

UNCORRECTED PROOF ISSUE

Friday 6 December 2018 - Legislative Council - Government Businesses Scrutiny Committee B - TT-Line Company Pty Ltd

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE B

Friday 6 December 2019

MEMBERS

Ms Armitage
Mr Armstrong
Mr Dean
Ms Howlett
Ms Rattray (Chair)
Ms Siejka
Mr Willie (Deputy Chair)

IN ATTENDANCE

Hon. Michael Ferguson MP, Minister for Infrastructure

Ministerial Office

Daniel Gillie, Chief of Staff
Jodi De Cesare, Adviser

TT-Line Company Pty Ltd

Mr Michael Grainger, Chairman
Mr Bernard Dwyer, Chief Executive Officer
Ms Kym Sayers, Chief Financial Officer
Mr Kevin Maynard, Company Secretary

The Committee resumed at 2 p.m.

CHAIR (Ms Rattray) - Good afternoