23 million.

In summary, Sustainable Timber Tasmania now has a balance sheet with net assets in excess of \$100 million. The residual liability for RBF is \$20 million so we still have sponsoring obligations for approximately 40 members of staff who are current employees. In FY16 Sustainable Timber Tasmania had to pay over \$9.5 million in RBF liabilities. That reduced approximately \$2 million in FY17. We would expect it to be lower again in FY18, which sets the organisation up to be sustainable.

**Mr FINCH** - Minister, could I be forgiven for thinking that government support for Sustainable Timber Tasmania still continues? We have had those huge losses in the past. A figure mentioned recently was that since 2004, \$1 billion has been lost by the operations. Yet here we still see government support to help Sustainable Timber Tasmania to get on a solid footing for the future.

**Mr BARNETT** - We made this decision in the ministerial statement in October last year as to the direction we wanted to go. We wanted to put it onto a sustainable footing. We are achieving that with the transition that has taken place. From 1 July, it is now under Sustainable Timber Tasmania. We made those decisions during this past 12 months. Those decisions have been made. We have set it up for the future. In terms of superannuation liability those quotes in my ministerial statement are very clear. It needs to be a sustainable, lean and mean machine. It is unfair the liabilities of the past be put onto the organisation. Let me just make it clear what I said in the quote -

Various cost pressures are embedded in the Forestry Tasmania business model which don't relate to the future cost of supply. This includes the defined benefit superannuation liability for past employees, the maintenance of multiple use roads -

and that's another area -

across a very large and dispersed road network, and the management of land not used for the purposes of production activity.

We have put this in place and covers the CFO, which you may want to ask about. A lot of public benefits in the past have been provided by the former FT, now Sustainable Timber Tasmania, whether it be superannuation, roads that have benefited tourists, recreational activities and transition for restructure. It has been included in the budget and we want it to be sustainable.

**CHAIR** - Can I get some clarification around the total redundancy cost of \$1.66 million? Is that included in the \$6 million transition cost? Or is it extra? Can I have some clarification minister?

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**Mr BARNETT** - Yes, thank you. We have had to make some tough decisions. It was not easy. The ministerial statement laid it out very clearly, put a lot of thought and work in it based on the advice of the board in September and based on our advice. That has now come to fruition. I would ask the CEO or CFO to add.

**Mr BROOKWELL** - The \$1.7 million of rounded redundancy costs are a component of the transition cost.

**CHAIR** - Of the \$6 million?

**Mr BROOKWELL** - So \$5.1 million in the PNL, \$6.2 million total.

**CHAIR** - Is any of the component part of the \$113.3 million in the superannuation liability? Is any of the component included?

**Mr BROOKWELL** - No, those are separate.

**CHAIR** - That is a separate component. Thank you. A question in regard to the giving away of Tahune Airwalk. It cost \$4 million to build, minister. You indicated you have given a licence for \$640 000. How does that work?

**Mr BARNETT** - Yes, thank you for the question. You have made a very good point and referred to the licence. The fact is there was a lease. The CEO mentioned earlier in evidence today, it is actually not the sale of the land and assets, it is sale of the business. The business has a lease with Sustainable Timber Tasmania over the land and over the assets. Perhaps if the CEO might be able to respond in further detail. I am disappointed there has been a misunderstanding in the public arena. The CEO will outline those arrangements.

**CHAIR** - I would be interested to know how much of that \$645 000 is the stock component and how much is the actual business arrangement?

**Mr WHITELEY** - I will start and then hand over to Chris for some detail. We have obviously been very proud, and still are, of the Tahune business. It delivers revenue for us; it tells a story and underpins a lot of the tourism in the Huon. It was a response to the Government's statement about focusing on our core business.

In response, we set up a competitive sale process. That is structured around not a sale of the asset, but a 10-year lease. It has an annual lease payment to us, which is more or less equivalent to the net revenue we were receiving each year through running the business ourselves. That is an ongoing income stream we have during that period.

To make it a competitive process, we asked people to bid on the right to run the business and pay us that annual payment. The amount you referred to was the bid price in a competitive process to take on the business. We have not sold the asset and have a 10-year lease. We receive an annual income more or less equivalent to the net income we received prior to running it. This enables us to still have a relationship with Tahune, but to have a focused, private sector operator capable of thinking about growth. We were at a phase we were not focusing on growing a tourism business and it did not fit our core business.

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In terms of the benefit to the state and the Huon community and having a private sector operator, it is a win, win for us. If you would like a breakdown to the costs, Chris can offer that to you.

It is a win, win in terms of what we are doing, although it is something we have been very proud to be associated with.

**CHAIR** - What liability or responsibility does Sustainable Timber Tasmania have in regard to its maintenance? If you have leased and are getting a return, will the maintenance component of the facility end up taking all?

**Mr FERGUSON** - Those details are set out in the lease agreement with some commercial in confidence. There is clearly an understanding we want to preserve, support and protect the interest. This was not core business for Sustainable Timber Tasmania and the reason we made the decision, as the CEO confirmed. Do you want to provide any further detail?

**Mr WHITELEY** - We retain the underlying risk, which is the long-term risk of holding some built assets. The operator has maintenance responsibilities day to day. I will not go into detail but is a shared responsibility. It has not increased the current risk.

**CHAIR** - If one of the ropes breaks, the operator will fix it.

**Mr DEAN** - Has Sustainable Timber Tasmania any position on further leases of any of their assets, properties or sales of properties at this time?

**Mr WHITELEY** - We have set our direction in the October ministerial statement. We have worked very hard with STT over the last 12 months. They have done work on the restructure and the internal transition arrangements. All those have now been paid and sorted. I will let the CEO respond at a higher level. We cannot go into any commercial-in-confidence arrangements.

**Mr WHITELEY** - The two significant tourism assets were Hollybank Treetops and Tahune and they have been dealt with.

**Mr DEAN** - There is nothing else on the agenda at this stage?

**Mr WHITELEY** - We do not have any other tourism assets of that type. They are our key tourism assets. We have recreation sites and will continue to manage those.

**Mr FINCH** - Minister, I was interested to hear about the FSC Australian Standard and would like to hear more. Given STT achieving FSC, is government policy and FSC widely accepted as a necessary step in Sustainable Timber Tasmania achieving market success, particularly in those six out of 10 countries where demand is growing? Does the removal of FPPF land from the Tasmania Reserve Estate present a risk to achieving FSC certification? With those couple of points, can we get a picture of where we are with FSC?

**Mr BARNETT** - Thank you. The chair touched on this in his opening remarks. The Government has a position of supporting STT objectives to obtain FFC certification over its controlled wood and plantation estate. Despite the protestations from the Greens and perhaps a few others, to say it would never happen, it occurred in the last 12 months. I congratulate STT on their success. They continue to work towards gaining FFC over the remainder of their estate.

**Mr BARNETT** - gaining FSC over the remainder of their estate.

As the chair outlined, there was a plan for this occur this month, but that has now been put off until early next year. We support STT's objectives. It has been working hard on it. I want to make the point that it requires time and effort. There is a level of cost involved in gaining FSC. With respect to the Future Potential Production Forest land, our legislation, which was not successful in the upper House, was designed in such a way as not to put at risk the FSC certification. I think that covers the key parts of your question, unless you want to talk more about the FSC.

**Mr FINCH** - I am just looking at the big picture of this FSC. The future of SST resonates so strongly with the taxpayers. It seems that demand is growing in the markets you talked about, but is there that demand for FSC to be applied to the timber they might require in the future?

**Mr BARNETT** - The Tasmania brand is important. Having high-quality product is important, but there are different types of certification. FSC is a very important certification process. As the STT officers at the table will confirm, there is a whole range of certifications under the Australian Standards. There are international standards. Forest Stewardship Council certification is a key one of those. This is an objective it has, which the Government supports.

**Mr de FÉGELY** - There has probably been a big divergence between FSC and the Programme for the Endorsement of Forest Certification system, of which AFS is part of. There are two global forest certification systems.

**CHAIR** - We have learnt a lot about that over the years.

**Mr de FÉGELY** - The PEFC is a program for endorsement of forest certification, which was essentially an industry-developed system. The Forest Stewardship Council was developed from the World Wildlife Fund. In the early 1990s, certification started to become a reality. Of the high-value markets I talked about before, two in particular have very strong connections to FSC: Japan and Germany. China is somewhat indifferent - it doesn't push FSC. A number of these markets are now saying, 'If you've got AFS or FSC...' They are ambivalent.

As a process of evolution of certification, the markets have become much more aligned, not necessarily dogmatic in relation to one or the other. Japan is still quite strong towards FSC. Our view is that we would dearly like to have both. We are working very hard to do that. We believe we are capable of achieving certification under both systems. It is a double up but it appeals to certain sectors of the market. We want to be able to sell our product in as wide a market as possible, so having to access to all markets and having both certification systems is good discipline for our forest management. We are hopeful we will get there. We will know more next year when the new standard is out and how we will stand up for that.

**Mr FINCH** - With the hoops Forestry Tasmania, and now STT, has had to go through, how much further do we have to go to prove this so we are clear that we have the certification we need and we can compete in the markets requiring the high-quality wood?

**Mr BARNETT** - We are already competing and competing well in those markets. We will continue to do so with or without FSC. It takes you to a new market once FSC is achieved in due course. It provides more options. There is a range of independent objectives, AFS and PEFC in

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particular. Sustainable Timber Tasmania is already certified. It has a range of certifications, which assists it in marketing its products. This adds new opportunities but it does take time. There is a lot of effort and a lot of internal work done by the officers of STT. It costs to do that and that is an ongoing effort which remains in place.

**Mr FINCH** - Have you been able to put a timeline on when we might have that signed off and complying with the requirements?

**Mr BARNETT** - They put in a huge amount of effort. The audit report in March 2016 was the first major one. Major effort was put in. They did very well against the 200 separate indicators at that time. The auditors identified nine key issues where further action was required. That work has been ongoing and we can respond to that in further detail if required.

The advice I have received is that they would be seeking an audit in the first half of 2018.

**Mr DEAN** - You or the chairman said that there was a cost in relation to FSC. What has been the cost to date? What is the likely cost going to be to achieve full FSC requirement? Obviously there is an ongoing cost to the industry in maintaining it. Are any countries currently declining our product because we do not have FSC in place at present?

**CHAIR** - We are all sitting down so we are ready for the cost.

**Mr BARNETT** - We appreciate the question.

There is a range of questions there and certainly FT received funding of \$1.5 million towards the cost of achieving FSC in 2013-14; \$1.2 million in that financial year and then \$300 000 in 2014-15 to assist with that. That funding was provided by the state Government as part of the TFA agreement. STT has continued to meet the additional costs as part of its internal budget since that time. That is the past years. Since then STT has been absorbing those costs going forward and, that is something we will continue to monitor very carefully.

In terms of the FSC and the various markets, it depends on the time of year. It goes up and down. It depends on market forces. The CEO might wish to add to that in terms of a high level response.

**Mr DEAN** - And other businesses that will purchase once we have achieved FSC?

**Mr WHITELEY** - A lot of the costs were upfront costs. We had to get a lot of external advice. That was not part of our skill set at that time. We looked to get various experts in.

As indicated by the minister, when we had the first audit around 90 per cent of the criteria set were met. We succeeded in doing that. There were a number of identified areas we needed to do further work on. That is effectively being done internally, so not a high additional marginal cost. The ongoing costs are really around when the auditors come in periodically. Normally what will happen - and it happens now under our current certification - is what are called 'surveillance audits'. The auditors come back in, in the case of our current certification, each nine months. They want to look at seasonal things and look around the state to make sure they have a good view.

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There is an ongoing cost in the third party audit process. The rest of it is really our own forest management system so that is embedded in part of the way we run our costs.

In terms of the question: are we limited in market? That is a third party question for us. Within the Australian market, I would say no. Selling within the Australian market broadly as long as the wood is certified rather than a particular certification that broadly meets the market.

As the chairman mentioned previously, there are some customers in Japan that our customers would need to deal with but a lot of our demand is coming from China at the moment. That tends to be either one or the other of the certification schemes that meets their needs at present.

A lot of what we have seen in the market over time is when there is more supply than demand our customers get more picky in doing things. When the demand is high, as long as it meets a standard, sometimes we see that even some of the customers fall away from requiring certification at that stage. It is all about markets and our customers. As the chairman said, part of the benefit we want to offer is that if we have dual certification, it breaks down any of those real or perceived barriers, particularly to our customers and their ability to market and generate value.

**CHAIR** - Do the Japanese still pay a premium? They have always paid over and above what anyone else have paid. Do they still do that if you meet their requirements?

**Mr BARNETT** - That is a good question. I don't know the exact answer to that. Premium is paid for certain products depending on the market. Sustainable Timber Tasmania being a GBE, it is really its customers that are best able to answer that question, and they are the sawmillers in the state and those who are selling into the international market. As the chairman knows, China is on the march and very much growing its demand.

**CHAIR** - I need to talk to my friend Scott Arnold at ARTEC then and find out what is happening in the Japanese market - is that right? Probably.

**Mr WILLIE** - Can you please explain the status of transport subsidy?

**Mr BARNETT** - Which transport subsidy are you talking about?

**Mr WILLIE** - The residue transport to the north.

**Mr BARNETT** - On the southern residues?

**Mr WILLIE** - Yes.

**Mr BARNETT** - Yes, I am happy to do that. The southern residues subsidy came about because of the Triabunna trashing and killing off that opportunity to export product out of the Triabunna port under the previous government, sadly.

**Mr WILLIE** - That is not entirely true. We didn't trash the Triabunna mill.

**Mr BARNETT** - If you have asked the question, I will attempt to answer the question.

The Government's priority is to clean up the mess that we have and to help rebuild the forest industry. That is our objective and we have certainly have gone a huge way towards doing that.



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You can see confidence is back in the industry, you can see jobs have increased, exports are up, production is up, income is up. We are very pleased, but there is still a long way to go. Specifically, the southern residues and that transport subsidy concluded on 30 June this past 12 months, 2017.

I made a public statement on 1 September to say there would be transitional grants for those sawmillers who were relevant. A total of \$620 000 will be made available to three sawmills to assist them to develop new uses or markets for their sawmill residues, which will ultimately put an end to the need for ongoing government assistance.

This is in the context of the success of the Wood and Fibre Processing Innovation Program, a government program to offer similar grants to various sawmills - and not just sawmills, also other businesses - to encourage wood and wood fibre innovation. That was over \$1 million - \$1.25 million - that delivered a \$7-million return to the state on those investments. That is where we are up to.

**Mr FINCH** - We had mention yesterday in some of our briefings about Bruny Island and the resource there and also the threat to endangered species. Could you give us some knowledge of the circumstances with the resource on Bruny Island as of now?

**Mr BARNETT** - Yes, I can, and thanks for the question, a very important question, particularly to the people of Bruny Island and also the swift parrot.

My predecessor Paul Harriss announced a moratorium would be put in place on harvesting of timber on Bruny Island. That moratorium was announced under his stewardship and continues to be in place while they are doing research and work with - I think - the University of Canberra, looking at measures that can be put in place to protect the swift parrot. Sugar gliders are an issue. That moratorium is in place on Bruny Island. There are those on Bruny Island who would like to restart forestry operations, but we can't allow that. The Forest Practices Authority is in place giving independent, objective assessment and the Government takes its advice. It is an independent, objective arbiter, so we've taken that advice. We need to ensure the swift parrot and any endangered or critically endangered species are protected - that's our objective. We are working with the Commonwealth to achieve that. Further work and research is being undertaken that hasn't been completed. When it is, we will review that report and its recommendations in terms of what we can do to continue to support and protect any endangered species and also support a sustainable future for our forest industry.

**Mr FINCH** - Any suggestions, minister, as to when that moratorium might be lifted because the research has been completed and the knowledge is there of how to deal with the swift parrot?

**Mr BARNETT** - No, unfortunately, there is no indication as to any possible time. What is important is the protection of those endangered species and that work is critically important to that. That work is ongoing. The federal and state governments are working cooperatively. STT is aware of this, as are others. This is a very important body of work and I have no time frame at this stage, but it could take a good deal of time.

**Mr FINCH** - You suggest that people there would like to see harvesting recommence. Do you have people there who don't want to see the harvesting recommence?

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**Mr BARNETT** - Yes, there would be a range of views. I've been over there and I've met with the relevant community group and other people on Bruny Island. It is an important part and a beautiful part of Tasmania. You have a difference of opinions that are expressed from time to time. I take that on board to get that feedback, but I've outlined the position - it is very clear: the moratorium is in place and it will remain until further notice.

**Mr FINCH** - You are still positive and determined about the fact that harvesting will return to Bruny Island?

**Mr BARNETT** - No, I'm not positive about that at this stage because of the work that has to be done. I have to say that the work has to be done. There is a moratorium in place. I would expect it to continue until that further work is done and completed, and we have to then review that work and look at its recommendations. At this stage, that might take a good deal of time, because the federal and state governments need to make a lot of assessments and consider the pros and the cons. It is a difficult situation to be in. That is where we are at.

**CHAIR** - Minister, you talked about the swift parrot and its habitat. I want to talk a little bit about tourism operations and particularly another species in the north-east called mountain bike riders. They have become very prevalent, I can assure you. You talked about having conversations with communities about their expectations of forest harvesting or harvesting of particular areas. I can cite the Derby environment because I know it so well, but I'm sure there are other areas in the state that also need a bit of ring-fencing about potential tourism operations that are coming on and are important to small communities.

I am particularly interested in what conversations or how you are going to have those conversations with communities. Most of them don't want to see a no-go zone completely, but they also want some flexibility around where the harvesting takes place to protect those tourism operations. Can you tell me how that is progressing or if it is at all?

**Mr BARNETT** - I can, it's an excellent question, and Madam Chair, you are the one -

**CHAIR** - You are probably a mountain bike rider yourself.

**Mr BARNETT** - You have mentioned the word 'bike' so I have to respond accordingly. Of course, you are totally all over Blue Derby; it is part of your patch, and I know you are proud of Blue Derby and that part of the world and forestry as well.

**CHAIR** - I have got a big patch, minister. I am proud of it all.

**Mr BARNETT** - It seems that it might have grown a little bit bigger more recently. First of all, Sustainable Timber Tasmania, formerly Forestry Tasmania, is a key supporter of the Blue Derby. It was a sponsor of the world Enduro mountain bike competition. That is fantastic, but for the work and support of formerly Forestry Tasmania, now STT, the full extent and the ability to maximise the benefits of Blue Derby could not be achieved.

We are delighted that STT has worked hand in glove with the tourism industry, the local community and the local council. Both mayors, Mick Tucker and also the Dorset mayor, are very supportive of forestry and STT and the work it has done. I have been up there, consulted with the local community, met with the local mayors and the councils, and we are all at one in the support and benefits of the Blue Derby to the local community, and thankful for Forestry and the work it

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has done to help make it happen. In fact, some of the Blue Derby track goes through land owned by Sustainable Timber Tasmania.

**CHAIR** - That had been harvested in the past.

**Mr BARNETT** - We are talking about production land that has been harvested, and some of the other land that Forestry has as well. That is the first point. You then asked how it works together. There is a heads of agreement and understanding between the tourism industry and the forestry industry. That was renegotiated and re-announced just some months ago.

I thank both industries for working together so that wherever there is a major tourist attraction, perhaps in a forestry area, they will get a mutually agreeable outcome. It confirms the Government's policy that productive industry - in this case forestry - can work together with tourism. They can go together.

Sadly, there is one political party that disagrees with that and says that they can't go together. We believe that they can go together and they do go together. There have been countless examples of where they work together. The Blue Derby is an excellent example of that. Going forward, we are very confident that industry can work with tourism to get mutually agreeable outcomes.

**CHAIR** - There will be harvesting in and around some of those areas in the future, but under a mutually agreed protocol agreement with the community and the industry. Is that what I am getting from your answer?

**Mr BARNETT** - There is an agreement in place between the Tourism Industry Council Tasmania and the various forest industry stakeholders. They work closely with Sustainable Timber Tasmania; I might ask Steve to comment on this in a minute. It is really good. It is positive that they work together, and as a government we want them to. This is part of our policy. They work together and they can produce jobs, growth and development. I will give you an example: Maydena Bike Park is another one. I am very supportive of it. It is in my patch, as you know, up in the Derwent Valley. I have been up there and worked with Simon French. This is going to be terrific for Tasmania. We want Tasmania to be a biking Mecca. It is already heading that way. As you know, I love my road bike and I was there on opening day on the Blue Derby on my mountain bike. It was exhilarating. I only came off two times and I didn't break any bones. It was great fun. I encourage young people and others as well to really enjoy it and get out there. It is one of Tasmania's strengths. We want to use it for our benefit, to benefit and grow jobs, for sustainable development, tourism and our beautiful wild parts of Tasmania. Perhaps would the CEO respond a bit further on those arrangements?

**Mr WHITELEY** - I am happy to just - are you happy with that?

**CHAIR** - I was just particularly interested in how those communications were going to take place because if we are going to have a sustainable timber industry and we have a sustainable tourism industry, there has to be an ability to work together to get outcomes that suit everybody. It will not suit everybody but most people. That is probably the thing.

As an aside, I know why some of the sale of Forestry Tasmania's plantations went into the Health department. Every time I go to the hotels there is someone there with a broken arm who

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has come off their mountain bike. A guy came from Sydney last week. He was in the Branhholm pub, he'd been on his bike for only an hour and he had a broken arm.

**Mr BARNETT** - Sorry to hear that.

**CHAIR** - I think it's just the nature of mountain biking.

Mr Dean, I know you want to head to specialty species timber. It's something this committee and the Legislative Council has an interest in because we know its value for Tasmania.

**Mr DEAN** - It is an ongoing concern and I want to ask a couple of questions. In the second reading speech in the upper House on the 2014 forestry bill, the Government made a commitment to the special timber sector that Forestry Tasmania would provide the sector with 500 cubic metres per annum of each of the non-blackwood species timber for three years following enactment of that legislation. That has not occurred. We have heard that as a result businesses are struggling to obtain timber and prices have clearly skyrocketed. It is hurting the ST sector. Can the Government provide an explanation for why these volumes have not been supplied?

Also, Forestry Tasmania's 2016 resource assessment of the PTPZ land showed that outside coupe areas more than 1 million cubic metres of special timber sawlog were identified. Can Sustainable Timber Tasmania explain to why special timber demand is not being met given this significant resource in the PTPZ? Is the reluctance to harvest special timbers in these areas a restriction imposed by Forestry Tasmania's bid for FSC certification, or are they simply choosing not to harvest in these areas? It is a real concern for the specialty timbers sector. It is magic timber and the products we get from it - we are sitting at one of them today. What is happening in this area?

**Mr BARNETT** - I totally agree that specialty timbers is an iconic part of the Tasmanian timber industry. It is part of the Tasmanian brand and that is why we are so proud of it and support it. This table, as you have indicated, and the other committee room tables - I am so pleased this has been able to occur - has come from under the water at Lake Pieman and produced such fine timber in the table before us. There is also boat building, fine crafts, timber crafts and a whole range across the board. They are sought after and are becoming more sought after around Australia and the world.

We are so proud of it we worked with the industry to put in place a special timber management plan. That went out for public consultation and feedback, and has been promulgated and is now in place. Under that management plan, there is a whole lot of rigmarole because it is based on the previous government's current arrangements for accessing specialty timber. Under our bill we wanted to make it easier to streamline the process, remove the red tape and make it very easy to access specialty timber. That was not successful, but nevertheless the special species management plan is in place. For further detail on the requirements and work with STT, I will pass to the CEO.

**Mr WHITELEY** - Is there any specific question, Mr Dean?

**Mr DEAN** - The 500 cubic metres per annum that was promised and was said would occur of non-blackwood special timbers has not been met. Specialty timber operators are currently

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struggling to get the stock they need and it is affecting their businesses. Why are these volumes not being supplied, as was required?

**Mr BARNETT** - I don't have the actual quote for you from the *Hansard*, but whether that related to the bill passing - if the bill had passed, you would have the access to the wood bank.

**Mr DEAN** - This was the second reading speech of the 2014 forestry bill where it said that would occur.

**Mr BARNETT** - We will just check that.

**Mr WHITELEY** - We have been working with the industry. Over the last couple of years we have refreshed our contracts with our special timbers customers. That is the entity we deal with. We are well aware within the supply chain. We consult with other people as well, including the end users, whether they are craftspeople, guitar makers or boat builders. A huge community relies on timber to underpin their businesses and their brand. We are well aware of that.

The people we deal with are the people who purchase logs from us. We do that in two ways. One is via contracts with a couple of major businesses in the north-west. We also have the ability to distribute our island specialty timbers in the south. We have had some discussion around this. As the minister mentioned, some recent work has been done on a special timbers management plan. I think that will be part of the instrument that will help us move forward.

There are some gaps in the supply chain. You are quite correct; a number of people are frustrated in that they are not able access particular timbers. In our role, our part of the supply chain is the people who want to buy logs from us.

To the extent that there is other land, which had been picked as being uncertain while we are going through the consultation process around preparation for the special timbers management plan, we do have some land. There is an indication within the plan that there are substantial special timber resources that can be made available over a very long period - timbers that are valued. We now need to set up the supply chain that enables the end customers, which I think you are referring to.

As far as our customers go, they would wish to continue to get access to reliable volumes of special timbers. In some cases they will need to have more to do with engaging contractors, beyond the contractors we engage. This is part of the Government's forest policy in opening up access to private sector more fully to be engaged in the supply chain. We need to make that practical so that it can end up at a point where it is working towards satisfying the needs you correctly identified.

**Mr DEAN** - Minister, in relation to the 500 cubic metres of specialty timbers, other than blackwood, it has been said that currently in log form that amount is not being provided to the timber millers. What can we say to the specialty timber users who require this product for their businesses? How can they be confident they will be able to get the timber they need to continue their businesses?

**Mr BARNETT** - Excellent question, thank you very much. We can tell them that the lockups under the previous Labor-Greens government was biggest stuff up facing the forest

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industry in the past and going forward. It has caused no end of pain for specialty timber and our forest industry generally.

**Mr DEAN** - That is not going to help the special timber workers now, minister. How can they be confident they are going to get the product they need to continue their businesses?

**CHAIR** - The Parliament passed that.

**Mr BARNETT** - They were very pleased to support further access to the wood bank. They supported that legislation. I am delighted they did because they know they would get access to more wood. The wood bank gives access to more wood. Wood is good, sustainable, renewable and recyclable. The stuff-ups, in terms of the lockups, caused no end of pain, with two out of three jobs lost. It was a disaster. We have been cleaning up the mess. We have rebuilt the industry and continue to rebuild it. It is an ongoing work.

On your question, we have a special species management plan in place. That took a lot of time and effort, working with the special species sector, Andrew Denman, in particular. He is on the ministerial advisory council. I appreciate his advice and his feedback. I am very thankful for it. The ministerial advisory council has given advice to this Government; we have responded to it and accepted the advice. The ministerial advisory council provided a growth strategy for the industry. We have accepted that, we want to grow it. This is a key part of our future. We want to grow the industry.

The previous government and the Opposition, sadly, in Tasmania, wanted to and want to contract the industry.

**Mr DEAN** - Andrew Denman is an expert in this area. Sustainable Timber could do a lot better by using his expertise, in my opinion. Can the special timber workers be satisfied that they will get access to the timbers that the government of the day said they would get in 2014, that 500 cubic metres of timber other than the blackwood species? That they will get access to that moving forward? Will Sustainable Timber Tasmania be able to provide that quantity?

**Mr BARNETT** - Thank you for the question. They can be confident that this Government supports a forest industry and supports the specialty timber sector in particular.

**Mr DEAN** - Minister, that is not the question. The question is: can they be confident they will get the quantity the Government has said they will get moving forward? That is the question.

**Mr BARNETT** - As the CEO and I have outlined, there is no better supporter of the special species timber industry. I know Andrew Denman; I know the sector. He knows that I am working like a Trojan to rebuild the industry and to provide resource for his sector. What we do know is that there will be more lockups under any Labor-Greens government. They have another claim on an extra 10 per cent of Tasmania.

**Mr DEAN** - They can be confident they will get this quantity moving forward? Yes or no.

**CHAIR** - We are going to stick to the question, minister.

**Mr BARNETT** - They can be confident that I am confident to continue to work with them. The CEO has already responded. We will work like Trojans to rebuild the forest industry. Others

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in this Parliament on the other side of the political fence want to do everything they can to kill it off.

**CHAIR** - Minister, the honourable member asked a non-political question. I would like you to respond with a non-political answer.

**Mr FINCH** - Unfortunately, minister, you have gone down the blame game track when in fact, in 2014, it was your Government that committed that supply of 500 cubic metres of non-blackwood special timbers. You made the decision when you are in government, yet you are blaming the previous government for stuff-ups and you are supposed to correct the stuff-ups. I am doing my best to look to the future of STT. You seem to want to go back to the blame game.

**CHAIR** - Let us have a question.

**Mr FINCH** - What volume has been supplied each year since 2014 of non-blackwood timber to the industry?

**Mr BARNETT** - The first part of your question related to what we have done to provide that resource. Let me outline what we have done. We have used every opportunity available to rebuild the industry. We introduced legislation to open up more wood to become available to not just the speciality timber sector, but also to industry across the board, and it has been blocked by our political opponents. That is what has been done.

**Mr WILLIE** - It was not supported by the industry.

**Mr BARNETT** - You asked me what has been done. Do not try to tell me we are being political for looking back. The fact is that is factual. Two out of three jobs were lost, massive lockups across Tasmania and there is another claim for 10 per cent of Tasmania. You are sitting around as though there is no big deal. It is a big deal for Tasmania. I am very strong on making that point. I will not be badgered by anybody for standing up for the industry to try to get more wood, whether it is specialty timber or the forest industry across the board. I will not take a backward step. This is for the future of our industry. This Government has done more for the industry than the previous government. It killed off the industry - two out of three jobs lost - so I will not be badgered. I am happy to answer that question.

**Mr FINCH** - Would you mind going to the question?

**CHAIR** - Order.

**Mr BARNETT** - I was answering that question. Do not have a go at me for trying to stand up for the forest industry. I will not take it. I will ask the CEO to respond to the specific part of the second question.

**CHAIR** - We need some figures and we need to focus on the answer to the questions.

**Mr WHITELEY** - In terms of your question, I have a table of numbers. We are able to provide that to you.

**Mr FINCH** - The actual volume supplied each year since 2014?

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**Mr WHITELEY** - As I said, it is sitting right here. I am happy to provide that information to you.

**CHAIR** - Thank you. I am happy to take that. We will provide that information to the committee. You can provide it to our Secretary, Natasha Exel.

I am interested in what is left with the resource for hydro wood. Is that almost exhausted?

**Mr BARNETT** - No, it is not almost exhausted. I had the privilege of visiting and touring Hydrowood on Lake Pieman not long ago. It is a terrific opportunity for Tasmania. They are very innovative and doing a lot of work. They advised me during that tour so it may not be the totally up to date, but the latest advice is that they will continue. They have enough resources to continue for a long time. They obtain wood in Lake Pieman not just specialty timbers as Huon, and blackwood, but also eucalypt.

We all think eucalypt and Tassie oak is plenty, but once it has been soaked for years in Lake Pieman, then harvested, they are obtaining significant premium in Melbourne and in other parts of the mainland. I congratulate them for their work. The work is ongoing and they have a plan to continue.

I congratulate them on receiving a number of national awards, in terms of innovation and creativity.

**CHAIR** - My understanding is the Government has funded, through a part of its CSO funding, the identification, management and harvesting of special species timber and the management of the Huon pine log stockpile. Is that going to continue? Is Government going to continue to provide subsidies through the CSO or will Sustainable Timber Tasmania do this off its own bat?

**Mr BARNETT** - The CSO is a very important part of government policy and we have supported this in the last budget for \$12 million. That covers areas where there are public benefit and support, whether roads or other support for recreational roads going through tourism or recreation areas, but there are a number parts to that.

**CHAIR** - A sum of \$930 000 in the 2016-17 Budget was particularly allocated to identifying, managing and harvesting special species timber. Is that going to be continued by Government or will Sustainable Timber Tasmania undertake that work in regard to special species areas?

**Mr BARNETT** - Yes, I might ask the CEO to respond on the specificity of that.

**CHAIR** - I am sure he is hoping the Government is still going to fund that.

**Mr WHITELEY** - It is rolled into the \$12-million CSO payment. To be clear about what that money is for, much of it is spent on Huon pine. Huon pine is a salvage operation. From time to time there are floods down the river and we need to spend money accumulating wood washed into Macquarie Harbour, and also to assist in picking up wood from the Teepookana Plateau.

The remainder of the special timbers funds is to maintain the land base. An extensive area is picked up in the special timbers management plan that requires protecting and managing. The money is not used to subsidise production. The Government has been very clear that our wood



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protection division needs to be commercial and that is universal across all the products. When it comes to planning and operating any of our harvests, the Government has been very clear that the activity is not subsidised.

**CHAIR** - My information is that the Lake Gordon Huon pine stockpile is nearly exhausted. Is that not correct?

**Mr WHITELEY** - We replenish stockpiles from time to time. There was a finite amount of Huon pine accumulated in Lake Gordon and that has been transferred to Queenstown. We stockpile Huon pine from salvage sources at Queenstown and Strahan. That has been progressively used by the industry. We look opportunistically to top that up out of Macquarie Harbour. We are no longer accessing the lakes. Hydrowood is running a commercial business around this. A combination of our activities in salvaging wood from the harbour, potentially along with the activities of a commercial private operator around the lakes, will contribute to the available supply of Huon pine.

**CHAIR** - Given the extensive work that formerly Forestry Tasmania, now Sustainable Timber Tasmania, does in regard to roads, firefighting and other areas, is the \$12-million subsidy enough to cover the work of Sustainable Timber Tasmania in the future, given we are looking to have this business on a sustainable footing? Will some of those obligations pull it down?

**Mr BARNETT** - It is a really good question, and I thank you for it.

**CHAIR** - They are all good questions.

**Mr BARNETT** - Yes, they are all fair in love and war. The CSO funding is very important. With careful thought we made that decision in the budget. It covers the roads for public and firefighting access; agreed sites for public recreation; identifying, managing and harvesting special species timber; the agreed forest education activities provides agreed non-commercial tourism activities and facilitates forest research activities at the Warra Long-Term Ecological Research site. I have visited this amazing site. There is a lot of important community obligations fulfilled by STT in the past and into the future. We have thought about it carefully and will keep it under close management and monitoring to ensure those obligations consistent with supporting the public are covered by the taxpayer as they should be.

**CHAIR** - What is being done with the key component of research and development in the industry? Obviously there has been a big focus in the transition from one organisation to another and then significant and continued focus, on gaining FSC certification, so has the R&D focus dropped off?

**Mr BARNETT** - I have mentioned the Warra research facility in the south of the state in the Huon. The good work it does supports not just the industry in Tasmania, but at a national level. Secondly - and I am so pleased you asked this question, it highlights the fact our Government is right behind the importance -

**CHAIR** - I read a previous *Hansard* from two years ago.

**Mr BARNETT** - Excellent research. It is an important part of our future in forestry and across the board. The state Government has agreed with the federal government, funding \$2 million each, together with industry support for the National Institute of Forest Products

Innovation. I want to commend and thank Senator Anne Ruston, my federal counterpart. I have been closely working with her, together with the chair on my left who is also co-chair of the Forest Industry Advisory Council at the national level, supporting one of the three hubs for Australia. This will be based in Launceston and there will be an announcement in the very near future about an establishment at the University of Tasmania. There will be a board or committee overseeing this national institute of key forestry representatives. An announcement will be made soon about the opening of that facility. That institute will look at the research regarding hardwood product innovation. The other hub in South Australia is looking at softwood. They will use those funds to research appropriate projects, to look at where we are going, future opportunities and how we can be more innovative.

Through our growth strategy, the Government has already invested funds in the Wood and Fibre Processing Innovation Program of \$1.25 million, delivering a \$7-million return to the state and ongoing benefits. Once that innovation kicks in, the benefits will flow through. This is consistent with our Government's policy to double the value of wood and fibre by 2036. That is our target and we can do it. I am very confident because we have initiatives, are working cooperatively with the federal government and a national institute of forest product innovation will soon be announced and operating in Launceston. We have been working hard on this for the last 12 months and it does not just happen. Research and innovation is definitely the way to go and having it in Tasmania - as the chairman says, we grow trees very well in Tasmania. It is one of our great strengths. We can be proud of forestry and I am proud of the industry.

**CHAIR** - We gathered that, minister.

**Mr DEAN** - The partners in that are Sustainable Timber Tasmania, the university and the Commonwealth government?

**Mr BARNETT** - It is funded by the state and the federal governments - \$2 million each - with matching funds from industry into the future depending on the projects that kick in.

I cannot name the board representatives at the moment; they will be announced in the very near future. They are all very well qualified, good people. STT will have an interest as a stakeholder in Tasmania, as will all major forestry stakeholders. The whole community should have an interest because in Tasmania we have a forest industry we can be proud of.

This is not a state hub, it is a national hub looking at hardwood and how to innovate in that space.

**Mr DEAN** - What premises will it operate from and will there be more staff? What are you going to do in that regard?

**Mr BARNETT** - Yes, there will be a very small staff because most of the funds will be used for research. It will be based at the University of Tasmania at Launceston, which is the 'capital of the north', as you call it, Mr Dean.

**Mr DEAN** - Yes, it is so.

**Mr BARNETT** - We would agree on that. We are proud of the fact that we have nailed it for Tasmania. We have had to make that claim - we have been successful with our federal colleagues. It could have gone somewhere else and Tasmania has it.

We have worked cooperatively with our federal colleagues and Senator Anne Ruston has been a real leader in this, working with Rob de Fégely and others to make a difference to support a sustainable forest industry.

**Mr DEAN** - Excellent, thank you.

**Mr WILLIE** - Minister, you said that the transport subsidies have ceased and that there are \$620 000-worth of grants going to three sawmillers. Will there be any grants in the future?

**Mr BARNETT** - We have a mutually agreed outcome with those three sawmillers on the grants announced on 1 September. We will work with them. They have worked with us and the Government. This is a government initiative. We look forward to continuing to work with them and other key stakeholders in the industry to ensure growth, development and jobs.

**Mr WILLIE** - If I could move to Mr James Neville-Smith's proposal, what involvement has Sustainable Timber Tasmania had working with Mr Neville-Smith and is that proposal for plantations only?

**Mr BARNETT** - I think most of the answers are on the public record, but I am more than happy to respond. Mr Neville-Smith made a public announcement in which he confirmed, based on his advice, his plans for plantation timber in Tasmania.

We welcome his announcement. We welcome the private sector getting out and having a go. James Neville-Smith has a facility at Southwood in the Huon and he sees this as a real opportunity. We congratulate him for that.

Specifically, regarding STT, emphasising Sustainable Timber Tasmania, yes, there has been, only to the extent of the lease of certain property in and around Strathblane. I understand that is in place or there is an agreement to lease, but I will let the CEO respond accordingly.

**Mr WHITELEY** - There are effectively three areas in the proposal. The proposal is entirely the company's proposal; however, the interface with Sustainable Timber Tasmania is a lease for some land where they are looking to accumulate woodchips prior to ship loading, and the use of forestry roads. They have proposed the use of the roads between the Southwood site and their facility. They also propose to do their woodchipping at the Newood site.

**Mr WILLIE** - Do any of those forestry roads cross public roads?

**Mr WHITELEY** - The Southwood areas are inland and there would need to be at least one point where it would cross a public road, I believe. I haven't studied that in detail but from what I understand, the layout of that area is that there would be one point at which it would cross the public road.

**Mr WILLIE** - Minister, what is the solution for native timber residue in the future if this proposal is only based around plantation?

**Mr BARNETT** - Based on the mess created in the past, as I had mentioned about Triabunna -

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**Mr WILLIE** - No, I am asking what your plans are.

**Mr BARNETT** - Yes, that is right. We are cleaning up the mess that has been created.

**Mr WILLIE** - No, I am asking what your plans are. We don't need to go back into that.

**Mr BARNETT** - You don't like talking about facts in the past where your previous government had so much to do with killing off the industry, decimating it.

**Mr WILLIE** - That's not true.

**Mr BARNETT** - Since we have been in Government for three-and-a-half-plus years, we have helped rebuild the industry, cleaned up the mess and regrown it. I congratulate my predecessor, Paul Harriss, for his leadership because he did a terrific job in helping to rebuild the industry and put it onto the right footing, and a former member of the Legislative Council, one of the reasons I mention that.

We will continue to rebuild the industry. We have a growth strategy which I referred to earlier. There is \$4 million in the budget to support the initiatives brought to us by the industry, all sectors of the industry, through the ministerial advisory council and I thank them again for their work. We will continue to put in place initiatives that will help regrow the industry.

**Mr WILLIE** - Such as native residue.

**Mr BARNETT** - We are putting in place a range of initiatives. One of those was the Wood and Fibre Processing Innovation Program, \$1.25 million, delivering a \$7-million return and those returns are continuing. That included the Huon, the Derwent Valley, across the east coast and around the state. We are very pleased with those initiatives. They will continue and we look forward to supporting them. We have put in place grants for those in terms of the southern residues, as I indicated with the announcement on 1 September.

Overall, we are doing what we can to stop more lockups. There is another claim for 10 per cent of Tasmania and if that came to be, that would put enormous pressure on the industry and probably make it fold altogether if that were to come true. That can only come true under a new Labor-Greens government.

**Mr WILLIE** - You are actually holding the upper House in contempt because there are independent members there who voted in a similar manner to the Labor Party and it is okay to talk about -

**Mr DEAN** - That's the influence of the Labor Party.

**Mr WILLIE** - It is not. Independent members would probably take umbrage at that, Mr Dean.

**CHAIR** - Order. We don't reflect on the vote of the House. It was a vote in the Parliament. I am going to move on from that.

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**Mr WILLIE** - Minister, if you are fortunate enough to win government again, you are going to have to work with the upper House. I think a change in attitude is needed if you are going to progress any of your plans.

**CHAIR** - The question is?

**Mr WILLIE** - He has answered my question. I was only responding to some of his comments.

**CHAIR** - I know you were. I am here to facilitate questions. Are there any more questions?

**Mr WILLIE** - I have some others on a different topic.

**Mr FINCH** - I have been going over a report in the *Mercury* about Tasmania's top chiefs raking in \$5.4 million. Bonus payments were given, compared to the previous year's \$400 000. It seems those chief executives are getting top salaries in 14 GBEs and state-owned businesses, a total package of \$5.4 million in 2017, compared to the previous year's \$5 million.

Do you have a review, and how does it work internally with your board, your CEO and your executives with the salaries you pay?

**Mr BARNETT** - The first point is the analysis you have provided. If you compare it to the last term of the previous government, you will see they are less. Second, the Government has guidelines in place. We support those guidelines and believe they should remain in place. Third, the appointment and the salaries of the executive is a matter for the board. It is very important that they get the balance right. With respect to the board itself, obviously the Government has arrangements in place, like previous governments, where they pay for a chair and the directors. They should be consistent with previous government policy on this matter in terms of board members and chairs.

I to congratulate Jacquie Petrusma in terms of gender diversity on our boards and committees with the growth progress in that regard. The Premier has been very strong on gender diversity well on boards and committees.

**Mr FINCH** - Of course, three women on STT.

**Mr BARNETT** -. Correct. We are pleased about the gender diversity there. We have got a good balance. As I say, Mr de Fégely has only been in the role - how long is it now?

**Mr de FÉGELY** - A bit over 12 months.

**Mr BARNETT** - Yes, a bit over 12 months.

**Mr de FÉGELY** - June last year.

**CHAIR** - It probably feels a lot longer.

**Mr BARNETT** - He has done a huge amount of work in terms of contribution to our forest industry. I take my hat off to him. I thank him for his work and the work of the board. I thank the executive members and all members of STT for their hard work, particularly over the

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challenging times of the past 12 months. It has not been easy. We have had a restructure; there has been a transition. We have paid off the debt; we have paid off the transitional costs, and we are doing everything we can to put them on a sustainable footing.

**Mr FINCH** - I mentioned \$5.4 million in 2017 compared to \$5 million the previous year under your Government. You still referred to the previous government as paying more for those executives. We seem to be bashing the other side, when I was referring to what is happening under the present Government's stewardship when the increase occurred.

**CHAIR** - Thank you.

**Mr FINCH** - That was a statement.

**CHAIR** - It was.

**Mr FINCH** - The minister might want to comment.

**Mr BARNETT** - I have noted your statement. I am aware of the *Mercury* newspaper story you referred to.

**Mr FINCH** - Yes.

**Mr BARNETT** - Keeping costs down is obviously important; the cost of living and cost of doing business are important. I have referred to STT, the work of the board, and I have referred to the CEO and the work of STT and its service over the last 12 months. I thank them for it.

**CHAIR** - Can I drill down into some numbers, employee costs?

**Mr BARNETT** - Yes.

**CHAIR** - Thank you. Can I have the FTE numbers for Sustainable Timber Tasmania at this time? Also, what is the difference between the previous 12 months and what we have now? I note in the annual report, on page 98, that we have an increase in the employee costs. I know it is not a huge number, but it is a number. I am just interested in what that is attributed to and whether we have fewer employees.

**Mr BARNETT** - At its peak in 1989, Forestry Tasmania employed 725 staff, but for many years now overall staff numbers at FT have been reducing. In 2016-17 this trend continued, with staff numbers contracting further as the business restructured to Sustainable Timber Tasmania. Reductions associated with redundancies occurred in the 2016-17 financial year and in addition FT had 18 resignations.

On 30 June 2015 the head count was 216 and the FTE equivalent, excluding the Tahune Airwalk staff, was 210. On 30 June 2016 the head count was 183 and the FTE equivalent was 178. Then on 30 June 2017, the head count was 147 and the FTE equivalent was 141. You can see from those numbers that it is consistent with my October ministerial statement. It was a tough year. The restructure occurred consistent with government policy. We have got through to 30 June 2017 and the work is ongoing.

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**CHAIR** - Why is there an increase in the employee cost, given that the redundancy payments are separated out in the financials? I am not asking about those. We have done those. Why is there an increase? Can I have some idea? We're almost 40 down in personnel. I'm not sure if there was a 2 per cent wage increase.

**Mr BARNETT** - I will ask Mr Brookwell to provide the details to the question.

**Mr BROOKWELL** - There are only two influences around that. The minister has described how the numbers have come down, which is correct. The other two things would be that we pay payroll fortnightly and there was a period during 2017 when we had an extra payroll. There is also an underlying wage increase, which was a couple of per cent with the state wages policy.

**CHAIR** - Two per cent; thank you, I thought that might have been the case. As I said, it is not a significant increase, but we've lost around 40 personnel.

**Mr WHITELEY** - A lot of the losses occurred in June. The number reported was at 30 June. We paid the employees for the bulk of the year. The other numbers reported were at 30 June. We went through a process from around the end of April through to mid-June when people left us during that period. For the bulk of the year we paid their salary and other costs.

**CHAIR** - On page 96, in revenue there is a reference to 'the share of net profit/loss after tax of joint ventures accounted for using the equity method'. In 2016 there was a minus figure, but there is no figure in 2017. What does that refer to? I am not a financial expert, but I like to read these reports.

**Mr BARNETT** - You've done well digging through the annual report for 2016-17 and you have found one line there, which deserves an answer.

**CHAIR** - And there's no note to it, minister.

**Mr BARNETT** - That's page 96, if Mr Brookwell has that.

**CHAIR** - We like notes.

**Mr BROOKWELL** - Noted. We essentially exited the joint venture called PPT. We had essentially a gain or loss in the prior year, but nothing equivalent for FY17.

**CHAIR** - Do we have any other joint ventures, minister?

**Mr BARNETT** - Let me just check with the CFO or the CEO. It depends what you define as a joint venture, of course. There are mutual arrangements they have, agreements -

**CHAIR** - It used to have one with a company called Rainier and it pains me every time I think about it.

**Mr BARNETT** - Noted. I will check with Mr Brookwell.

**Mr BROOKWELL** - PPT was the last joint venture with an organisation. We still have Tasmania Trees Trust and joint equity investments into some of the wood schemes we have. They are quite modest and small now, but those are the only remaining ones.

**CHAIR** - Are there any joint ventures with private organisations? Do you still have private landowner joint ventures where you've got plantations on private property?

**Mr BROOKWELL** - That is what we have.

**CHAIR** - Do you know how many of those you have?

**Mr BROOKWELL** - There is the overarching scheme which is Tasmania Trees Trust. There is also one called TTF, then there are individuals under those. There haven't been any fresh individual investments under those for a long time. Exit payments have been made to a number of those over the past. Those investments are diminishing, but I don't have the number of individuals that still have an interest today.

**CHAIR** - I think I might have to declare an interest, minister. I think you've one with my family.

**Mr BARNETT** - Noted.

**Mr DEAN** - Minister, the financial statements show that about \$10 000 or thereabouts has been provided to Timber Communities Australia annually. Given that a majority of the Tasmanian members and branches left the organisation, they got a little upset about the signing of the agreement back in that torrid period that we went through.

**Mr BARNETT** - They certainly did.

**Mr DEAN** - Does Sustainable Timber still provide funds to TCA? If they are, why and what are we getting from it if that is happening?

**Mr BARNETT** - There are two parts to that question. The first part is yes, they were very upset and why we supported no lockups and attempted to rebuild the forest industry.

Since then we have signed, the first state in Australia, a regional forest agreement. The TCA was very strongly supportive of and the whole industry supports it, but they were right behind the regional forest agreement. We are the first state in Australia to have signed; it is one of the proudest initiatives I am associated with as minister. The Prime Minister came and signed that with the Premier and myself. Perhaps the CEO or the CFO might add to that answer.

**Mr WHITELEY** - The notes I have indicate we paid a contribution of \$3000 to Timber Communities Australia. That was in relation to a review conducted. We will not go back over what happened beforehand. The board of Timber Communities sought to re-establish an effective organisation representing community interests. Through a national organisation, various growers and processors were asked to contribute a small amount of pooled funds to see whether that entity could support some further work. We contributed as part of a small component of a national contribution to see whether that group could continue to represent the interests of communities which was its intention.

**CHAIR** - Minister, it is appropriate, given we are making a comment and asking questions in regard to Timber Communities Australia, for me to place on the record my sincere sympathies to the family of Mr Ken Hall, who sadly passed away on Monday. Ken and his wife Karen have



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been absolute staunch supporters of the Tasmanian forest industry. Ken was a major player through the TFA, supporting his community, our community - my community particularly - and I want to take this opportunity to acknowledge his work and the sadness the north-east and Tasmania feels today.

**Mr BARNETT** - Chair, I would like to associate myself with your remarks. We are deeply saddened at the loss of Ken and the grief and hurt Karen and the family are now feeling is noted and acknowledged. Our deepest sympathies and condolences go to Karen and the family, and I acknowledge his fantastic leadership - and indeed Karen's - in terms of the north-east and across Tasmania to support the forest industry. I totally agree with every word of your comments.

**CHAIR** - He will certainly be sadly missed and I appreciate the opportunity to be able to do that. Thank you, minister, and I certainly know the Forestry Tasmania/Sustainable Timber Tasmania family would also share our loss. Thank you, Mr Dean, for the opportunity.

**Mr DEAN** - I wanted to quickly revisit hydro wood. Is most of that going out of the state, being sold out of the state, and does Sustainable Timber or the Government have any say. It is a specialty timber, a product that belongs to this state whether it be hydro or not? Hydrowood is a GBE. What is the position with the hydro it is now harvesting?

**Mr BARNETT** - Thank you very much for the question, Mr Dean. Hydrowood is a private business on Hydro water. Lake Pieman is Hydro, so Sustainable Timber Tasmania is obviously a government business enterprise operating here and can answer questions about relevant matters. This is a matter between Hydrowood and Hydro and accessing the timber under the water and I commended them on their innovation and ingenuity. They do the harvesting of the timber, get it onto the side of the lake and do a little bit of work there; then they take it to other places where they do further innovation and cutting, sawing and preparing for the market. A lot of it goes to Melbourne and the Melbourne market; some of it goes to Sydney and I presume some it is available in Tasmania. It is a market-based mechanism and up to them who they sell to. Some is in the Design Centre in Launceston. I was at the opening and able to share a few remarks at the Design Centre. Some is in Parliament House, Tasmania.

**Mr DEAN** - The litigation with Gunns and KordaMentha is all sorted and behind you? Or are there any other issues outstanding in relation to those points?

**Mr BARNETT** - Thank you for the question regarding Gunns' legal matters. They did make claims against Sustainable Timber Tasmania. Lawyers responsible and acting for STT and the Gunns liquidator arrived at a mutually agreeable outcome that resolves all claims against STT, by the liquidator has been formalised in a deed of settlement and signed by all parties on 14 September 2016. That is the advice I have received and is some time ago.

**CHAIR** - Do we have a figure on that settlement or is that another in confidence?

**Mr BARNETT** - No, we do not. That has been settled and the terms of the settlement are confidential.

**CHAIR** - I thought that might be the case.

**Mr FINCH** - We had some concerns about safety in a GBE report with Mr Harriss and Mr Annells. Can you give us a view what is occurring regarding safety for the employees?

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**Mr BARNETT** - Absolutely; I will ask the chair to comment in a minute. It is an important question. It is a top priority for the Government and I am minister responsible for work safety and health safety in the workplace, as building and construction minister.

There has been an overall reduction across Tasmania with injuries in the workplace. I am pleased about those results across the board over the last 10 years.

**CHAIR** - But?

**Mr BARNETT** - I am about to say, specifically on STT and safety outcomes, the CEO or the chair might wish to respond in terms of safety arrangements. I know you have referred to this in your opening remarks.

**Mr de FÉGELY** - I did and I am happy to pass over to the CEO on more operational matters but I wanted to stress the board takes safety very seriously. We start every board meeting with a safety moment, where one of the board members or the general management team gives their view on an issue they believe is pertinent to health and safety. The first of the key reports in all board meeting is always the safety report. It is monitored very closely at a board level. We are a bit disappointed with our result this year, but we had a lot going on compared to the previous year. It is a great improvement overall and we are still tracking well in terms of lost time injuries.

**Mr WHITELEY** - It is a top priority. An example is our coverage is not just our staff, but also of our contractors. Most of our focus on what we can directly do is with our staff. As an example, one of the key risks identified is the amount of driving our staff do. You think about tree falling and such things, but that is in the area of the contractors. Our staff drive extensively around the state and we have undertaken a refresher program for all our staff with a professional group to have them think, manage and identify risks. A lot flows through the way they behave behind the wheel. If people are thoughtful about the way they approach their driving task, it flows through to a number of other things. We have a number of program to pre-emptively make sure our staff are very thoughtful about safety. It is not simply about putting a vest, steel-capped boots and a hard hat on. That is clearly part of what we do. Really it is getting the between-the-ears bit focused. During the year we did some work and continue to focus on that.

We also ask our staff to provide observations. This isn't after something has happened. People need to look and if they identify an issue or a potential hazard, something that might happen that they've just observed through the course of their work. It's encouraging people to get ahead of the curve. It's not about putting the hard hat on; it is about being mentally prepared to think about safety.

One of the other things we've done is about wellbeing. We're working through all of our staff and we've engaged some professional assistance and health assessments. We're looking at a holistic view of wellbeing and health, not just safety. We've actively had 120 of our staff participate over the last 12 months in one-on-one consultations, with people just focusing on their health. It could be blood pressure, lifestyle, diabetes and hydration - all of those things that matter in making sure we have a safe and healthy workplace.

From a technical point of view, under the Workplace Health and Safety Act, we haven't had any notices from WorkSafe. That is the compliance side. We always hope to be fully compliant.

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We believe that a lot of that preparation can be made very early on pre-emptively in working with our staff to go about their work safely and get home safely at the end of each day.

**Mr FINCH** - Lost time injuries?

**Mr de FÉGELY** - For last year, 8.7.

**Mr WHITELEY** - An LTI of 8.7, which was three incidents.

**Mr DEAN** - The forest has multiple uses and so on and we've touched on the Blue Derby and Maydena and so on. Have the apiary industry's issues been accommodated? They had a number of issues. They have come back to me with a position on it. Has that been satisfied?

**Mr BARNETT** - We have an ongoing relationship with the Beekeepers Association, apiarists around the state. I've met with them personally. STT, through its various officers, meets with them on a regular basis. We try to do everything we can to support them. They are a very important part of Tasmania, not just forestry, but in agriculture for crop pollination. Through the budget there is a \$30 000 program to support the work of the beekeepers and how they can benefit Tasmania. That project is really important. I have feedback from different parts of the industry from time to time.

Another area where we've tried to help is with bridges following the floods, getting access into these areas. We haven't been able to solve all their problems, but we continue to work with them on a cooperative basis. They are a very important part of Tasmanian agriculture and forestry. The beekeepers and honey are part of the Tasmanian brand and we're proud of that.

**Mr DEAN** - Do we know how many people are engaged in the timber industry in this state in one way or another? That is, contractors, timber millers, employees.

**Mr BARNETT** - Based on the most recent report, the *State of the forests Tasmania 2017* report, released a few weeks ago, it is 3600. I have it right here. I will read it to you -

Tasmanian forest industry employment has increased by approximately 1000 full-time equivalent (FTE) employees since November 2013 to over 3600.

A huge amount work went into that report and I have sent a copy to all members of parliament. I hope that's been received and appreciated.

**CHAIR** - Minister, on behalf of the committee, thank you very much for your time today. We gauge that you are very passionate about your portfolio. We sincerely wish Sustainable Timber Tasmania all the best for the future. We want to see this business succeed - that is an absolute given. To you and your families, all the best for the festive season. We will be back in 2018.

**Mr BARNETT** - Thank you, Madam Chair. Thank you to the Chairman and officers at the table, and thanks to the committee.

**The Committee suspended at 11.25 a.m.**

# UNCORRECTED PROOF ISSUE

**Friday 8 December 2017 - Legislative Council - Government Businesses Scrutiny Committee B - Public Trustee**

## LEGISLATIVE COUNCIL

### GOVERNMENT BUSINESSES SCRUTINY COMMITTEE B

**Friday 8 December 2017**

#### MEMBERS

Ms Armitage  
Mr Dean  
Mr Finch  
Ms Rattray (Chair)  
Ms Siejka  
Mr Valentine  
Mr Willie

#### IN ATTENDANCE

**Hon. Elise Archer MP, Minister for Justice**

**Ministerial Office**

**Ms Anna Van Loon, Adviser**

**The Public Trust Office**

**Mr Mark Scanlon, Chairperson, Board of the Public Trustee**

**Mr David Benbow, CEO, Public Trustee**

**Ms Gaylene Cunningham, General Manager, Trustee Services**

**Mr Glenn Lucas, Chief Financial Officer and Company Secretary**

**Mr Tim Levis, Corporate Solicitor**

**Ms Angela Dougan, General Manager, People & Culture, Marketing & Communications**

**Mr Rodney Clifford, Manager of Risk and Compliance**

**CHAIR (Ms Rattray)** - Welcome, everyone, and welcome, minister, for your first time with GBEs as the Minister for Justice and looking at the report of the Public Trustee. Would you like to make a brief overview?

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**Ms ARCHER** - It is a pleasure to be here this morning off the back of a very strong year of activity for the Public Trustee. It achieved a profit after tax of \$749 000 for the financial year ending 30 June 2017, compared with the profit last year of only \$106 000. Such was the Public Trustee's strong performance this year the board has approved the payment of a dividend of \$95 592 to the Government. This is the first time a dividend will be paid by the Public Trustee since 2014. The figure represents 90 per cent of the Public Trustee's operating profit after tax for the year, less the community service obligation funding gap.

Members will be aware the Public Trustee undertakes a range of non-commercial activities on behalf of the Government known as community service obligations, which I will shorten to CSOs. As at 30 June 2017, the Public Trustee managed the affairs of 682 CSO-represented person clients, an increase of 111 clients in comparison with the same period last year. CSOs comprise 53 per cent of the Public Trustee's matters under administration. In line with the ministerial charter, the Government provides funding to assist in meeting the costs of the CSOs undertaken.

In the year the Public Trustee successfully negotiated a further three-year CSO agreement with the Government that extends through to June 2020. This is a significant public service for some of the most vulnerable people in our community. The Government is grateful for the work the Public Trustee does in this area.

As to the client management system, of particular note this year for the Public Trustee is the finalisation during the reporting period of the organisation's client management system project. This transformative new IT system will replace a predominantly paper-based system. This contemporary system will contribute to greater efficiencies for the organisation through customer service improvements and organisational productivity gains. It will allow for greater transparency in performance and allow for an improved process when transferring matters between staff. In addition, it will provide greater flexibility in work allocation across the state. The Public Trustee is located in four different areas across the state - Hobart, Launceston, Burnie and a facility to meet in Devonport.

The new system complements the trust accounting system, which will enable improvements in marketing products and services to existing and potential clients. That is an area that I know that the Public Trustee is always keen to increase through marketing. I would like to acknowledge the hard work of the CEO, David Benbow, and his entire team throughout the state throughout the year.

I thank board members for their work, obviously led by Mark Scanlan. I also take the opportunity to acknowledge the service of former board members Craig Stephens and Caroline Rockefeller, who both left the board during the reporting period. I note their significant contributions to the Public Trustee during their tenure.

That is my opening statement and I am happy to take questions.

**CHAIR** - Thank you very much, minister. I will go straight down to the end of the table and invite Mr Willie to start the questioning for today. Thank you.

**Mr WILLIE** - Thank you, minister. I saw the schedule for today and it intrigued me. It has you as responsible for the Public Trustee, but if you turn to page 3 of the annual report, it says the

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responsible minister is the Attorney-General, which if the administrative arrangement order is correct is incorrect in the annual report.

Does the annual report have to be re-tabled in parliament given that it is incorrect? The letter is also addressed to the Attorney-General in the annual report. Does that not highlight the fact that you should hold the Attorney-General portfolio because it is so closely related to justice and there is confusion?

**Ms ARCHER** - Through Madam Chair, I do not accept the premise of that last part of the question. I think it is an administrative error in the report that the Minister for Justice portfolio has often been held with that of the Attorney-General. Now that there are two separate ministers, of course we have separated them.

The Public Trustee is under the Minister for Justice. It is not that the Attorney-General has assigned it to me. I believe that it is with the Minister for Justice. I can certainly ask the gentlemen as to whether that was an error from a previous annual report because of course it would have been headed as the former attorney-general who held the minister for justice portfolio at the same time. I apologise for that oversight, but it is within my arrangements to have the Public Trustee.

**Mr WILLIE** - Part of my question was: will the annual report have to be re-tabled in parliament given that administrative error?

**Ms ARCHER** - I would have to take that on notice as to whether that is required. Also, I would seek advice from the Clerk. I would take the advice of the Parliament as to whether that needs tabling.

**Mr WILLIE** - Were you written to and provided with a copy of the annual report?

**Ms ARCHER** - I received a copy of the annual report. Again, I would have to check my own records if I received a specific letter, but it may well have been that it was already sent to the acting Attorney-General, who was acting Minister for Justice as well prior to that. I would have to check the dates. I do not have that in front of me, and I would not like to make any statement to the committee that was not correct. I certainly received a copy of the annual report for tabling.

**Mr WILLIE** - It is certainly an example of why the attorney-general and minister for justice have often been assumed by the same person, is it not?

**Ms ARCHER** - There is no doubt that it would make anything easier, but it does not provide a premise as to why you cannot separate portfolios. Federally, the minister for justice is regularly and quite often, if not all the time, separate from attorney-general. I accept in this state it is often held together, but it is not out of the question or out of the ordinary. It has happened before, indeed under a Labor premier.

**Mr WILLIE** - A long time ago. If I could move to another line of questioning?

**CHAIR** - Thank you. We just found it interesting. We did some homework and found that there was an administrative act -

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**Mr WILLIE** - Just before we move on, will we get clarification on whether the annual report has to be re-tabled in parliament? -

**Ms ARCHER** - I think if you a question, you have to put it through the usual process of committees.

**CHAIR** - The question has been asked. If we do not have an answer, we will write and ask you formally for that particular advice.

**Ms ARCHER** - Quite happy to find out whether it needs re-tabling.

**Mr WILLIE** - If I could turn to the Public Trustee and its responsibilities when there is a suspicion of financial abuse. What duty of care does the Public Trustee have? Do you have a thorough process of checking if significant amounts of money are being withdrawn from an account?

**Ms ARCHER** - Did you say financial abuse? You are not specifically referring to elder abuse, just financial abuse?

**Mr WILLIE** - Yes, I am talking about in a circumstance where the Public Trustee is managing a fund for somebody who might not have the capacity to do so. What duty of care does the Public Trustee have in an instance where significant amounts of money are being withdrawn from an account or a suspicion is raised with the Public Trustee that financial abuse may be occurring?

**Ms ARCHER** - Chair, I am very happy for the CEO to address that question, given it is a procedural matter.

**Mr BENBOW** - Thanks for the question, it is very relevant. Most of the financial abuse that we see at the Public Trustee normally comes through from the Guardianship and Administration Board. When we are appointed a financial administrator, quite often the Guardianship and Administration Board will highlight its concerns around what may be a case. Normally enduring powers of attorney are revoked and we are asked to look at financial matters that may be suspect. We quite regularly report those matters to the police and it is the police's role to investigate and prosecute if appropriate.

**Mr WILLIE** - That is in the instance where it is raised with you. Do you have any proactive measures in place where you audit accounts and ensure that it is not occurring?

**Mr BENBOW** - It is a routine practice of a financial administrator to step into the shoes of our clients. We are looking at all the financial aspects of their lives, and that is normally reviewing bank accounts. Quite often we do find suspect transactions, usually when people are holding enduring powers of attorney - transfer of a person's property, for example. It is standard for us when we find suspect situations to refer them to the police for investigation.

**Mr FINCH** - How often have you referred cases to the police?

**Mr BENBOW** - That is a question I might refer to our corporate solicitor, Tim Levis, who deals with these matters.

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**Ms ARCHER** - Yes, very happy for that to go through me.

**Mr LEVIS** - It is probably one of the most disappointing aspects of my job that we have to deal with these cases on a routine basis. As Mr Benbow has told us a moment ago, we routinely refer these matters to police.

Referring to your question we do have proactive measures in conferring with family. Unfortunately, by the time these matters make their way to my desk, it is too late in that sometimes people's estates have been drained. These matters come to light when nursing home fees have not been able to be paid, then we have an application made to the Guardianship and Administration Board and then we find somebody's estate has been drained. These matters are often the subject of Supreme Court actions. They are certainly the subject of police investigations. We work closely with Tasmania Police and the DPP to bring about satisfactory outcomes as best we can in the circumstances. Could you repeat your question, please?

**Mr FINCH** - In respect of the number of times you have referred issues to the police? Probably some understanding of how successful their operations have been?

**Mr LEVIS** - These are very complex issues, because there is a human aspect to them. If I can give you an example: unfortunately, it is often children who are looking after their parents and their parent's financial affairs. They will start to get involved with the management of their parent's financial affairs and there becomes a grey line where somebody is starting to take what I would describe as an early bequest from the estate. This is this human aspect, where people have difficulty understanding where that line lies - 'This is what mum or dad would have wanted me to do'. Mum and dad do not have the capacity to give consent at that moment and it probably is not in their best financial interests.

As a matter of frequency, sometimes we will get one a week. It is often the case they are very difficult to prosecute. They are very difficult to pursue, because the person who has the greatest insight into the transaction has lost capacity and is unable to give instructions. The person under investigation cannot see what they have done wrong. There is an educational piece in all of that.

**Mr FINCH** - Minister, does this raise concerns or prompt a desire to perhaps see how you can assist in this circumstance? While I understand the difficulty, do you think there might be some investigation into how a better result might be achieved for the people and money involved and probably protecting people from themselves?

**Ms ARCHER** - Generally speaking Mr Levis has given the common example, classified as elder abuse, because it is financial abuse and misappropriation, even putting aside that criminal aspect. I have recently attended a meeting of attorneys-general and ministers for justice nationally in relation to a number of different issues. We discussed the issue of elder abuse and what can be done consistently across states and territories, as well as nationally. The Commonwealth is setting up an information hub in relation to elder abuse, similar to what we have done in this state, but obviously more extensive. That is just the first part of a process of further discussions in relation to the general and very difficult area of elder abuse. As Mr Levis identified, it is a difficult area to investigate, let alone prosecute, not only because of the human element, but also because of the lack of evidence or difficulty finding the evidence and paper trail.



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There is no one fix or easy solution, but it does start with the knowledge base and education in the community. A lot of people simply do not identify it as a form of elder abuse. We are looking at that very base-level strategic issue, then trying to discuss and come up with a legal framework on top of providing information and education to the community. There is movement nationally, which is really important, because people will live in different states and will not necessarily be captured by one state law. A uniform approach, a desire to at least to have similar legislation or recognise between jurisdictions will help. There is a lot happening.

**Mr FINCH** - When you deal with referrals from the Guardianship Board to the Public Trustee, is there immediately an oversight of that client and their circumstance to check on where they are situated with power of attorney and such things?

**Mr LEVIS** - The Public Trustee is not an investigative body. We are not equipped to investigate, save and except we can bring in defend proceedings in the Supreme Court on behalf of represented people. It is usually the case by the time it makes its way to the Public Trustee that we have a report from the Guardianship and Administration Board because they have investigative powers. We are then appointed as the administrator of somebody's affairs. It would be at that point, almost as a matter of routine, that we would refer it to the police. A lot of these matters do not proceed to prosecution, because of the some of the aspects I described before. I will give you an example of the type of things we have to deal with. We have had circumstances where family members - children - have taken their parents' money and left them destitute. When the parents have been made aware of this, the natural reaction for a parent is not to prosecute the children. They still want to protect their children. Most parents would do the same thing, 'Let my kids have it. I don't care', but we have a duty at that stage to look after the person's best interests. We have a duty to report the matter to police; if we believe there has been a crime, that instance will be investigated. If the DPP and the police determine it should proceed to trial, it does.

**Mr DEAN** - To follow up on the member for Rosevear's question on numbers. It is good to know the numbers, to see how much of this behaviour is happening in the state. Is it one a week or is that just a guess?

**Mr LEVIS** - We will go for a month without one of these, but routinely there would be about 25 a year coming through the Public Trustee Office.

**Mr DEAN** - Would you have a record to know exactly how many you have referred to the police?

**Mr LEVIS** - I can get that record for you.

**Mr DEAN** - Maybe the minister might take that on notice. Could we have those numbers over the last three financial years to see whether there is an increase or if it has plateaued?

**CHAIR** - How detailed is the information back to the Guardianship Board once there has been a referral, acknowledging there might not necessarily be court action? How detailed is that information back to the Guardianship Board in regard to matters referred to the Public Trustee by the board?

**Mr LEVIS** - It is generally the case the Public Trustee is appointed for about three years. During the course of that appointment, we are required to routinely report back to the Guardianship Board. Once the Guardianship Board makes the appointment of the Public Trustee,

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the Public Trustee accepts the appointment. It is not a case the Guardianship Board oversees the conduct of the Public Trustee; they trust we are competent in what we do. The Public Trustee would report on those instances of financial elder abuse in the course of its routine responses.

**Ms ARCHER** - Let us not mix up the roles of the Public Guardian and the Public Trustee in this because they are separate roles.

**CHAIR** - There would never be an instance where the Guardianship Board would refer a client to you and then the Public Trustee would take over the role for at least possibly a three-year period until things were sorted? That would not happen? You wouldn't send it back to the family without the Guardianship Board knowing that was happening?

**Mr BENBOW** - We have a specific order. We can only act as a financial administrator with an order from the Guardianship and Administration Board. As Tim indicated, each year we are working with the Guardianship and Administration Board around reporting. Each year there is a hearing around the affairs of that person and quite often family members can attend those meetings and can, if they so wish, ask to have that order revoked and for them to take over the responsibility of being financial administrator, which they can do. It is not in the realms of the Public Trustee to step into the shoes of the Guardianship and Administration Board. We are looking after the affairs of individuals based on an order. It is normally a three-year order and the board has the ability to revoke that at any time.

**CHAIR** - The Guardianship and Administration Board would revoke that order, not the Public Trustee?

**Mr BENBOW** - Correct.

**CHAIR** - Thank you, that is very clear. We just received some evidence that was contrary to that. Now it is made very clear so we will be able to respond to that instance. I hope that makes it very clear to anyone who reads this *Hansard* in the future to understand. An education program in the community about the line that possibly is crossed at times might be useful. Is that something that is on your radar?

**Ms ARCHER** - There is an education program carried out by the Public Trustee annually. I will get Mr Benbow to briefly outline that education aspect of the Public Trustee. As well as a marketing side to the Public Trustee to get more clients, there is also an educational part in the community it plays a role in.

**Mr BENBOW** - The Public Trustee has multiple roles. Our business is quite diversified. We have talked very much about the represented person's part of our business. We also have a commercial aspect to our business and part of that is to educate the community about what a trustee company does, in general. A key part of that is running a number of seminars statewide each year. We run seminars through groups like Centrelink and for pensioners and we regularly are invited to come and talk to those people around various aspects such as power of attorney, effects of wills and estate planning generally.

We also run our own seminars. Each year we run a seminar in each of the major regions in the state, and invite people to come and listen to information about a range of topics, not necessarily just about the Public Trustee. Quite often we have people to talk about exercise, nutrition and a whole range of things. Generally it is education. Being a trustee company, a

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number of people focus on the will side of the business. Once some of the key aspects in the community around what happens if I am not dead, enduring power of attorney is a very important part of our education program and getting people to understand to get your affairs in order early because this does counter a lot of this conversation we are having around elder abuse - by people understanding and being able to appoint people they truly trust to look after their affairs.

**CHAIR** - Is there a key performance indicator on the time it takes to settle, or a time frame for settling up estates? Is there something that you have?

**Ms ARCHER** - Any KPIs I would imagine would certainly be set by the board, so either Mark or David can take that question.

**Mr BENBOW** - I am happy to answer that question. We operate under effectively service standards. Our trustee area would handle most of the deceased estates, for example. We have a standard of currently, I think it is 12 months, for estates and we generally attempt to settle within nine. For each aspect of our administration processes, we have standards and targets, and each of the estates that we manage are measured against those.

As you can understand, estates can either be simple or complex. If someone has a bank account and a term deposit, you can settle that very quickly. We quite often are dealing with estates of people with multiple properties, businesses and quite often complex litigations are occurring during the estate. Effectively the Public Trustee attempts to separate the simple estates and get them out the door as quickly as we can. Generally they are out the door prior to nine months. It is very difficult to get them out earlier than about six months because there is a three-month period where you can't do anything in relation to winding up an estate due to the Testator's Family Maintenance Act. You have to wait for three months to see whether anyone comes out of the woodwork who wants to contest the will, but generally we get those out somewhere between six and nine months. Then we actively manage those quite complex estates, and some of these estates go on for years. We have estates that have gone on for 30 years or more simply due to the complex nature of the litigation occurring between the beneficiaries and non-beneficiaries. In terms of whether we are measuring that, yes, we have standards and targets for most aspects of our business.

**Ms ARCHER** - If I could just add that I touched on this in my opening statement. The document work flow technology that has been introduced, it is hoped will increase efficiencies where different personnel and solicitors can come in and access a file and take over from or assist an employee at the Public Trustee. The efficiencies that are created are not to get rid of personnel but to assist the personnel who are already employed to increase their throughput. Hopefully, we will get some indication in future in relation to KPIs on how that is adding the efficiencies across the board in managing files.

**CHAIR** - The client management system is fully operational?

**Ms ARCHER** - I believe so.

**CHAIR** - After we have been talking about it for at least three years that I can recall.

**Mr BENBOW** - We commenced the scoping of the project. I started with the organisation in February 2014 -

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**CHAIR** - I am spot on - I said three years.

**Mr BENBOW** - Correct. I had two key projects I wanted to deal with. The first was the refurbishment of our office in Murray Street. That project commenced pretty well on my appointment. Following that successful completion, we commenced scoping our document management system. That started in early 2015.

With a document management system for a trustee company, you can buy the basic components off the shelf, but you go back through every business process and you have to effectively match your process to the system or your system to the process. A document management system in a trustee company is made up of a number of checklists and steps that you have to complete so it pushes documents through a process. It took us about 13 months to do all that document mapping. We are only a small business; we have only about 52 FTEs. We don't have, like Hydro or Aurora, project teams that can be pooled together, so this is done by people, trying to get cross-functional teams over time. We were quite proud of the fact. The system was ready to go in November 2016, but we deferred implementation until February so all our staff were on deck. There was a window of about two to three months to do a staged rollout. There are component pieces of the system that belonged to the component pieces of our business. It represented persons, our trustee area, our trusts and bringing in our service areas such as legal and finance. Staged over a three-month period, the system was fully operational as at 1 July 2017.

**CHAIR** - Any hiccups, minister? I have never seen a computer program without a hiccup to start with.

**Mr BENBOW** - A good question. We all prayed it would work when we turned it on and it did. Were there hiccups? Not so much hiccups, the system effectively worked. With a system like this, the beauty is that it will evolve as the users effectively start using it.

**Ms ARCHER** - Create files and add to it.

**Mr BENBOW** - Yes. The issues were that maybe this piece of the system should be re-linked to this piece of the system. We have 150 hours a year with our contractor of development hours. Over time, it is often development rather than fixes once the staff have seen the system and how it works. A lot of our people at the Public Trustee have been in the same chairs for 30-odd years -

**CHAIR** - That is a dream of mine.

**Mr BENBOW** - They do not have the conceptual understanding how a system like that works. Asking them what they want will not get the ongoing development until they start using it. We have probably 150 or 200 hours of development now and will continue to make the system more robust and importantly, deliver more productivity.

**CHAIR** - Do we have a completion cost with that?

**Ms ARCHER** - For the technology. That is a question for the CFO.

**Mr LUCAS** - I will probably take that one on notice, but circa \$400 000. I can get you a precise figure.

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**Mr FINCH** - Just going over, minister, some recent years of *Hansard*, and there was talk about the Launceston operation, which Mr Dean and I would focus on. The concern in finding a suitable officer manager. Can we be apprised of the circumstance as it stands now?

**Ms ARCHER** - For a personnel issue, Mr Benbow.

**Mr BENBOW** - Happy to answer that question, minister. I started in 2014. At that time we did not have a Launceston manager and an extended period of time where we were unsuccessful filling the position with the right person.

In 2014, we found a manager for our Launceston office but unfortunately the gentleman became quite unwell and has since passed away. When that manager became unwell versus finding another manager, I contemplated the long-term future not just for Launceston, but also for the entire business. Instead of having centres, is there a better way to deliver services that ensure certain pockets of the state do not have second class service? If you are sitting in Burnie or Devonport, Launceston or Hobart, there is the same element of service.

We looked at our organisation and what services should be delivered where, keeping in mind we were about to get a system that would allow any office to be able to deal with 'a matter.' At the end of the day just because someone had a will they wrote in Devonport, does not mean the beneficiaries to the will are going to be in Devonport. They might be in Hobart, Launceston or Hong Kong. Our business is geographically diversified on a number of fronts. The key for us was we have the commercial part of our business. Launceston is amazingly untapped. We as an organisation have been very southern-focused.

**Mr FINCH** - We have witnessed the number of employees based in Hobart.

**Mr BENBOW** - Correct. You are absolutely right. That is historic. In the next year, and without pre-empting our corporate planning process - and I have had this conversation with the chair - we need to start looking at our distribution strategy in some detail because we are still running a very old model.

If you want a will written in Queenstown, not a problem, but we will have to come and see you. In this day and age, you do not need to do that. Technology should allow you to communicate and solve people's estate planning problems no matter where they are. A process if we are going to grow our business into Launceston, the start is the chairman of our board lives there.

We now have a director living in Ulverstone. We need to look at our presence. Our presence in Launceston is not significant. In our next corporate planning cycle, we will be looking at what aspects of our business we can actually take into an area to actually increase profile and improve our service.

It has taken nearly four years to get to that point, working on a process of building blocks. This is now at a point where we can start saying, 'We have got our administrative platform pretty well right.' Now we can start looking at where we belong - what sort of shop fronts we are going to have and where we would like to have our administrative centres.

Launceston and Hobart are logical because the trouble with a trustee company is that it is hard to find people with the level of skill and experience. It is difficult with very small offices.

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Three people in an office and someone on annual leave and someone sick, you have to close the office. There is the scale issue. The prospects for Launceston are positive and I would like to see the operation bigger versus smaller and a bigger profile.

**Mr FINCH** - Thanks. Through you, minister, this raises some questions. It has taken four years to formulate how best to cater for Tasmania as a whole. How has it been for the staff in Launceston while you are making up your mind and getting a plan sorted out they can understand? What is the world like for them as they try to go about their work?

**Mr BENBOW** - Good question.

**Ms ARCHER** - Before David takes that, it is important to point out David has been saying the workflow technology system was of utmost importance, because once you have that, you can access it from all parts of the state and from their offices. That has been their priority with their current level of employee base. What he was saying was not having access to special project teams or funding; to do that they have had to prioritise that first, before they have been able to really look at the bigger corporate plan of actually indeed growing the business, the marketing strategies and whatnot. I wanted to say that has certainly been my knowledge of what needed to occur first, but without forgetting about the staff.

**Mr FINCH** - The staff and their morale.

**Ms ARCHER** - Yes.

**Mr BENBOW** - I am more than happy to answer that question. When the decision was made to look at how we actually structure the business, the immediate call was we need a manager who is capable of managing both our Burnie and our Launceston operations. We appointed someone into that role. That person has been in the role now for three years. When I started with the organisation the compliance outcomes in our Launceston office were the worst in the state. I think that was a mix of poor management, staff morale and simply not knowing what they were doing.

**Mr FINCH** - What do you mean by 'compliance'?

**Mr BENBOW** - Compliance is a major aspect of our business. Every aspect of what we do is effectively a legal function. In other words, we are gathering assets, paying out money, acting on behalf of individuals. Within the Public Trustee we have a range of policies and practices around how that should occur. Compliance is: are they doing what they are meant to be doing in the standards policies and procedures of the organisation?

I implemented a role within the Public Trustee probably two years ago, and we now have a risk and compliance manager. His role was to develop a compliance framework. That framework is now imbedded in our client management system. We are able to look at what people are doing. People are generally managing around 80 files, for example. We are able to work out where they are through the stages of that file. He is able to look at the quality of the work being done. He reports to our risk and audit committee at a board level every two months. It receives these compliance reports and assess how we are progressing down that path.

Our Launceston office probably would have been our poorest performer two years ago; they are now our best performer. At the last audit, from memory, they almost had no compliance

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issues. That is around the leadership structure. They are well led and as a team they are without doubt probably our top performer in the state.

**Mr FINCH** - Could we have the numbers of employees at this time who are now in Hobart, Launceston, Burnie and Devonport?

**Mr BENBOW** - As at 30 June we had 52.62 FTEs. We have quite a number of part-time employees, predominantly because we employ a lot of females who have gone on maternity leave come back and work part time. Of our work force currently 81 per cent are females; 19 per cent are males; 21 per cent are part time; 79 per cent are full time, and of that, 86 per cent are permanent employees - they have permanency under the State Service Act. We have one person in the State Executive Service - myself. We have 12 per cent who are on fixed-term contracts. When people go on maternity leave, we backfill with fixed-term contracts until that person comes back. Forty-seven of our staff are based in Hobart, which is 81 per cent; five are based in Launceston, which is 9 per cent; four are in Burnie; and two in the north-west.

**Mr FINCH** - So this is a diminution of numbers over the past couple of years?

**Mr BENBOW** - Yes, we have lost a couple of staff in our Burnie office. With the introduction of our new system, for example, a longstanding employee in Burnie decided they did not want to go through the transition, which is fair enough. They were very close to retirement age. In Launceston it has been reasonably static, but we are probably one down from where we were a year ago. Over the next few years I would like to see that number increase because I have a passion to make Launceston have a presence.

**Ms ARCHER** - And there is a lower turnover rate this financial year than the previous year. In percentage terms the turnover rate was 10 per cent and the previous year was 17 per cent, so it has remained fairly static in the last financial year, 2016-17.

**Mr FINCH** - I know I am hogging the questioning, much to the annoyance of the Chair.

**Ms ARCHER** - I will leave that to her.

**Mr FINCH** - I want to salute the staff for this increase in profit the Public Trustee is making - \$749 000, with fewer staff.

**Mr BENBOW** - Item 3 of our corporate plan is about business sustainability.

A lot of the work we are doing about our process engineering and developing new systems has to have a payback. Mr Lucas has highlighted the fact we have spent circa \$400 000 to implement a document management system. It is not to make life easier; it is to improve compliance and customer outcomes, and for us to be able to deal with our business with fewer people. That does not mean we will make people redundant or go through a process such as that. What it means in our represented persons business is, under our existing model, if you can handle 100 clients, which is about right, we will give you tools that will let you handle 110 clients or 120 clients without affecting your capacity and creating stress. That is productivity. Productivity is not just about reducing staff but as a default of increased productivity, you will ultimately have fewer people.

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**CHAIR** - Thank you very much; they were all very good questions. I am mindful others have questions.

**Ms SIEJKA** - Minister, given 81 per cent of the workforce is female, I am curious to know: how many females are in leadership positions and on the board?

**Ms ARCHER** - That is a good question.

**CHAIR** - They are all good questions, minister.

**Ms SIEJKA** - Given we have a lot of men at the table.

**Ms ARCHER** - Yes. Mr Scanlon, you might like to discuss the make-up of the current board and then we can move to leadership.

**Mr SCANLON** - We currently have five on the board, including myself. Three of them are women and two are men. That is a recent change; we had a vacancy. I addressed the issue with the minister as I thought the geographic mix of the board was not what I wanted to see. It was predominantly Hobart-based apart from me, and I thought the gender balance was a little out because there were four females and myself.

**CHAIR** - Ah!

**Mr SCANLON** - There has to be a balance. When you have five, you cannot have two and half of each.

**Ms ARCHER** - It is always based on merit, isn't it, Mr Scanlon?

**Mr SCANLON** - The selection process is, yes.

**Ms ARCHER** - Leadership positions?

**Mr BENBOW** - We run an executive management team of six - five, if you exclude the CEO. We have two females on that team. Angela looks after our marketing and HR functions.

**Ms ARCHER** - Angela is sitting behind us.

**Mr BENBOW** - Gaylene Cunningham, who is currently in Perth, is the manager in our trustee services area. If you go to that next level, reporting through to the executive management team, we currently have three. Two of those three are females.

**Mr DEAN** - I was trying to find an area dealing with complaints in the annual report. I have probably missed it somewhere. What are the common complaints coming to the Public Trustee?

**Ms ARCHER** - I can let our CEO explain the nature of the general complaints, obviously not specifics. Client surveys are done so there is monitoring of their activities and client satisfaction. Beneficiaries are surveyed as to their experience in an estate situation. There are will client satisfaction surveys as well. It seems to be that the surveys are important in that complaint handling process. I might throw it to Mr Benbow in relation to the types of complaints and the nature of complaints.



**Mr DEAN** - What page is it on? It is not in the annual report.

**Ms ARCHER** - No, we have a bit of a summary of performance issues.

**Mr DEAN** - I couldn't find it.

**CHAIR** - Minister, that might be a note for next year's annual report. We are always looking to give positive feedback about what helps the committee to look at what is presented. Is this something for you to take on board?

**Ms ARCHER** - Thank you.

**Mr BENBOW** - In the financial year 2017 we had 22 complaints. The way we handle complaints is that all complaints go to the Risk and Compliance Manager who investigates them. He compiles a report on the complaint and then a view is formed as to whether it is substantiated or not substantiated. The difference will be if it is substantiated, obviously the person has an issue with the Public Trustee and the Public Trustee needs to rectify that issue.

**Ms ARCHER** - There is an appeal avenue to the Ombudsman, of course.

**Mr BENBOW** - For example, in the year we only had six substantiated complaints. If you think about the nature of the complaints, a lot of the complaints that come to the Public Trustee are about what has occurred in someone's will. They do not like what is in the will.

**Mr DEAN** - It see. It is not your issue.

**Mr BENBOW** - They do not like the fact that they didn't get the car or they don't like the fact they are not in the will, or they don't like the fact that the house was sold, as a represented person, to fund someone's nursing home fees because we would like to keep the house when they have departed. It is a complaint but it can't be substantiated as an issue for the Public Trustee.

**Ms ARCHER** - Can I interrupt the CEO here - it's on page 25 of your annual report as well.

**CHAIR** - It is wonderful when committee suggestions are acted on that quickly. Thank you.

**Ms ARCHER** - Yes.

**Mr BENBOW** - We have a very robust complaints process. We take complaints seriously. We see it as a way of improving service. As I suggested, we cover such a diverse range of circumstances that we have to go through this process of rigorously ensuring we understand whether it is a complaint that we need to deal with. If we need to deal with it, we will deal with it by either compensating people if they have suffered any form of loss or rectifying whatever their issue may be. As the minister has suggested, we invite people if they are not satisfied with our response to go to the Ombudsman. We provide them with the information that allows them to follow that aspect up.

**Mr DEAN** - The complaints you have had, are they increasing or decreasing on the previous year? I don't have the previous year's here.

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**CHAIR** - That pie chart looks very interesting over there. A colourful pie chart.

**Ms ARCHER** - All I have are the complaints for 2017 so I can't give you a comparison.

**Mr BENBOW** - Sorry, I cannot give you that information. Maybe we will take that on notice.

**Ms ARCHER** - We could take that on notice, definitely.

**Mr DEAN** - If you could. It is just to know whether similar complaints are arising or whether you are on top of that. If you could give them over, say, a three-year period, that might be interesting for us.

I go back to the long-term outstanding issues you talked about. Minister, how many numbers would fall into that - matters outstanding longer? You have a position of trying to conclude them within 12 months; I think nine months has been mentioned to try to sign them off. How many matters would you have outside of that 12-month period and how many on the books would there be for long-term outstanding matters? I would say probably five years and longer. Is the list growing, decreasing or what?

**Ms ARCHER** - That is quite a specific question. Mr Levis probably has a broad understanding, but we may need to provide you with the specifics. I will throw to him.

**Mr LEVIS** - I could not give you the specifics; however, I think it is fair to say that estates are not getting easier, they are getting more complex. People have self-managed super funds, businesses and assets all round the world. Some of these estates can't be wound up in 12 months simply because properties can't be sold, shares can't be sold and so on. They have trusts and stuff that are tailoring on for years and years. You can take people to the mediation table, but you can't always make them settle. Some of these matters have to go to trial. In terms of the numbers, I'd have to take that on notice.

**Mr DEAN** - If we could get the numbers of long-term outstanding matters to see whether or not there is an increase in that area. According to what Mr Benbow was saying, I suggest there probably is, but they are getting more complex. If we can get those numbers, minister, to do a comparison with previous years to see whether they are going up?

**Ms ARCHER** - How far back are you thinking?

**Mr DEAN** - If we can go back three years, just to get an idea.

**Ms ARCHER** - Yes, it might be easier with the new system if we don't go too far back prior to that.

**Mr DEAN** - I only want to know whether in the last few years there has been an increase in these long-term outstanding matters. I would have thought it was something the Public Trustee would be working on to try to get on top of. The more we have outstanding for a long term, the more the beneficiaries of those wills would be deceasing themselves, the way things are going.

**CHAIR** - I am interested in the management of the funds the Public Trustee holds. I am aware there is about \$12 million of own funds. Can we have some indication of how the

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management of those funds is tracking? Obviously that makes a difference to the value of those estates. It makes no difference?

**Mr BENBOW** - I will just explain the investment horizon for the Public Trustee. That \$12 million you are talking about are effectively corporate funds. They are reserves held by the Public Trustee. Interestingly, they actually emanated from the sale of Trustee House in Murray Street. That property was sold - I can't remember the actual year, but a number of years ago - and the board at that time took the view that the assets would be held as a reserve to offset the Retirement Benefits Fund's liability.

**CHAIR** - Very prudent.

**Mr BENBOW** - It reduces the cost each year of funding that. Those assets are invested across a range of asset classes but managed externally. We use Macquarie and BlackRock as external managers to manage those assets. I don't have the specific investment returns and I'm pretty sure Glenn hasn't, but if you would like to take that on notice we have quite comprehensive reporting. He has them.

**CHAIR** - I was on the money when I said Glenn was the man for the day.

**Mr LUCAS** - If you wanted to join the dots through our financial statements, if you look at our dividends received from other persons, which is our investment income, on page 34 of the report, \$574 000 for the year. That is what we got in cash distribution from those funds.

**CHAIR** - That's from the \$12 million asset.

**Mr LUCAS** - You can do a simple calculation based on that.

**Mr BENBOW** - That is the cash we got back that doesn't include the capital growth. That is dividends in effect. The more important part of our business is the management of our clients' assets and they are held within discrete common funds, of which we have three. We have a cash common fund, which is exactly that and we manage cash and term deposits, which Glenn and his team manage internally. We have what is called our Gift 1 Fund and our Gift 2 Fund, which are effectively our growth funds. We have a client investment policy. If you come into the Public Trustee as a client and it might be a represented person, it might be a minor's trust, a trust created out of a will for a child, we will manage those assets until maturity. We look at client duration, which is your likely existence on the planet. Then we determine which you fund you will go into. Our Gift 1 Fund is more conservative than our Gift 2 Fund. If your time horizon with us and that might be because you might be in your eighties, for example, so we would be much more conservative around our investment approach than we would be if you're in your thirties. If you're in your very latter years, we would be very conservative, holding you in our Cash Common Fund. Basically those funds are invested internally for our common fund.

For the two other funds we use a mix of investment managers - Macquarie Bank, Russell Investments and external consultants to assist with the management of the funds. We get a Russell review annually. Each year they review those managers and ensure they are delivering on the objectives and benchmarks that have been set.

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**Mr DEAN** - Where there is a deceased person and you are wrapping up that matter and it takes 12 months or so to do, does any income or interest earned on those funds go back into that fund or does the Public Trustee take a percentage of it?

**Mr BENBOW** - We manage our common funds and take a fee on our common fund. If you imagine a deceased estate, over time our role is to call in assets. We might sell cars, houses, shares or call in bank accounts, and they will sit in our common fund and they will be receiving interest on those funds.

**Mr DEAN** - So the Public Trustee doesn't take anything out of that?

**Mr BENBOW** - Not out of that return to the client.

**CHAIR** - On settlement.

**Mr BENBOW** - In terms of our common fund, we are entitled to take a management fee of 1 per cent, so if the fund earns 3 per cent, we receive 1 per cent and the client receives 2 per cent. It works exactly the same way as every other managed investment scheme, although we are not - we are a common fund. Under the legislation all trustee companies, public or private, are entitled to create common funds. If you go back in time, they were created to allow you to manage lots of little parcels of money as one. To do that, the legislation recognised there is a cost so you are entitled to take a management fee.

**CHAIR** - They are called banks now.

**Mr BENBOW** - Basically, yes.

**Mr FINCH** - And if it only earns 1 per cent?

**Mr BENBOW** - You would earn nothing. I assure you in this low interest rate environment producing returns with traditional asset classes such as fixed interest is quite challenging. You know what it is like to get a term deposit at the moment, you scratch your head and wonder why. Term deposits are running at around 2 per cent.

**Mr FINCH** - We had the discussion about the sale of Trustee House in Hobart, could we be apprised of the accommodation for the operations of the Public Trustee in the various locations?

**Mr BENBOW** - The majority of our staff are based at 116 Murray Street. We recently re-signed our lease. It expires in approximately 7 years. That coincided with the refurbishment of 116 Murray Street. We have two floors in the building - TASCORP is on the first floor and we are on the next two floors. In Burnie we are in Columnar Court. If you imagine the apartments that are built in Burnie on the waterfront next to the port, right behind that is a shopping complex and we have an office in there. It is a very nice office, probably bigger than our needs. Our lease there doesn't expire for probably four years. In Launceston we are in MAIB House. KPMG is upstairs and we have an office on the ground floor. We have a serviced office in Devonport, particularly for our estate planner, who tends to roam the coast dealing with the estate planning needs and can meet people in our Devonport serviced office.

**Mr FINCH** - I normally have questions about marketing. I can imagine that with the Public Trustee, it is a very difficult area to get your message out, particularly when you are competing

with the commercial interests and you are trying to get your message through to the general public. Maybe you might care to touch on methodology and what you target in building your client base. I am curious about the use of social media, and whether it is a tool that can be used by the Public Trustee.

**Ms ARCHER** - I might make a general statement about marketing activity. It falls within their overall corporate plan to increase the Public Trustee client base. That is what will make the organisation sustainable into the future. Obviously, it wants to have that continuous profit each year. It has marketing strategies to State Service departments and agencies already, offering a 20 per cent discount to State Service employees on estate state planning services; obviously to local councils, hospitals, funeral directors. They display brochures for the company, and future campaigns are planned to target local government organisations and Commonwealth government departments. I will throw to Mr Benbow in relation to whether they use social media now or whether that is planned for the future.

**Mr BENBOW** - Thanks, minister. Marketing is a key aspect of our business. Our commercial business is what drives the business and deals with our community service obligation shortfall. We subsidise the shortfall with our commercial business.

In 2015 we undertook a process of developing what we call our 'communications strategy', which is about how we start structuring our business to move away from predominantly being attractive to the over-65 demographic. We are moving into an age now where the over-65s are not like the over-65s 20 years ago. They are very tech-savvy.

The demographics that come after will be even more involved in social media. They will also be more involved in being able to transact with people online. They will not be coming to will writing days or seminars on eating bananas and fruit; they will be more inclined to want to gather their information online and to form a view as to whether transacting with this group or individual is of value to them.

We undertook some marketing research. We undertook an association with a group in Launceston called at+m integrated marketing, which has some knowledge of the trustee area and the complexities of the message that you need to get across in that space. The key for us was to move into that 35- to 49-year-old female group as they are the decision-makers around all matters in families. There is no doubt about that, particularly in relation to getting stuff organised.

In 2016, we actually relaunched the Public Trustee. You will notice all our colours. We are a lovely new blue now. All our livery is contemporary. We created new ads for the Public Trustee, which probably no-one over age 50 in this room has seen because it was not targeted at you - unless you were watching *The Bachelor* or other lifestyle programs. I have not seen them, but apparently they are on there somewhere.

**Ms ARCHER** - For the record, nor have I.

**Ms SIEJKA** - I am your target, and I am not sure about it.

**Mr BENBOW** - In terms of online, I think that is a really interesting space. We have re-worked our website. We have blogs. Our ads are now online because people do not watch mainstream television. They buy television; they are on Netflix; their music is on Spotify.

Traditional media is changing and we need to change with it, even down to the point where our legal team is currently trialling our new will writing system.

We need a new will writing system that will allow people to enter their own information. A young female who has a young family does not want to come in for an hour for us to extract a whole lot of information. She wants to be able to sit down on the couch with her iPad and give you what you need and then you will come in and sign your will, but it is a process probably more akin to insurance. These days you don't go into an insurance office to make an insurance claim, you put your information into the system and people come back to you and ask for more if they need it. Then there is a point at which you probably have a face-to-face meeting. For us, it is important that we have a face-to-face meeting because we have to identify you and make sure that you are making the will for you, and that you are you, and that you have the capacity.

You can't change everything, but you can change certain things. That information piece online, for us, will be key for the next 10 years.

**Ms ARCHER** - I think the social media idea is something to look at. As the gentleman has heard, if there is an ad, you can put it online on Facebook and you will reach your target audience that you wouldn't otherwise have had. It is probably something to look at.

**CHAIR** - I have some of the young people up the other end who are wanting to get in on the action.

**Mr WILLIE** - As you move to more online services when you were talking about wills, how are you going to protect that information and manage the risk of breaches and things like that? You also talked about a \$400 000 document system management. What happens in the event those things fail? Have you mitigated those risks?

**Mr BENBOW** - A good question. Glenn has responsibility in his portfolio for IT.

**Mr LUCAS** - We take IT security risks and cyber breaches very seriously at the Public Trustee. We have access to a lot of very personal, private information - bank accounts, Centrelink details - imagine all the stuff that is in your wallet at the moment; we have access to all that. Information security is paramount at the Public Trustee. We have procedures and IT infrastructure in place to protect the information we have internally from the outside. We have an outsourced service provider who looks after our IT, and these are professionals. We do not have anyone in the building who can do that job; we are not big enough for that, so we make sure we outsource and get the right people in to protect our information.

**Mr WILLIE** - Are those services easily transferable to another service provider?

**Mr LUCAS** - No, they're not. It would be a complete nightmare if you asked me to change it today.

**Mr WILLIE** - If that service provider said, 'That's it', what happens in that event?

**Mr LUCAS** - If our service provider fell over, that is a risk we are working through at the moment, as far as disaster recovery - that is the space you are talking about there, or business continuity. We have whole-of-government access to get up and running again if we had to, as far as the backup plan.

**CHAIR** - I note, minister, that the only increase from the community engagement for this year is around non-executor wills. The rest have all come in under - new wills is less; revision of wills is less; seminars and presentations held is one more, but those attending is down. Is it going to be the social media-type of aspect that is going to lift those numbers if we are losing some ground on new wills and revision of wills?

**Ms ARCHER** - I will throw that to Mr Benbow again. With the community service obligation, as has been indicated, the Government puts funding into that; for 2016-17, we put in \$1.728 million and for the year we are currently in, 2017-18, it increases to \$2.023 million. There is a fairly hefty obligation there but it is also supplemented by the Public Trustee. I think the short answer is that the Public Trustee is always looking for outside clients to make the business sustainable and not necessarily always looking at increasing the CSOs because they come in naturally. If there is a bit of a dip, that probably allows you to take on more fee-paying types of clients. He can explain that in more detail.

**Mr BENBOW** - We're contracted to deliver the Government's community service obligations. As an organisation we would prefer to have fewer represented persons. We have programs within the process of dealing with clients of identifying those clients that we can get back into a position where they are managing some, if not all, of their affairs.

Could you please clarify your question?

**CHAIR** - The only increase in the community engagement aspect of the role of the Public Trustee has been in non-executor wills.

**Mr DEAN** - There were none in 2015-16.

**CHAIR** - I was interested in -

**Mr BENBOW** - In the number of seminars we're running and community engagement?

**CHAIR** - You have this increase in non-executor wills, but then there is a dash for last year, so didn't you do any last year?

**Mr BENBOW** - No. In 2016 we introduced fees for preparing wills at the Public Trustee. In the past there was a very nominal fee - I think it was \$20 - to prepare a will at the Public Trustee.

**CHAIR** - But you got it at the other end. You actually picked up the fee at the back end.

**Mr BENBOW** - That's a good point, but if we go back to the 35- to 49-year-old female, very suspicious of something and valuing something that's free. Through our market research, it became quite clear that if it's free, it's for people who don't have money. I have money so I need to go to my solicitor; he'll charge me a fee, so there's value. It creates some value.

We have still created opportunities for those who are on a government pension - we don't charge a fee. We don't charge a fee for those who hold a Seniors Card. But those in our target market are quite happy to pay because they see the value and they're used to paying for something that they see as having value. It was a market increase. It doesn't create a lot of revenue, but it was all around creating value.

I suppose the non-executor is even more interesting because we sent away the people who used to come into the Public Trustee but didn't want to appoint the Public Trustee as their executor. Where did they go? They went to our competition, a solicitor. We took the view, if someone wants the Public Trustee to be the expert who drafts their will, it's a good thing. If we're not going to administer the will 25 years down the track, so be it, we'll charge you a fee and we'll even store the will for you. We'll put it in our will bank. Then what will happen is that when you've named your brother to be the executor and he comes in and says, 'I have no interest in doing that, can you do it for me?', we get the business anyway. We see that as a logical extension into the future to creating a will bank for anyone.

**CHAIR** - That was a really good question.

**Mr DEAN** - If you have a will and somebody then - say, two or three years later - withdraws that will from your office, there is no fee connected to that?

**Mr BENBOW** - No. That is, to some degree, why we also thought charging for a will is appropriate because we need to recover some of that upfront cost in some way.

**Mr DEAN** - I think most would agree with that. Security going back a few years ago was an issue with your staff and people coming in and some were reasonably aggressive. As a result of that I think you engaged - it would have been three to four years ago - private security to undertake that task. Minister, with the changes in the office here in Murray Street and the other offices in Launceston, Burnie and the part one at Devonport, what are the current security arrangements and what is their cost? I understood that with the changes that were going to occur at Murray Street, the proper security development of that building would occur where you would not require private security. Can I be told some detail around that and what had been the security risk this year if there have been any concerns?

**Mr BENBOW** - When we refurbished 116 Murray Street - going back a couple of years now - if you remember, back then we had a security guard on the ground floor. Every client who came into the building would be interrogated by the security guard, would be given a pass, would be allowed to get into the lift and allowed to come into the building. That was probably one of the major criticisms of our customer service model at that time. It was, 'Why do you need a security guard?' The answer is: some of our clients are challenged.

We look after people with addictions and people who are dealing with terrible situations in their life. Some of the answers we have for them, they don't like. How do we deal with that effectively? We have a commercial part of our business and we have another part of our business where the client needs are different.

We created reception areas in Murray Street on the second and third floors. They are both secure. If anyone comes up the lift now, you get out at the floor that says if you want to do this, you go here, and if you want to do that, you go there. In our most challenging area, which is our personal services area, we have a security guard, but in the past the security guard was simply a security guard. They would just sit there all day, no clients came in, waste of money.

We negotiated with our security firm to train that person as a receptionist. That person is actually our receptionist as well as our security guard. It costs us around \$80 000 a year for that service, but it's almost like they are a staff member. It works effectively. There are instances



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where we've had to get the police involved, where people are being antisocial. It doesn't happen every day but it does happen. The security of our staff is paramount in every site that we have.

Angela undertook a security review of all of our sites - I reckon it would be two years ago, maybe even longer. They assessed the risk in each of our site and came back with recommendations. They didn't see the need to put security in either Burnie or Launceston. The offices were set up appropriately. If there are issues, you can just move away, hit a button and someone with a badge comes and sorts it out.

In Hobart it was deemed appropriate because you have the most incidents because we had the most clients.

**Ms ARCHER** - And the most employees to protect as well.

**Mr BENBOW** - No matter where you are, your security and safety is paramount.

**Mr DEAN** - With the greatest respect to you, minister, I don't think the number of employees you have to protect matters; you have to protect one if you have only one.

**Ms ARCHER** - No, I meant the actual ratio of security guard or security mechanism to the number of clients and the number of floors et cetera. You would have to have more security when you have two floors as opposed to one office, to clarify that.

**CHAIR** - Minister, on behalf of the committee we very much appreciate and thank you for your time today. David, Glenn, Mark and Tim, we appreciate your input as well into this very important process. The Public Trustee Office is a very valuable asset to the community and we acknowledge the work that is undertaken. We wish you all a very safe and happy festive season.

**Ms ARCHER** - Thank you.

**The Committee suspended at 1.05 p.m.**

# UNCORRECTED PROOF ISSUE

Friday 8 December 2017 - Legislative Council - Government Businesses Scrutiny Committee B- TT-Line Company Pty Ltd

## LEGISLATIVE COUNCIL

### GOVERNMENT BUSINESSES SCRUTINY COMMITTEE B

Friday 8 December 2017

#### MEMBERS

Ms Armitage  
Mr Dean  
Mr Finch  
Ms Rattray (Chair)  
Ms Siejka  
Mr Valentine  
Mr Willie

#### IN ATTENDANCE

Hon. Rene Hidding MP, Minister for Infrastructure

Ministerial Office

Mr Richard Wilson, Deputy Chief of Staff

TT-Line Company Pty Ltd

Mr Michael Grainger, Chairman

Mr Bernard Dwyer, Chief Executive Officer

Ms Kym Sayers, Chief Financial Officer

Mr Kevin Maynard, General Manager Corporate Services

**CHAIR** (Ms Rattray) - Welcome, everyone, to the hearing. Minister, would you like to make a brief overview to the committee?

**Mr HIDDING** - The 2016-17 financial year was an outstanding one for TT-Line on every measure - revenue, profit, passenger numbers, freight volumes and dividends returned. The *Spirits* are clearly delivering for Tasmania. I congratulate all involved in this achievement: the chair, the executive team led by Mr Dwyer, and the crew - some 550 staff of Bernard's who do a sensational job every day for Tasmania as employees of TT-Line.

Government policy was to reduce average fare prices over four years. This is now at 15 per cent in real terms compared to the last full year of the former government. There was a policy to increase the number of visitors coming to Tasmania by the *Spirits* - passenger numbers are up more than 31.5 per cent since we have come to government. This Government worked closely with the company to refurbish the passenger areas of both vessels, with a \$30 million project that has transformed both vessels and created greater passenger demand without losing one sailing. The number of day sailings have more than doubled, which has helped absorb extra passenger demand created by the lower average fare prices and refurbished vessels. The changes are spinning off revenue, profits and dividends, which are being locked away for the replacement vessels.

TT-Line has carefully modelled future demand for travel on the *Spirits* and has projected a continuation of strong passenger and freight growth in line with the expansion of Tasmania's tourism industry and broader economy. The TT-Line has reached the position where it is getting close to capacity with day sailings and driving the business much harder than it does. Freight spaces are essentially booked out and we are entering a period where it is going to be hard to deal with the projection of demand for travellers.

Earlier than otherwise previously thought, TT-Line accelerated its ship replacement committee on its board. Two years ago it engaged with the Government to set up a cabinet subcommittee on ship replacement and we worked hand in hand on that.

As a courtesy to this committee, rather than announce in a month's time where the procurement program position was at - I did not want to sit here for two-and-a-half hours skirting around a material matter; there is also the materiality of informing the tourism and freight markets of facts we are aware of - today I announce that the TT-Line business case has been approved by Treasury and by Cabinet, and it now has formal approval move to procurement. Because of where we are at in that procurement cycle, TT-Line is engaged with a number of shipyards around the world. We are not able to discuss a price because it could well cost us a lot more than otherwise. We cannot talk about that, but we can talk about the key metrics of what the ships will deliver. I have brought some brochures - very basic brochures - to share with the committee.

**CHAIR** - Very glossy brochures, minister.

**Mr HIDDING** - They are. We found some glossy paper in my office. Amazing.

They give the key metrics of these vessels, which will show overall passenger capacity will be up by 43 per cent. Essentially, they are currently 194 metres, but the new vessels will be 212 metres and still fit in Devonport. They will be wider and deeper and passenger vehicles, particularly for those regional areas in Tasmania that survive very strongly on the self-drive tourism markets. Lane metres are going up by 71 per cent for passenger vehicles. I will get Mr Dwyer to talk about why that is necessary, particularly for caravans and high camper vans that struggle to come to Tasmania now because they can only come on certain sailings when the freight deck is up. The maximum capacity of the vessels at the moment is 1400 for the day sailing and will go to 2000. These vessels will be Tasmania's vessels for at least the next 20 to 30 years because they are brand new. When Tasmania bought the vessels in 2001 or 2002, they were built in 1998, only four years old. That is now a good 20 years and will be 24 to 25 years by the time we turn them over.

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It was time to inform the market. We have done that today and want to share the information, which we are very happy to explore with this committee. It is a good opportunity for this committee to explore the details as much as we can.

The other driver of having to move early was the federal government's advice it wanted clean ships output by 2020. The minister, Darren Chester, has said '2020, no leave passes'. In this circumstance, our vessels will be sold by then and move to elsewhere in the world. We may or may not - and is something you can explore with the TT-Line - move to later technology on the vessels or we could leave that for the new owner to do, because the projected arrival date of these new ships is 2021, essentially a year later. I am sure the federal government, if the vessels are going, would not require us to comply with that 2020 date. The new vessels are dual fuel, LNG and diesel, and therefore much cleaner and cheaper to run.

For guidance, TT-Line has been able, through its clear business case based on fact, not guesswork, which has Treasury's and Cabinet's approval, to fund the full cost of the new *Spirits* through TT-Line's own revenue projections. Its projected cash reserves at the time are \$180 million committed in the Ship Replacement Fund within government, which includes \$20 million from us. We had already committed to that.

The only money from the broader budget going into the new ships will be the \$20 million we have committed into the Ship Replacement Fund. Other than that, TT-Line can carry the debt as good commercial debt. As I say, the business case is very robust and based on the CEO calls it 'reasonably miserable projections' - very conservative projections he does not agree with; he thinks they will do better - but the business case is based on that, which means it is very conservative.

Being in this position, TT-Line has accelerated this process and hopes that in the next six months or so - we are not able to say exactly when - contracts will be signed because that also is a materiality in terms of procurement. Someone might think they will charge them another \$50 million because they will want it earlier, so they are keeping all options and sensitivities in mind.

It has been an extraordinary past year. We have hit another record for the carrying of passengers. I might ask the CEO because he knows it off the top of his head.

**Mr DWYER** - Approximately 433 925.

**Mr HIDDING** - That is a record since there were three ships on the run. There has never been any more than that. That underpins in real terms the projection done by the recognised industry experts in this field, BDA, which shows this business case is robust, sound and affordable by TT-Line and therefore the people of Tasmania.

**Mr FINCH** - Terrific news and it is good that you have moved forward with the process of getting replacement vessels. I suppose my old chestnut, not so much with the current minister or the current chair or CEO, but from years gone by has been what we need to do to acquire and purchase the vessels. My concern has always been we have the Treasury, the Australian Maritime College and TT-Line with all its incumbent experience, yet we are still going off to a ship broker in previous years for the replacement vessels.

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Minister, can you apprise me of the process? I welcome this board, the Ship Replacement Subcommittee of the Cabinet. Could you apprise the committee of the process from here?

**Mr HIDDING** - The Cabinet set this subcommittee up so there was essentially no daylight between the government of the day or the shareholder ministers and the company - the shareholder minister, myself, portfolio minister, Treasury as Treasury minister shareholder, and the Minister for Tourism, which is the Premier - so it had a very high level Cabinet representation along with all our officers from our departments and the most senior people of government.

It was working with these people - not just the two here, but the experts in international shipping - as to exactly what the best arrangement was. That included the ports that would be used, which will be Devonport and Melbourne - even that took months to make sure we had every element of procurement of ships right.

I must point out that the chairman was until very recently, I think, the chairman of Interferry -

**Mr GRAINGER** - Still am.

**Mr HIDDING** - Sorry, still is. About to come to an end, I understand, is it?

**Mr GRAINGER** - Next year.

**Mr HIDDING** - Interferry, which is the international peak body for vessel operators of this type. They have first-hand information from every kind of vessel in the world. Probably the only kind of vessel, including catamarans, we did not work with them on was a submarine. Other than that, we wanted to know everything about every other option.

That was provided in detail to that subcommittee. It is not surprising that after all that work, knowing how well *Spirits I* and *II* perform in any weather, 490-odd kilometres a night, passing each other in the middle of the night, that we have ended up with a fast monohull of this type. It is essentially the same kind of vessel as our current *Spirits* - bigger, but the same kind of solution. It's a solution we could trust and know would do us for the next 20 or 30 years. I will ask the chairman to speak to an important question, which is: How did you go about deciding which way to go? How did we go about it?

**Mr FINCH** - The purchasing process as well, shipbrokers and that sort of thing.

**Mr GRAINGER** - We have not purchased anything yet, we are still going through that process. There is still a considerable amount of work to be done with shipyards that have been short listed.

It is industry standard that a shipbroker is employed to reduce the risks. You can say that we have the AMC and things like that, but they do not have the experience in the vessels we operate. No-one in the country does because we are the only operators of such vessels.

**Mr FINCH** - The TT-Line does.

**Mr GRAINGER** - That is what I am saying. No-one else does except the TT-Line. We require a shipbroker to safeguard our decisions, to assist us in negotiations with shipyards to ensure we are getting the best value for money. It is an industry standard. Every single vessel of

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this type and size that is bought or sold will be done through a broker. It is not done independently.

**Mr HIDDING** - You could do it independently. It is a bit like a real estate agent. Very few properties are sold without an agent or a broker in the middle working for both parties. We have specialists in this case working for our side.

**Mr GRAINGER** - This is a significant infrastructure project. You would not dare do it without a broker. We, as a board, and myself as chairman, would not recommend that to the shareholder ministers. It would be a foolish thing not to have an internationally acclaimed shipbroker go with us through the various essential processes.

**Mr FINCH** - What percentage be in this day and age would go to the broker?

**Mr GRAINGER** - It depends on the broker and it depends on the project. We have not determined that.

**Mr FINCH** - You do not have a specified broker at this stage? In years gone by, we had the same broker for quite a few transactions.

**Mr GRAINGER** - Correct.

**Mr FINCH** - Is that broker still in business or still in the market?

**Mr GRAINGER** - Yes, and he is acting for us.

**Mr FINCH** - Acting in what capacity at the moment?

**Mr GRAINGER** - As our broker, as the TT-Line shipbroker.

**Mr FINCH** - Dealing with ship builders?

**Mr GRAINGER** - He will also assist us with the sale of the existing vessels.

**Mr FINCH** - I got a sense from what you were saying that it was still open as to whom you might go to.

**Mr GRAINGER** - No, we have determined who our broker is. We have not agreed on the brokerage fees. That will come once we select a shipyard and will depend on which shipyard we select. We have been engaged with our shipbroker for a number of months now. He has been travelling with management, the CEO, to various shipyards to discuss the project - how we are going to commence the project, what we are looking at, what we are looking for, what we do not need, what we do need and everything else. The broker has been established and appointed, but I do not believe there has been any brokerage fee discussed yet. He would not be able to do that until we decide on a builder.

**Mr FINCH** - The name of the broker?

**Mr GRAINGER** - Mason Shipbrokers.

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**Mr FINCH** - Mason Shipbrokers. That is one person?

**Mr GRAINGER** - That is a company.

**Mr FINCH** - A company.

**Mr GRAINGER** - It is regarded as the leading shipbroker in the world.

**Mr HIDDING** - Where a government company has no particular skills of its own and contracts out everything would be very expensive. TT-Line is hugely experienced and while it has a broker, it would not need as much assistance as other companies. The people we have been working with in this Cabinet subcommittee, including Massimo, who is a master mariner in his own right. He directed the refurbishment of the two vessels in an internationally award-winning way. He is a very clever man. We have that expertise in-house which means the involvement with brokers is at the market face where you need high expertise.

**Mr FINCH** - Can I get some idea of how that brokerage fee is ascertained? Years ago it was 1.3 per cent of the deal was the broker's fee. How do we guesstimate?

**Mr GRAINGER** - It will be a discussion between the broker, the company and the shipyard, when the shipyard is selected.

**Mr FINCH** - You may know, Mr Grainger, what is going on in the world of brokerage, what are the fees you are likely to pay for a broker at this level and at the quantum of money we are dealing with?

**Mr GRAINGER** - I do not know; I cannot answer that. It depends on the ships, the shipyard and the broker. It depends on the experience of the broker and it will vary by x per cent.

**Mr DEAN** - It is on the percentage cost of the ships. That is what it was, I thought.

**Mr GRAINGER** - No.

**Mr HIDDING** - Probably on second-hand purchase of ships.

**Mr FINCH** - Will the taxpayers of Tasmania be given a rundown of what the implications were of the things you mentioned to come to the fee that is paid to the broker?

**Mr HIDDING** - In due course.

**Mr GRAINGER** - In due course it will be totally transparent.

**Mr FINCH** - That will not be commercial in confidence?

**Mr GRAINGER** - It may be.

**Mr FINCH** - When you say it is transparent -

**Mr HIDDING** - Transparent to a committee such as this and we can advise you in camera as we did a year or so ago. We are able to provide advice but where it is commercial in confidence

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and where it is going to cost the taxpayers a lot of money that sometimes has to be done in camera.

**Mr DWYER** - The broker is not involved in the decision-making within this process. The broker is purely there as an adviser. He does not sit within the actual decision-making process of which vessel, but only advises what is on the market and what is happening around the world.

**Ms SIEJKA** - Where is the broker based?

**Mr GRAINGER** - London. There is a reason for that. Most of the type of vessels like those we operate are based in Europe. That is where most of the leading brokers are based, in London or northern Europe, because that is where all the trade is done.

**Mr DEAN** - All the increases we expect from the new vessels are increased passengers and freight and so on. The increase is one I want to raise with the current ships. I understand there will be an increase in freight being moved on the current two vessels.

**Mr HIDDING** - What does that mean?

**Mr DEAN** - I understand that TT-Line plans to increase freight capacity on the current ships.

**CHAIR** - On the new ships.

**Mr DEAN** - On the new ships.

**Mr HIDDING** - There is no capacity at all on the old ships, not an inch left.

**Mr DEAN** - I understand, minister, initially you identified to companies and organisations that there would be no increase in freight moved on the *Spirits*, new or old, from the state. It is now announced there will be a slight increase but the slight increase now appears to be substantial.

In making that decision, has any consideration been given for those current shipping companies and organisations transporting and moving freight to and from this state? They have put on new ships, haven't they? One company has put on a new vessel to update capacity. They have made huge financial commitments. What is the impact likely to be and what is the consideration given to those organisations?

**Mr HIDDING** - There's been full consideration. The fact is that there are currently six ships in the Bass Strait fleet. SeaRoad had turned over one of their ships into a new ship and it has plans for the other. Toll has two ships under construction, with substantially larger capacity than they currently have. They are of a design that allows them to install an upper deck later - say in 10 years' time - when the freight market comes. Both of them have always understood that TT-Line, because it is last to leave, first to arrive, is highly sought after by the perishable freight people - the salmon growers, the cherry growers and the apple people. The later-to-leave and earliest-to-arrive is essentially TT-Line's business and has been since day one.

Our indication to the other market operators is that - and it always has been - TT-Line would seek to retain its share of that market as it grows, not to increase its share of the market, but maintain its share of the market.



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**Mr DEAN** - That is in perishable products only.

**Mr HIDDING** - Well, that's its market. I remember when we did the freight study into this. A shipper sometimes might send back the same trailer with bricks on it or something, but that is part of getting that freight over there. That has been the market condition. Both those other shippers extensively use TT-Line as their own freighter. They spend millions with TT-Line themselves. They know precisely what it is that the TT-Line carries.

The commitment has been, and remains, that TT-Line won't seek to increase its share of that market. A 39 per cent capacity there recognises these ships are going to be around for 20 to 30 years. In the projection, if you were to project 2 per cent to 3 per cent over a time, you will need that kind of extra space.

That is not to say that on day one, just because that space is there, they will be going out to fill up that space at some kind of premium price and taking freight off the other people. Definitely not. That commitment is there -

**Mr DEAN** - I think that is what is going to be a concern to those current businesses.

**Mr HIDDING** - We are in constant contact with those people. They have known that TT-Line new ships were coming in 2022-23; they are now coming in 2021-22. This is a commensurate upgrade with what they're doing themselves. While it is always uncomfortable for them to see a competitor build new ships, they themselves are building new ships to cope with the growth that will be coming out of the huge irrigation uplift in Tasmania. We have seen the value of these kind of commodities go up by some 17 per cent.

**Mr DEAN** - Is TT-Line's cost to transport freight across that strait of water very similar to that of the private organisations? There is concern that because it is a government-run organisation, it is not a level playing field, and they can take an advantage because they do not have to cover the same costs as a private contractor.

**Mr HIDDING** - TT-Line isn't cheaper. There is a market rate that everybody is generally on. If that were so, they would be winning because they spend millions themselves every year, shipping their products on TT-Line just because of the time-sensitive, perishable freight leaving last and arriving first.

**Mr GRAINGER** - TT-Line's costs are significantly higher because we are a passenger service as well as a freight service. Our mix of passenger versus freight is still 60:40 or thereabouts.

**CHAIR** - Is that 60 for passengers, 40 for freight?

**Mr GRAINGER** - Yes.

Our costs are significantly more because we're travelling at higher speeds, burning more fuel. What everyone needs to understand is we're in the niche freight business. We're not in the business of taking freight from any of the other containerised freight, for example; it is not our business. We are the last-to-leave, first-to-arrive freight - the niche freight. We are the most expensive freight provider. People need to understand that. As the minister said, we carry

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significant amounts of freight for both SeaRoad and Toll only because they cannot get it there fast enough.

**Mr WILLIE** - A supplementary question on the perishables and the freight, minister. Obviously Hobart Airport is expanding and there are a whole lot of opportunities there. Was a factor, when considering the freight capacity of the new ships, that potentially a lot of those niche items will end up going by air?

**Mr HIDDING** - It is actually a different market. The Hobart Airport extension is not only to handle Antarctic planes but also planes direct to China. That is the target. The target would be passengers in the top half of the plane, but some very significant in the belly of the plane as well. The kind of freight you would be looking to export is live rock lobster and live banded morwong fish, really high-value stuff, or very large cherries that sell for about \$5 a piece, which have to get there within days. Right now, quite a number of them, do go on TT-Line and squirt straight off to the airport in Melbourne having spent a day and a half getting to the airport where they would be flown out. In terms of quantum, it is high in dollars, low in volume.

**Mr WILLIE** - It is not going to impact TT-Line?

**Mr HIDDING** - No. They are aiming at growing that special market, that live rock lobster market, where they get a fortune for fish in that state.

**Mr GRAINGER** - Mr Willie, you could look at it in different tiers. The first tier would be what you have just described in terms of air freight that needs to be there the next day. The second tier would be TT-Line and the third tier would be the Toll/SeaRoad-type freight generally speaking.

**CHAIR** - Minister, you touched on the fact that Toll and SeaRoad both buy freight space from TT-Line. We heard some evidence yesterday that it causes some problem with other people wanting to get freight in this space which has been bought and they will not relinquish it. Do you want to comment on that?

**Mr HIDDING** - I will ask Bernard to do that because this is a market at work.

**CHAIR** - But if it is affecting the market of produce from Tasmania, I would expect that it is a problem.

**Mr HIDDING** - Yes, it is a problem for the Bass Strait freight market, and Toll and SeaRoad themselves as customers of TT-Line have rights. But every time we look at complaints like this, when we unravel it, we find those companies themselves have made a choice to put their own product on before that person's.

**Mr DWYER** - This still comes back to being this really high niche freight market that we operate in. SeaRoad and Toll have their own customers, their own primary producers in Tasmania, who have to move their freight at a similar time and way to the non-Toll and non-SeaRoad customers. It is a balancing act every day on what is the priority produce we can get on those ships, regardless of who it is. There is always a triage factor in how to prioritise that highly specific freight that needs to travel. Can we leave empties or can empties go with SeaRoad or Toll? It is a mix that happens on a daily basis that we try to satisfy.

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The minister and the chairman have talked about the sensitive freight, last-to-leave, first-to-arrive. I can give you an example. Primary producers are picking in southern Tasmania through the morning, getting it onto the trucks and onto our ships by 7.30 at night, into the distribution centres in Melbourne by 6.00 to 6.30 next morning. It is crucial for their business. The minister is fixing it but sometimes there may be issues on the Midlands Highway.

We will sometimes get a call to say that some of those trucks have been held up or are going to be late and we will hold the ship up for half an hour to make sure that freight gets on. You are talking about \$200 000- to \$300 000-worth of produce and if you don't get it into those distribution centres, the next morning it goes to waste.

**Mr GRAINGER** - A little bit more extreme than that, on some occasions if the trucks don't get to the distribution centre by a certain time, they are turned around and sent away. They then have to take the produce and destroy it. It is a very time-critical service we are providing and we have to make sure we can continue to do that. If you could elaborate on your earlier comment about a customer having concerns about not getting onto our ships, we might be able to explain that for you.

**CHAIR** - That was the proposition put to the committee: that there were concerns from people who are using TT-Line for sensitive freight that there was space available but it was taken up, paid for by SeaRoad or TOLL, or both, and that they wouldn't relinquish that space and they were having trouble getting their freight onto the ship. There is space, it is paid for, but they can't use it.

**Mr DWYER** - Can you be a bit more specific?

**CHAIR** - No. This is what the committee has been provided with. The same as you, we have some commercial-in-confidence information so we are not able to share names.

**Mr DWYER** - I think I understand what you're saying.

**CHAIR** - I didn't obviously explain myself well enough first up.

**Mr DWYER** - There is not one sailing we would travel that doesn't have lane metres used.

**Mr HIDDING** - We hear this all the time, but when we check it's not true.

**Mr DWYER** - If anyone is asserting there are two trailer spaces that haven't been used but paid for, it does not happen. We use every centimetre of that ship, every night.

**Mr HIDDING** - There are often trailers that have been waiting for three or four days with freight that is not sensitive that you would swing on if there was a cancellation. We get these issues raised; I write to the board, they will look at it and say, 'That was our situation that night and there was not an inch to spare'. People see things - they'll look down and say, 'There would have been space for my truck', or something.

**Mr FINCH** - We are normally not inundated, but we get plenty of questions to ask, but this year they are very sparse.

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**Mr HIDDING** - Let me explain why that might be the case. I am going to ask the CEO to explain something he should be very proud of. He is a very senior hospitality executive in his own right in Australia and he has implemented something that has changed the way people interact with the company.

**Mr DWYER** - I think the minister is referring to our customer satisfaction survey. We now survey every passenger who has travelled on the day of arrival electronically. They have the ability to fill in the survey and come back to us. We implemented this not long after the ship refurbishment. Anybody who rates us less than 85 out of 100 -

**CHAIR** - Gets a free trip?

**Mr DWYER** - or raises an issue with us gets a personalised email back within 12 hours. That is mandatory within our business. The satisfaction survey has increased from 91 per cent when we first started and next month is 93.7 per cent satisfaction. We are talking about a lot of people who responded to the survey. In my experience in the hospitality industry, 93 and 94 is up around the satisfaction level of a Henry Jones- or Safire-type satisfaction. For the number of passengers we move and the different types of passengers and vehicles we move, it is very impressive this company is achieving that. That goes back to our crew on the ships. They really look after the passengers; they care about the passengers. They don't always get it right, but that's fine, and that is why we get customer feedback.

I will use an example of how we improve our service. Not long after we finished the refurbishment, we were seeing a low satisfaction on the recliner lounge, for example. The feedback was that the seats didn't recline far enough and the footrest didn't come out far enough. We implemented a test of putting a 15-degree wedge under the seat so the whole seat rocked back and then it would recline back further and the seats would come up with some changes there. We trialled that on one of the ships over two or three weeks. The complaints on that ship dropped. We then implemented them on both ships and within three days we didn't have a complaint about the recliners again.

We need to keep building those things into our service so we are listening to what the customers are saying. The customers' expectations are changing and increasing all the time, as you might appreciate.

**CHAIR** - What about the customers who don't get on in their desired time frames? How do you get that feedback other than through a local member of parliament?

**Mr DWYER** - We have emails and we have telephone calls to our contact centre. I have to say our connect centres are brilliant in the way they can help our passengers if they can't get on. I think this committee, over many years, has heard, 'I want to get on next week' or 'I want to get on tomorrow to get across'.

**CHAIR** - We understand that.

**Mr DWYER** - In the high season that can't be done. We do a lot of social media; we do a lot of communications with our current passengers and future passengers. You have to book early to make sure you get on when you really want to get on.

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**Mr DEAN** - I think you would have read a letter to the *Advocate*, which was a very important one where a gentleman was very upset and annoyed. He booked for himself and his family to go across on the *Spirit*. They had to book several months in advance and then the return trip was about 12 months away. He had to pay upfront at the time so his complaint is why, if that were the case, he had to pay \$1000 upfront for 11 months' time when they would be returning. That was the whole trip.

He was asking: why does that occur? It is his money; they should be able to get a discount if that is the case because the line is getting interest on that money in the meantime for no service being provided.

**Mr DWYER** - I can draw parallels with many industries where that is exactly the same. If we didn't take money in relation to bookings, you would have a lot more no-shows and that is typical in hotels and in airlines; we are even starting to see that in restaurants.

**Mr HIDDING** - And they cost a fortune.

**Mr DWYER** - Yes, that is right. We need to have the discipline that if somebody has booked, they have paid and they are going to use that. If they cancel at any particular time, there is a certain way there is a refund for that.

We put in best practice - certainly in our industry - in relation to this. We look at this worldwide, not just in Australia because nobody is like us in Australia about that.

We very rarely hear that, I have to say, Mr Dean -

**Mr DEAN** - It was in the *Advocate*.

**Mr HIDDING** - The obvious answer is that in 2021, there will be so many more seats available that you wouldn't need to book 11 months in advance.

**Mr DEAN** - I see, you just rock up?

**Mr HIDDING** - On current projections, these vessels wouldn't be full all the time.

**Mr DEAN** - On the same basis, a family rang me the other day and said that they had turned up at the *Spirit* in Melbourne. They had booked a trip the wrong way around and they simply said at Melbourne, 'Wait, we'll make sure we'll get you on board'. That was himself, his wife and three children, and they were ecstatic.

**CHAIR** - There you go, positive feedback, thank you.

**Ms SIEJKA** - Just on the seats and getting access, I was curious that the model here seems to show that in the next generation some areas will have a greater increase in terms of the recliners and things like that. Obviously you have done modelling to see where you needed to increase some things more than others, and you have less of an increase on the cabins and more on the recliners. I wondered what the reasoning behind some of that was.

**Mr DWYER** - We have also improved the recliners.

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**Ms SIEJKA** - It sounds like it.

**Mr DWYER** - It is not obvious in that literature. We are looking to implement business recliners as well as normal recliners. That is why there is a bigger increase, to put something different into the market that people are after as well.

We need more reclining space, especially for day sailings. People like to use those recliners in day sailing, not just in the p.m. sailings.

**Ms SIEJKA** - I know in the past people hadn't been particularly comfortable and you mentioned before that you'd improved them. People were reluctant to spend the time in the recliners.

**Mr FINCH** - If I could get a comment on a letter that was in the *Mercury* the other week -

Travel on the *Spirit of Tasmania*? I think not, with \$1400 to go to Melbourne in April and no pension rates and \$720 back. Once again, the Government is ripping off pensioners. Have been caravanning to the mainland since 2002, up come the Commonwealth Games, whack, up go the prices. Did vote Liberal, not any more.

I just left that little bit in.

*Laughter.*

**Mr FINCH** - I am wondering, minister, if we could get a comment in respect to the caravan issue, to and forward.

**CHAIR** - Only the caravan issue, not the other matter.

**Mr HIDDING** - We have a very successful company that now has been able to move to procure two brand new vessels, the first ever for Tasmania, to build two brand new big vessels like this, because it is successful. Success has its problems. Before we came to government, it was not difficult to get on the ship because there were 330 000 people a year travelling, now it is 430 000. That makes it a little difficult. It has taken a while for people to understand they need to book earlier. Every year it gets better. We still see one or two letters like that, but last year there were a lot. An important change for TT-Line was when somebody would book a one-way fare and the website would flash up to say, 'It would be really smart of you to book a return, otherwise you are going to get stuck.' The advice on that has changed. Bernard has the numbers.

**Mr DWYER** - Over the last season and season coming, we have put day sailings on since September on a Saturday all the way through to after Easter, to make sure we have the over-high caravans and campervans. We lifted our motor homes capacity in the last 12 months by 12.68 per cent.

**Mr HIDDING** - It is amazing what comes off the *Spirits* every Saturday morning.

**Mr DWYER** - We were at the rally at Pontville with the Caravan & Campervan Association and we worked very closely with them to see where the demand is. Through marketing with them

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to say, 'Book over, but make sure you book back and we will put as much capacity as we can into the market to ensure that is there for you'.

**Mr FINCH** - In the letter the reference to the Commonwealth Games - 'whack, up go the prices'. Is that fact?

**Mr GRAINGER** - It is nonsense. Overall the prices on the *Spirit of Tasmania* are reduced.

**Mr HIDDING** - There are far more options. That person clearly has wanted to come not only at a premium time, but on a night sailing. There are day sailings where up until recently they were being promoted at \$380, or \$199 and car for free.

**Mr DWYER** - With the organisers of the Masters Games or was it Commonwealth Games.

**Mr FINCH** - No, Commonwealth Games; I will get onto the Australian Master Games.

**Mr DWYER** - With the Master Games we put on an extra sailing on through the day to make sure we had capacity coming in and out of the state.

**Mr FINCH** - So that is not fact the Commonwealth Games come and up go the prices?

**Mr DWYER** - No.

**Mr FINCH** - It is choosing the fare that suits the time of the year and the time of the sailing.

**Mr HIDDING** - Shop around.

**Mr GRAINGER** - It is easy in Tasmania for your constituents to write to the newspaper before they raise it with us or contact you. We encourage them to contact you - that is their right and is your job to deal with them. I read those comments in the newspaper and shake my head because I know they are factually incorrect.

**Mr FINCH** - That is why we flesh them out during the GBEs, to give you a chance to answer.

**Mr DWYER** - We go through the letters to the editor and if we see something in there where somebody has written in and we can find out who they are because they have signed it, we will actually follow up with them. You may have seen on the north-west coast only a month or so ago a letter of retraction saying they had put it in the paper, and we had actually followed it up and sorted it out because we did not know about it. They actually said, 'Sorry, we got it wrong', and they put a letter of retraction in.

**Mr FINCH** - So Stephen can expect to here for you soon, can he?

**Mr DWYER** - Probably already has.

**Mr FINCH** - Is that fact?

**Mr DWYER** - I would be surprised if he has not.

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**Mr FINCH** - We touched on the Masters Games, and I am just curious about how that unfolded, the cooperation able to be leveraged with TT-Line, the support able to be given and success or otherwise.

**Mr HIDDING** - First, if you would not mind, if you just tidy up something from your previous question. In the letter that spoke about pension fares - there is a fixed numbers of fares on every sailing reduced for pensioners. If we were to say every pensioner gets a discount, the TT-Line now would not be ordering new ships. It is simply unsustainable.

Because of our success, these pension fares are getting booked out 18 months in advance. Then somebody tries 12 months in advance and they go, 'What do you mean they are sold out? Do they even exist?' Yes, they do, every single sailing. Pensioners by nature, because they have time available, look at that and go, 'I will grab one of these cheap ones' 18 months out.

It is a good thing to have, but the success causes a problem. With the Masters Games, the overriding policy for the Government with its company TT-Line is that it is first and foremost a Tasmanian company. The CEO is based in Tasmania. All the effort is in this state. Bernard works very hard for almost everything on board to come from Tasmania. Working with major Tasmanian events is also a key effort of this company. The number of times people have said to me how pleased they are to be able to engage with a full Tasmanian operation on their side to come here and do these things. Explain the Masters' arrangement.

**Mr DWYER** - Sure. The Masters Games, Targa Tasmania and, believe it or not - you might not be aware - the Moscow Circus. For the Moscow Circus to come to Tasmania, they had an issue getting out of Tasmania in time. They were basically saying, 'We cannot come to Tasmania because we cannot get out and back to the next schedule.' We put an extra day sailing on for the Moscow Circus.

**Mr HIDDING** - Filled it with people as well, of course.

**CHAIR** - I hope you filled it with other people, not just the circus.

**Mr HIDDING** - Yes.

**Mr DWYER** - The ships were full, if I can put it that way. Similarly with the Masters Games, I met with Scott and Mr Fairbrother. We worked as soon as we knew that was coming to Tasmania to look at the potential for demand. We worked to make sure we put sailings on to actually suit.

Did they fill with everyone in the Masters Games? No. Because people often say, 'We will attract this number of people into the state', and you will get that many. It does not always work out like that, but we open up bookings to other people, not just for the Masters Games or for Targa to fill it up.

**Mr WILLIE** - You said earlier it is unviable to extend the pensioner concessions. What sort of cost are we talking about?

**Mr DWYER** - We could take that on notice.



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**Mr HIDDING** - We are happy to take that on notice, do a projection on it. That would be interesting.

**Ms SIEJKA** - To clarify, you said they were on all *Spirit of Tasmania* runs.

**Mr HIDDING** - Every sailing.

**Ms SIEJKA** - Every sailing, but there is only a percentage of them?

**Mr HIDDING** - Yes.

**Mr DWYER** - It is about between 12 and 14 per cent of all passengers are on pension fares for the year. It is around that.

**CHAIR** - Same as aged care beds and facilities.

**Mr HIDDING** - Yes, that kind of thing. Some are always going to miss out. Particularly when the travelling numbers were lowish, most pensioners were able to get a fare. Now they have to book out well in advance. That gets tricky.

**Mr WILLIE** - We have talked a bit about the replacement ships. Is there any capacity within Australia to build the ships? We have a very good local boat builder that builds fast ferries. Potentially there might have been capacity to have three or four of those going backwards and forwards at higher rates. Why are we looking to Europe?

**Mr GRAINGER** - We are not only looking to Europe; we are looking all over the world for the type of vessel we determined we needed. Let me go back a step. The current vessels have been very good. We have not missed any sailings through bad weather. They travel at high speed. We are running the daylight out of them at the moment. It was determined after a lot of input and a consultancy that a bigger, better version of what we have already is the answer to make sure we have enough capacity still at that high speed.

No-one builds those type of ships in Australia. No-one has the capability or the technology to build them. The best we can do in this country is Navy ships. Navy ships are a totally different kettle of fish.

We have the capacity to build lightweight, high-speed multi-hulls. We are the best in the world at that and that is globally known. But we determined those ships would not be suitable for what we need to do. That is based on historic data and on advice we have received from many other well-known international consultants.

**Mr HIDDING** - One of the key issues is the reliability. There is a standing maritime rule for multi-hull vessels that they can't leave port with a sea state above a certain height and that is a regular occurrence in Bass Strait.

**Mr WILLIE** - Do you know how many days per year they would be unable to leave port?

**Mr GRAINGER** - It depends on who you speak to. There may be a time in the future when a lightweight, high-speed multi-hull with the required capacity could be an option. It would need to be a very large version of what is being built at the moment. It might be something the

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company would look at long after we are gone. At the moment, our requirements and our capacity constraints and the timing of the international legislation on emissions - put all that together and we have to get a couple of new vessels with more capacity that can do exactly what we are doing now but are more efficient, cheaper to operate and all the rest of it. That was the only option we had.

**Mr HIDDING** - The Government instructed TT-Line to have a very close look at Incat vessels or any other Australian-made vessels, and a large body of work took place before they were reluctantly ruled out.

**Mr WILLIE** - I hope that would have occurred, given it is in our backyard.

**Mr GRAINGER** - We could not sit here, as a Tasmanian-owned company and not look at what our greatest export business in the state has done. We would be foolish even to not consider it. We looked at it very carefully. It came down to a numbers issue, as I previously explained.

**Mr WILLIE** - You touched on emissions. In 2020 those new regulations come in and we will still have the old ships. How is that going to be managed, and is there going to be a cost to that?

**Mr GRAINGER** - Yes. It will be managed. There is still a little bit to be determined but we may need to install what are called scrubbers on the existing vessels. We may approach the federal government to allow us to continue past 2020 into 2021 or 2022, maybe, given we have new vessels on order or we hope to. It could be a case where the market for the existing ships could be down if they are not retrofitted with scrubbers to comply to the new regulation because there are not too many countries left that will not apply those international regulations. There will be a cost and it may be significant. It may be very time-constrained for us because it is quite a large project to install a scrubber on a ship. If that is the way we need to go, the company is looking at it. The company has done a lot of work already. Scrubber technology is improving almost daily. We are dealing with it.

**Mr HIDDING** - Right now for those vessels, the latest valuation was static from last year's, which is great news - €65 million each, which is about \$90 million. If notionally, TT-Line were forced to spend €10 million on a €65-million vessel, its value would be €75 million. You wouldn't lose your dough because it would be ready to go anywhere in the world.

**Mr GRAINGER** - The CEO has just reminded me that another option may be low sulphur fuel, if it is available, if we can have the infrastructure to bunker it. That might get us through. There will be some changes need to be made to the engines to handle low sulphur fuel. It's a numbers game, Josh. We have to pick the best numbers we can.

**Mr FINCH** - How long will it take to build the ships?

**Mr DWYER** - We are expecting delivery in 2021.

**Mr FINCH** - How long will it take to build the ships?

**Mr DWYER** - It is about two-and-a-half years from the signing of the contract.

**Mr FINCH** - You will need to have it ordered halfway through 2018?

**Mr DWYER** - We have announced [inaudible] to the Government, so we expect contracts to be signed in the first half of 2018.

**Mr FINCH** - Okay. Further down the track, with the fit-out of the ship - I notice you mention there it is going to be Australian or Tasmanian -

**Mr HIDDING** - Tasmanian special timbers.

**Mr FINCH** - I am just wondering, with the success of the refurbishment of the old vessels, would the same company would get that gig or would it be out for tender, unlike the brokerage system?

**Mr HIDDING** - No, the vessels will be built entirely by a shipyard in that shipyard. However, there will always be an opportunity for a special fit-out, particularly if we have our own special Tasmanian timbers. That joinery could well be made here to certain specifications to go over already fabricated, or it could go over as timber and have local craftsmen fit it there. Either way, it would be our intention that our very best special timbers are right through the vessel.

**Mr GRAINGER** - The Government, and particularly this minister, has made it very clear from the day we started this discussion on vessel replacement that his requirement - and we agree with it - is that we need to have as much Tasmanian content in the new vessels as humanly possible. Whether that is timber or something else is irrelevant for this conversation, but rest assured the shipyards the management has had discussions with already have been told that our intent is to have as much Tasmanian content in these vessels as we can humanly do, provided it is cost-effective and legal.

**Mr DEAN** - Was a third vessel considered?

**Mr GRAINGER** - Yes, a third vessel was considered, four vessels were considered, and different types of vessels were considered. It is a broad range of considerations, Mr Dean, but we kept getting steered back to what we have decided on. We had a lot of international consultants offer us advice and we put it to the test.

**Mr HIDDING** - What wasn't considered was a Sydney service. That was costing a huge amount of money.

**Mr WILLIE** - How are we going to pay for the replacement ships? Obviously a bone of contention between the Liberals and my party has been the dividend and the legislative lock. It is a fact that the board could have invested that \$40 million, or the \$80 million, into TASCORP if it chose to do so. We have every confidence in the work you are doing, Mr Grainger, to manage that.

**Mr HIDDING** - Seeing you have come at it from that angle, the reason we have sought the special dividends and put them in legislative lock is so that another party other than ours - whoever that might be, Josh - couldn't get its sticky fingers on it -

**Mr WILLIE** - That's just garbage.

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**Mr HIDDING** - It is not at all. It wasn't garbage with the superannuation account your party completely emptied without any reference to parliament. We said, 'If you want to strip money out of the TT-Line to pay for some other policy ideas you had, you had to come to parliament and explain it'.

**Mr WILLIE** - If you're being truthful about it, it was about putting that money on the government accounts to improve the bottom line.

**Mr HIDDING** - No. It was based on previous actions of a previous government and we have protected it.

An amount of \$180 million will be in that account - that is with \$20 million of general budget funds we committed to. By that stage TT-Line will have more cash at hand as well as those dividends, and the business model supports the rest.

**Mr WILLIE** - It is a fact that the board could have chosen to invest that \$80 million into TASCORP as a decision.

**Mr HIDDING** - And with one letter you could direct them to hand it over to you and pay off some dodgy election commitment.

**Mr WILLIE** - So the answer to my question is, yes, the board could have made that decision to invest the money into TASCORP?

**Mr HIDDING** - We locked it away from sticky fingers.

**Mr GRAINGER** - The board had to agree to what we did. The board could have said, 'No, Mr Treasurer, no, minister, the board doesn't agree with the special dividend'. We had some robust discussions over it and I wasn't prepared to take the suggestion from our shareholders that a special dividend be paid. I wasn't prepared to take that to the board and ask them to approve it without having full disclosure and full information, looking at it very carefully and it took some months the discussions with myself and the minister and the Treasurer.

We took it to the board, the board asked a lot of questions and the board decided that was a satisfactory course of action. That is how it went. The board could have said not but they did not, they agreed to it.

**Mr WILLIE** - There were other options available.

**Mr GRAINGER** - Of course. There was always other options.

**Mr DEAN** - On the new vessels. Have you any idea of the figures that might be required in additional employment on the new vessels?

**Mr HIDDING** - I think Mr Dwyer could assist us with that.

**Mr DWYER** - We are working very closely to look at that. Bigger vessels, more runs, more employment, which is absolutely what we are about. We will obviously need more employment to carry more passengers and freight. The efficiencies we look at in the business are to minimise the impact on passengers. We want the thoroughfare through our yards onto the ships as

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effectively as possible. My hospitality background is that you need people to give good hospitality service to passengers on the ships. There is no reduction.

**Mr DEAN** - That brings me to the next question. What work is being done with the education side to ensure we have the people? Hopefully a lot of Tasmanians would be employed within those two ships. Is there any approach, minister?

**Mr HIDDING** - Mr Dwyer is all over this.

**Mr DWYER** - A great question and I look forward to answering it. We are working with TAFE and the Living City in Devonport on how we tie the campus and education through their Living City program with ourself. A lot of our hospitality training, not marine training obviously, but most of our hospitality training and refresher training would happen through TAFE within Tasmania.

**CHAIR** - Will the Garden Island dry-dock facility cater for the new vessels into the future?

**Mr DWYER** - Yes.

**CHAIR** - No issue around that?

**Mr DWYER** - Availability may be an issue but certainly size is no issue.

**CHAIR** - Because we have had some issues before around Garden Island.

**Mr GRAINGER** - It might be worth mentioning given the Australian Navy's procurement of additional vessels and Garden Island being pretty much the only dock, it could be an issue down the track, but we will have to deal with it at the time.

**CHAIR** - Mind you, they are new vessels and not going to break down.

**Mr GRAINGER** - Of course not, but they still need to be dry-docked every two years.

**CHAIR** - We understand they still need to be maintained.

A very important issue for this committee is biosecurity.

**Mr DEAN** - This is an issue. A stakeholder has also talked to us about this. That is, that biosecurity is not only to be the responsibility of DPIPWE, but should also be a responsibility of TT-Line, because with so much of our produce coming in on it, it needs to be a shared situation. My question is: what is TT-Line doing to ensure our biosecurity laws are covered in the best possible way? That our borders are protected not only getting onto the ship and getting off it? What is happening this end? The question of muddied vehicles, for instance. What happens with those vehicles that come in? The other question - and you might answer these together, minister - is that there seems to be no record or check made of passengers on board those ships. In other words, like an international fare you are required to identify whether you have been on farms. If you have been on farms, what farms you have been on and so on. Transportation of blueberry rust, for instance. What is TT-Line doing to make sure we and our borders are protected?

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**CHAIR** - Managing risk.

**Mr HIDDING** - Before I hand over to the company, could I say one of the things we are very proud of is that in the last few years, we asked TT-Line staff to participate in pre-board checks. Cars are sitting there before they get on. There are official staff there and it has resulted in many tons of extra material now being removed from vehicles than the Devonport checks. The fact is a huge amount of material is now removed from cars before they get on, and that is a change in biosecurity.

We need to place on the record our thanks for the terrific staff who yesterday became aware of this announcement and are very excited. They love their job and that shows why we are getting the customer satisfaction we are. Not only have they participated in checking cars and helping people to know what they can bring in, but they are also providing travel advice. They are used to saying, 'Why don't you go to the west coast? At the moment there is snow there so why don't you go that way?' The feedback we are getting from customers is staff are wonderfully helpful and it reflects very well on the company.

**Mr GRAINGER** - As a company we have ramped up our involvement with Biosecurity Tasmania significantly. Bernard can be a bit more specific about that.

In answer to your other question in terms of more of a security question?

**Mr DEAN** - Yes.

**Mr GRAINGER** - There are security checks made. Bernard and the management team have regular briefings from ASIO, the Australian Federal Police, Victoria Police and Tasmania Police. It is something we are unable to discuss.

The board was briefed recently by ASIO and the Australian Federal Police. Again we are not allowed to talk about it, and you will understand why. Suffice to say, we are turning the volume up on security, both biosecurity and unlawful security.

Bernard can be a bit more specific in terms of the quarantine procedures we now have in place.

**CHAIR** - Do we have biosecurity officers on Melbourne end?

**Ms SIEJKA** - What is unlawful security? What do you mean by that?

**Mr HIDDING** - Behaviour, bkie groups, perceived threats.

**Mr DWYER** - We have the [TBC] Auscar pit in Melbourne where every caravan and vehicle is checked on the way through. I cannot go into details, but there are processes around that which our staff are trained for.

**Mr DEAN** - I would like to know how they are checked because I have come on it several times and my vehicle has never been checked.

**Mr GRAINGER** - Not that you know of, Mr Dean.

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**CHAIR** - There you go.

**Mr DEAN** - How is the checking done? Anyway, keep going.

**Mr DWYER** - Regularly audited by Biosecurity Tasmania. Since we have implemented the new arrangements in December 2014, we have collected over 50 000 kilograms of material and taken off people before they have even gotten onto our vessels.

The question you mentioned was about wash down of vehicles. The vehicles can be washed down in Melbourne or can be flagged and there is a wash down station in Devonport. Every time we come off in Devonport, there are Biosecurity people in the big shed you would have seen there.

**Mr HIDDING** - A sticker goes on the window, doesn't it?

**Mr DWYER** - Yes, plus the flag.

**Mr HIDDING** - You get a special stocker.

**Mr DWYER** - Even if people want to take fruit onto the ship to consume, their car is flagged and then the car is then checked again in Devonport to make sure there is no material in there. We do the best we absolutely can, because we are very conscious about the security of the state from a biosecurity point of view.

**Ms SIEJKA** - In relation to security, there is minimising the use of the *Spirits* for importing illegal drugs. Is TT-Line are happy with the level of support provided to them by Tasmania Police in that regard.

**Mr HIDDING** - One of the first things I was able to do, because I am also the Minister for Police as well as the minister for this company, was to bring them together for the first time a formal sense.

Sitting with the Police Commissioner and all these senior people, we had a very fruitful discussion which has led to all kinds of relationship and tactical risk improvements. As ship operators, they need to know as much as possible about who is on board and what might occur and what might take place.

Police are a part of that, and so they do inspections as people get off the ship. In the past there was some barrier the TT-Line people did not really want police to be inspecting vehicles and that has all changed.

There is a common-sense, practical relationship now. There are often drug dogs, particularly if it is intelligence based. They know what they need to be doing. We don't have any specific concerns about that at all, because it is a very strong relationship. As a former police officer you would understand that it is somewhat uncomfortable. We have the arrangement of free trade between states. You can have 1400 people on board the vessel, other than your own crew, and you have no idea who they are at all. They could use Donald Duck as a name and board, whereas airlines have a national law that says you must not travel on anyone else's ticket. We are not proposing to talk about changing that unless it should become necessary.

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As part of a national counter-terrorism effort, the TT-Line regularly participates in special counter-terrorism activity, the flavour of which you probably would be able to work out. There is a high understanding of risk and management.

**Mr GRAINGER** - There may be opportunities for us with new vessels for better identification, for example.

**Mr DEAN** - I would have thought that today it would be an imperative, a basic fundamental requirement with security the way it is and acts of terrorism,

**Mr GRAINGER** - I don't disagree with you.

**Mr HIDDING** - It isn't because of our rule between states. Neither do we want to flash it up publicly that that could be a way to do it. You would be aware that nationally we are moving to facial recognition, biometrics. You would never know if there was a set up as people were getting out of their cars, for instance, somebody gets flashed up. The onboard security staff are highly trained and can manage these matters.

**Mr GRAINGER** - The technology is moving ahead fast enough within the marine industry, certainly in Europe, and probably to a lesser degree in the US, that we may well be able to implement better security measures just through the normal process of booking on the ships and getting on board. Time will tell.

**Mr HIDDING** - Nobody should believe that the TT-Line is a soft target though. That would be a very wrong-headed position to take. They could get a big surprise.

**CHAIR** - Can I get to address the fuel hedging strategy for the operation? I noticed in the financials that the cost of fuel has reduced, yet we've had more sailings. I'm interested in how that's happened and what might be behind it. Have we had a very successful fuel hedging strategy?

**Mr GRAINGER** - I have the information in front of me, but it is complex.

**CHAIR** - Can we have a non-complex answer?

**Mr GRAINGER** - Mr Dwyer will provide that I'm sure.

**Mr DWYER** - Non-complex. We are becoming more efficient on how we are driving the vessels, so the consumption on the vessels has improved over the past few years. Even though there have been more sailings, the consumption of fuel per trip has dropped. The price of fuel has been pretty steady. As you would all be well aware, over many years our fuel hedge strategy has levelled it out, it is not speculative at all. It is to level that out.

The sort of things we do with these ships in dry dock, for example, is apply something we call inter-slick paint. That has given us a 3 per cent to 4 per cent improvement in dropping fuel consumption since that's been applied. There are lots of technologies. Fuel for any shipping company in the world is of high importance. We will look at any way we can to minimise that cost to the business.

**CHAIR** - That sounds like a very non-complex answer, thank you.



**Mr DWYER** - I'm not a complex man.

**Mr GRAINGER** - It's a complex subject, let me tell you. We entered into our first fuel hedge in July 2008. At this time the price was \$US145 per barrel and the Australian-US dollar exchange rate was 0.96 cents. Most of the expert predictions were that the price of oil would continue to rise to \$US200 per barrel. At the peak of the GFC in October, the price of oil dropped substantially from near \$US145 a barrel to \$US40 a barrel. In addition, the exchange rate dropped to about 64 cents.

We hedge our fuel in Australian dollars; therefore, hedging not only the underlying price of fuel, but also the foreign exchange movements in cooperation with that. We hedge a portion of our fuel usage over a three-year period. Sometimes it can be swings and roundabouts, but overall it has been successful.

**Mr DEAN** - What would be the fuel cost from Devonport to Melbourne and Melbourne to Devonport on average?

**Mr FINCH** - Is it about 70 tonnes?

**Mr DWYER** - Yes, it is about \$70 000.

**Mr DEAN** - For a one way trip it's about \$70 000?

**Mr DWYER** - Yes.

**CHAIR** - No wonder it costs \$1000 to put your van on.

**Mr FINCH** - In some of the expenses, I see the repairs and maintenance is down a couple of million dollars. Is that because the maintenance or the refurbishment might have picked that up?

**Mr DWYER** - Refurbishment, and also the amount of work we put into these vessels in dry dock. We would rather spend the money in dry dock to make sure they are right, rather than have an issue when they are on the run. We look after these vessels in dry dock. The benefit of that is that anticipated repairs and maintenance has decreased as well.

**Mr FINCH** - So you did not need to spend so much this financial year compared to the previous one.

**Mr GRAINGER** - Suffice to say that our dry dock costs are increasing every year. As the ships get older, they cost more every time we go to dry dock.

**Mr FINCH** - Some expenses are understandable but customer acquisition: in 2016, that year, \$12 647 down to \$11 845. What was the change in customer acquisition modus operandi?

**Mr DWYER** - That is right. Customer acquisition, mainly around our marketing obviously. We have a brilliant marketing area that is very expert in what it does. We are now more into the digital space in marketing and much more targeted marketing. That is a lot less expensive than doing mass marketing on TV, radio, et cetera. We have moved more into this targeted marketing and re-marketing. For example, if you google 'Spirit of Tasmania', on the next 30 sites you go,

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you will probably see a *Spirit of Tasmania* ad on there as well. We do that type of target marketing.

**CHAIR** - Does that mean that if somebody googles 'North Melbourne Football Club' that comes up with the TT-Line as well?

**Mr DWYER** - Potentially, yes.

**CHAIR** - That is a relevant question given that the marketing budget includes a new contract for the North Melbourne Football Club. I know you are not going to tell me how much it cost, minister.

**Mr HIDDING** - That has been disclosed.

**Mr DEAN** - They have given some figures now.

**CHAIR** - Is that the entire cost that has been shown?

**Mr HIDDING** - The commercial deal between the company and the North Melbourne Football Club for the naming rights sponsorship is commercial-in-confidence. It is the only way the North Melbourne Football Club would do the deal, but the Legislative Council asked for an in-camera briefing on it and got it. Four or five members turned up, and indicated in writing to the company that they were satisfied and did not need any more information.

**CHAIR** - The value back to the organisation - obviously signing up for a five-year extension of that contract.

**Mr HIDDING** - This is a very powerful relationship that goes straight to the target market for TT-Line customers. We are very confident that that is a wise investment. You can speak on that as well. It is an extraordinarily powerful market.

**Mr DWYER** - Like keeping it simple: 433 000 passengers with less marketing cost.

**CHAIR** - Can you attribute how many of those come for football games?

**Mr DWYER** - The sponsorship of North Melbourne is not about putting people on the ships to come and see the games in Hobart. The main driver of the North Melbourne sponsorship deal is the demographics of North Melbourne matched very closely with the demographics of our target markets. Our biggest market is out of Victoria. I cannot attribute a booking to a single point of North Melbourne but it is substantial and we are very pleased with the outcome of that sponsorship deal.

The chairman, the minister and I are very passionate about the North Melbourne and junior football and women's football in the state. Our being able to have that commercial deal, and the side benefit of the social capital in relation to that, is very dear to us.

**Mr FINCH** - More to this expenses page, about the employee benefit expenses. I notice there is a big increase from 2016 on the termination benefits from \$188 000 to \$545 000.

**CHAIR** - There is a note but it is a bit of a mixed message.

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**Mr FINCH** - Annual leave, long service leave, and other entitlements paid on termination. Can I get some explanation of that increase?

**Mr DWYER** - I am trying to work out what figure you are looking at, Mr Finch. What page of the annual report is that?

**CHAIR** - It is \$545 000.

**Mr FINCH** - I am not sure of the page in the annual report.

**CHAIR** - We have our own pages here. It's 'Termination benefits' and there is a note. It is a bit of a mixed message when it talks about annual payments, long service leave, and other. 'Other' always bothers me.

**Mr DWYER** - Can I get some expert advice from behind me to answer that?

**CHAIR** - Absolutely. We are happy to have expert advice at the table, Bernard, additional to what we already have. We are surprised, given we have such a happy crew, that we have a lot of termination payments.

**Mr DWYER** - I don't think it is a lot of termination payments.

**Mr GRAINGER** - It is more about a timing variance than anything else but it can be explained.

**Mr DWYER** - Can we take that on notice and bring some detail back on that?

**Mr FINCH** - Yes. My curiosity is about whether this chart is in the annual report. I have not gone back over the last year or years before.

**Mr DWYER** - This is the accounting standards and that is always in the annual report.

**Mr FINCH** - Yes. If I could just have some explanation of those employee benefit expenses but honing in on the termination benefits. When you say 'terminations', is it people finishing up work and getting their payouts? How many were involved?

**Mr DWYER** - Yes. That covers long service leave entitlements and everything in relation those payments.

**CHAIR** - Thank you. We will send a letter.

**Mr FINCH** - An understanding of the increase, thanks.

**Mr WILLIE** - It has been brought to my attention that we are spending all this money on marketing but the website might not be up to date. There is no annual report on the website, and the last press release was October 2017. I am probably getting someone in trouble here.

**Mr DWYER** - You are getting the CEO in trouble. That is my accountability. I will follow that up.

**Mr GRAINGER** - I am not sure what the question was.

**Mr WILLIE** - We are spending a lot of money on marketing and the website appears to be not updated regularly.

**Mr DWYER** - That is the corporate part of the website, not passenger. We have obviously focused on passengers. I will chase that up.

**Mr HIDDING** - Ordinarily, the annual report, not long after it gets tabled in parliament, would be up on the website.

**Mr DEAN** - I have one further question on biosecurity. I asked the question but it was not answered, not deliberately though. Backpackers are currently moving from property to property. It has been raised with us during our stakeholder meetings that they are possibly transporting some of the diseases that we are getting. I am using blueberry rust as an example only. There are a number of others that were referred to us from stakeholders. Would it not be reasonable in the circumstance to simply have a tick and flick sheet, similar to what we have on international flights, to ask whether you have been on a farming property and where you have come from, to protect our borders? Our clean, green image and Brand Tasmania are critical to Tasmania. It has been suggested by this very important stakeholder in this state saying something more needs to be done on the *Spirit* vessels and the TT-Line.

**Mr DWYER** - I am happy to take that up with Biosecurity Tasmania and have a look at that. No problem.

**Mr DEAN** - Excellent. Thank you very much. While the mishap at Port Melbourne happened in January of last year, I don't know if all of the findings were out for us in our last GBEs and so on.

**CHAIR** - We didn't have them last year.

**Mr DEAN** - That is right, we didn't. With the lessons that have been learnt from that, and I think it was suggested that TT-Line was at fault inasmuch as it didn't look at the weather reports as closely as what it could have and had more knowledge of what was happening in that area -

**CHAIR** - Have they got a heavier rope, is that what you are asking?

**Mr DEAN** - Yes, can we be reasonably satisfied that is not likely to happen again?

**Mr DWYER** - We had the Australian Transport and Safety Bureau investigate that and they came out with their 30-day report as well as their 12-monthly report. We have responded to that report through that period. We have updated our processes and our systems as well as what we call lines, not ropes, and we have completed that to the satisfaction of the ATSB. Can we guarantee it will not happen again?

**Mr DEAN** - You cannot do that. I am not asking you to.

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Have there been any onboard security issues on the vessels with passengers and if there have been, how many have there been and what is the situation there, minister? With people offending and creating problems on board.

**Mr HIDDING** - I am going to hand that to Bernard because it is operational and also operational police for me.

**Mr DWYER** - I don't have a specific number but our security people deal with the public every night and every day. We have a brig on the ship as well.

**Mr DEAN** - Is it possible to take that on notice, minister? I would like to know the number of incidents and I would like to know whether there has been an increase? Are we seeing an increase in that area because of drugs like ice and all those other things? If I could be given those figures for the last three years of onboard incidents involving unruly activities.

**Mr GRAINGER** - It depends on the degree of incidents you are talking about.

**Mr DEAN** - Those requiring an intervention of some serious nature. I am not talking about somebody who might yell loudly or something like that. I am talking about an incident that requires real action by TT-Line staff or security staff.

**Mr HIDDING** - We can get you some information and we will pitch it at an apples with apples kind of thing.

**Mr DEAN** - I don't want to know about the minor things. I am not interested in those.

**Mr HIDDING** - I will make the point that I have learned in passenger transport, whether it is a bus or a train or a ship, the better the facilities, the fewer incidents you have. I am not sure if you have been on the *Spirits* lately; it sounded like you have.

**Mr DEAN** - We've had a look at them, which was great.

**Mr HIDDING** - They are very smart. It would likely to be fewer with a very smart environment. I would be interested. Could you put that on notice?

**CHAIR** - Are we getting passenger trains back then? You talked about passenger trains.

**Mr GRAINGER** - To provide some level of comfort, we record incidents onboard the ship that are reportable. We also report when the brig is used. That is all information we have at our fingertips.

**Mr DEAN** - That is all I want. I don't want to know about the other minor issues.

**CHAIR** - Minister, there has been some concern in the past about the Port Melbourne facility. There are new owners and Tasmania had to go and talk turkey about the arrangements. Can you just give us an update on where we are on that? Are we firm?

**Mr HIDDING** - I think the 'talking turkey' element was the sale of the Melbourne Ports -

**CHAIR** - They were going to put the price up for us to be there.

**Mr HIDDING** - They were. There was considerable discussion about that with the Victorian Government, directly premier to premier, treasurer to treasurer and transport minister to transport minister. We landed in a pretty good place. Both of the commercial shipping companies, which are the only ones impacted by the deal as they are in Webb Dock, we landed with pretty good tenure deals, allowing them to invest in new ships. That came out okay.

It is important I place on the record that Station Pier was not part of the sale of Melbourne Ports. It is a facility in its own right operated by Victorian Ports. TT-Line has a tenure contract on Station Pier for a period of time. Victorian Ports would be very keen to sign TT-Line up to a much longer deal. As it happens, TT-Line is in a position to negotiate for the new vessels to be there. It is a two-way street at the moment. It is the preferred port, which is what TT-Line is naming it. The negotiations with VicPorts are robust.

The business case was projected on Devonport and Station Pier. We are confident that it is what the end result will be. As I say, we are currently contracted there for a period of time. As it happens, the only other activity at VicPorts is cruise ships, which are famous for not paying very much. It could be argued that TT-Line is the anchor tenant. Without it the VicPort's facility would be in a deal of trouble. We are in a good place to negotiate a good deal.

**CHAIR** - That is good. That is often one of the issues when a committee likes this looks every second year. This was an issue that was raised with the committee two years ago, believe it or not.

**Mr FINCH** - Can we get some idea of how many employees we on the backward and forward trips? Where are the crew recruited from? How many are Tasmanians? How are they accommodated? Do they sleep onboard? Do they sleep at East Devonport?

**Mr HIDDING** - Good questions.

**Mr DWYER** - On average it is 71 crew per sailing both ways. Most of the arrangements are four weeks on/four weeks off, with personal arrangements in between. We effectively have four swings of that number. The total employment of the company is about 550 employees. From a crewing point of view, it is pretty well spread - 50:50 Tasmanian v Victoria. The crew have their own cabins on the vessel. When we have two sailings a day, we have exactly the same cabins on shore at Station Pier they can use. In Devonport we have the Edgewater Hotel, which we use for staff and crew accommodation.

**Mr FINCH** - That changeover and doing those extra sailings must up the ante as far as the organisation of the crew is concerned. Congratulations on being able to get the extra sailings going. Industrial relations is a linchpin of TT-Line. Can you tell us something about that? Is it the Maritime Union of Australia you still deal with? Relations must be good.

**Mr DWYER** - Relations are very good. My crew on the ships are amazing. I go back to the refurbishment we did three years ago. We had refurbished those vessels over three or four months on the run. We were jackhammering and working in their homes basically. The amount of goodwill we had from the crew keeps going. We look after them but they reciprocate and look after us as well. We have a very professional relationship with the Maritime Union of Australia. They understand we are trying to grow our business and they know a business that is growing is

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good for our crew and their members as well. We have a very good professional relationship with them.

**Mr GRAINGER** - Mr Finch, I think you and I are probably the ones who have been around this table for the greatest period of time. You will remember the relationship the company had with the unions 10, 12 or 14 years ago, which was not good. At the moment the relationship between the company and the union is the best I have ever seen. They are working together, pretty much in harmony, and achieving great results. That has been a change of attitude from the unions but, probably more importantly, the company being prepared to sit down with the unions and negotiate. It is a very good relationship.

**Mr HIDDING** - They love their jobs and their workplace now after the refurbishment. They were so excited to show us over the new ships.

**CHAIR** - Some of the members have had a look first-hand as well.

**Mr FINCH** - So we don't have a them-and-us situation so far as the operations are concerned?

**Mr HIDDING** - Probably as good as you would hope for. I suspect it is because the staff love their jobs so much. There is always the possibility they might raise a point over a period of time but it will be dealt with positively. They have a very positive relationship, the union and the company.

**Mr FINCH** - Have you ever needed to go over the odds as far as remuneration is concerned or is there a salary you stick to?

**Mr DWYER** - There is an enterprise bargaining agreement we have is agreed across the MUA and all our crew, ship and shore.

**Mr FINCH** - Is that reviewed?

**Mr DWYER** - That is reviewed every four years. We are at the tail end of a negotiation at the moment.

**Mr WILLIE** - How do you go with recruitment? Are there particular skills shortages you struggle with? We know there are a lot of chef shortages in Tasmania, for example, maybe even some of the more skilled jobs - all the way up to piloting the ships?

**Mr GRAINGER** - It depends on the level. It depends on whether they are able seamen, officers or the like.

**Mr WILLIE** - To clarify my question, are there particular areas you struggle with in recruitment?

**Mr DWYER** - We don't struggle. We have a celebration of service awards every second month and I am constantly giving away awards and celebrating people with 20-, 25- and 30-year experience with the company. We have some movement in high season as people come on and off but the core of our crew is very stable.

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**Mr WILLIE** - When you are talking about seamanship, you would hope there are a number of graduates who come out of AMC and others in local areas into the company?

**Mr DWYER** - Absolutely. You need movement, as you would appreciate.

**CHAIR** - So people don't leave very much, potentially?

**Mr DWYER** - No.

**CHAIR** - Minister, can I take you to the Tasmanian Freight Equalisation Scheme? My understanding is that in the last financial year the company received \$47.7 million under the Freight Equalisation Scheme. That is a decent percentage of revenue.

**Mr HIDDING** - No, that is not freight equalisation. That is the Bass Strait Passenger Vehicle Equalisation Scheme. That is paying for people's cars.

**CHAIR** - Okay.

**Mr HIDDING** - The federal government pays an amount of money for every vehicle that travels over and then there is a car and caravan combination.

**CHAIR** - Because that is our highway; that is the recognition of our highway

**Mr HIDDING** - Yes. It was negotiated back in the 1990s, when Senator Newman and others and all Tasmanian federal MPs, worked on it and received that as a payment for highway equalisation.

**CHAIR** - Apologies for not getting the exact terminology right. I knew it was a subsidy. Is there any cause for concern into the future around that? No federal government would dare take that away.

**Mr HIDDING** - No. It is a very good point you raise, because we are going to larger ships and it is a completely uncapped scheme.

**CHAIR** - There will be more vehicles, so there will be more money required.

**Mr HIDDING** - Yes. It is completely uncapped. There is no, 'Oh we are sorry, we did not know you would get that high'. The company does not see this as a subsidy. This is assistance for the traveller. It is an equalisation paid to the traveller to be able to come across in a reasonable cost effective way. You still have to shop around.

**CHAIR** - A fair bit cheaper than a road or a highway on the big island.

**Mr HIDDING** - The Productivity Commission did some work on that and they reckon Tasmania is doing all right out of it. There were a few people chasing this down and have backed off in case we are on the wrong side of the argument. It is a lot of money if it was maintenance, for instance.

**CHAIR** - Thank you. It is good to get that clarification.



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**Ms SIEJKA** - As the chairman of TT-Line, you would be fully aware of your obligations under corporations law as a company director. Minister, what written assurances have you given the board about the commitment and capacity to fund the replacement vessels and the contractual obligations they will enter into on behalf of Tasmanians?

**Mr HIDDING** - The process for the ships' acquisition is a business case was developed by the company, went through the Cabinet subcommittee and referred to Treasury. Treasury had it for some time and it was a major exercise to assess. Treasury approved the business case, after which Cabinet deliberated on this matter and has written to the board with a certain set of position. I cannot discuss because they are in Cabinet, but you would understand what they are about, to allow the company to go to the last six months worth of its procurement processes. The board ordinarily would not be able to go any further. You would say, we could not possibly go any further without our shareholder minister's backing us in this.

In terms of commitment to the business case, the Government, from its own budget, has to commit to \$20 million, two tranches of \$10 million into the ships' replacement fund and is agreed, going to happen and is available to the business case. After that, the company is able to move to its procurement and to funding arrangements. The funding arrangements within our public sector is they are required to go to TASCORP in the first instance to talk through their commercial borrowings. Yes, there has been communication between Cabinet and the company to allow them to move to the next stage of procurement.

**Mr WILLIE** - If the price of the new vessels is too high, is there a plan B to continue with the existing vessels?

**Mr GRAINGER** - Too high compared to what?

**Mr WILLIE** - If you enter into contractual obligations and the price is too high and you are bound -

**Mr HIDDING** - That is a reasonable question. The point is the business case put to Government and to Treasury was based on a band of projected cost of new vessels, based on their advanced negotiations with a number of shipyards around the world. The business case was essentially the worst case. If they moved to this procurement and something happened and suddenly all shipyards in the world put up their price, which would be an extraordinary outcome, if that was the case clearly the business case was no longer valid and they would have to come back to Government and report that.

They currently have a live business case, based on a band of cost of vessels. We cannot discuss what that is obviously because it is highly in probity terms, they are in direct negotiating now. If there was a material change and the business case could not be complied with, it is stop, retreat and come and report.

**Mr WILLIE** - The existing service will continue on a cost recovery basis; you are not going to price gouge to try to meet the new price. You can rule that out?

**Mr HIDDING** - No reason to consider that. Incidentally, let us clear this up, the two vessels were currently valued at \$65 million Euros.

**CHAIR** - I will buy one at \$65 000.

**Mr HIDDING** - That was the life raft. \$65 million Euros, which is \$90 million-odd AUD. They will sell. They are in great condition and will be terrific ferries for someone. If, for instance, there was a step change required in the acquisition process, for whatever reason, they can easily serve Tasmania for a number of years more. However, we would not be servicing the market, because of the projected growth. That would be undesirable. The company reports this to me regularly that it is also undesirable from the cost as it gets towards the end of the ship's life, as they are, the annual maintenance cost to keep them in tip-top condition they need to do for this long 492 kilometre journey every night, is going up.

They are likely to be sold to somewhere where they came from, perhaps, the Greek Islands where there are 100 kilometre-type journeys and do a fabulous job for a company for many years to come. We would certainly get more time out of them, quite a number of years, but we would not be able to capture the market there.

**Mr GRAINGER** - In terms of your initial question, it is on the public record websites and news websites that vessels may be similar to what we operate are bought and sold. There are figures published. Whether they are accurate or not no one really knows. There are new buildings launched fairly regularly of similar capacity, dual fuel, and there are prices attached to those, so it is really no secret. The industry knows about what they cost. We have some pretty good indications and we have obviously taken it further.

You may not be surprised to know as early as this morning we were contacted by brokers asking if we would be interested.

**CHAIR** - They want our business.

**Mr HIDDING** - Also to buy our ships.

**CHAIR** - To buy the ships?

**Mr HIDDING** - Yes, our ships.

**CHAIR** - I thought they were wanting us to buy off them.

**Mr HIDDING** - There is great interest in the marketplace.

**Mr GRAINGER** - That was on one website last night has already alerted an international broker who says, 'How about I sell the ships for you.' Or 'I buy the ships from you.'

**Mr WILLIE** - Both of them or an inquiry about one?

**Mr GRAINGER** - They would take both.

**CHAIR** - One is already sold for \$65 000 to the Chair.

**Mr DEAN** - With the caravan behind it.

**Mr DEAN** - Looking at your annual report, page 55, in relation to employee provisions. I note that the workers compensation has dropped significantly. I have read the footnote there as

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well. I take it that the company, minister, has worked hard on getting these people either back to work or getting them in a position where they have needed to leave the organisation.

**Mr GRAINGER** - The company has focused heavily in the last number of years on reducing the lost-time injuries and safety in general in the company to where we are today, where we have virtually no injuries. This is reported to the board each month. It is rare to have a lost time injury. Sometimes there will be a back strain when someone is making a bed or something like that but certainly serious injuries are extremely rare. That assists with our workers compensation figures.

It is through the hard work of management, I have to say, that our injury rate is extraordinary for a company of that size.

**Mr DEAN** - I note in that footnote it says that this is the best estimate of the future outflows relating to workers compensation payments. That is a significant drop if you believe that will be the case. It is from \$770 000 back to half - \$358 000. You must believe there is going to be a significant development in that area with those projected amounts.

**Mr DWYER** - And to stay in that area. We have third-party workers compensation experts to look at this as well and this is where some of that information was provided, not just by us.

**Mr DEAN** - That is good. I note that long service leave costs - annual costs - are going up. Long service leave, as I understand it, in these organisations needs the authority of the minister to accrue over and above certain amounts. What is the position there? Why are we seeing that going up?

**Mr GRAINGER** - It is really more of a timing variance. It is a bit of a hangover from a few years' back when the management hadn't implemented procedures for mandatory leave, in effect, so we had a build-up of long service leave within the company. We have dealt with that now. We have changed the way we do it and the way it is reported, so you will see that figure reduce over time.

**Mr DEAN** - As long as it is moving down rather than up.

**Mr GRAINGER** - The board has discussed it on a number of occasions and we were concerned about it a year or two ago, but management is dealing with it and that figure will definitely reduce, I am confident of that.

The workers compensation is a good result, Mr Dean, isn't it?

**Mr DEAN** - It is, absolutely.

**Mr GRAINGER** - The management needs to be commended for that.

**Mr DEAN** - Most other departments, if they could see that sort of reduction in workers compensation, would be absolutely elated.

**CHAIR** - There are some GBEs or SOCs that could take a leaf out of this book perhaps.

**Mr DEAN** - Absolutely.

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**CHAIR** - Minister, there is more than one special event today; it is not only the announcement of two new ships.

**Mr HIDDING** - It certainly is. It is right up there with it.

**CHAIR** - For the last time in this parliament we have Majella Tilyard who has been an absolutely wonderful asset to the parliament. Majella has served this parliament over 21 years and 17 years specifically with the Legislative Council. On behalf of everyone in the parliament, and certainly the Legislative Council, we offer Majella our sincere best wishes for her retirement.

We feel sure that we will see her some time in the future when she might come back and have a cup of coffee or something with us. It is a significant day and we acknowledge the work, the hours, the dedication and the commitment to her role that she has played in this parliament.

**Mr HIDDING** - Madam Chair, on behalf of the lower House, the House of Assembly, and also the Government, I also recognise this last time for you, Majella. It must be very odd sitting there listening to your own name coming out on *Hansard*. Ordinarily I would spell it for the purposes of *Hansard*.

*Members laughing.*

**CHAIR** - Majella will know how to spell it.

**Mr HIDDING** - It will be odd not to see that beautiful smiling face around parliament. On behalf of everybody, I pass on our deep thanks for your service, Majella, and our fondest best regards for the future.

**Committee** - Hear, hear.

**CHAIR** - We totally agree with that, and all the best, Majella.

Now to you, minister, and your team at the table. On behalf of the committee, I thank you for your contribution today to our scrutiny. It appears to be in very good hands and that is something that we like to see: a GBE returning a good balance sheet for not only the company but for the people of Tasmania. The service is such an important one. We thank you and we wish you a very safe and happy Christmas and a bright future.

**Mr HIDDING** - Thank you, Madam Chair, and everyone.

**The Committee adjourned at 4.01 p.m.**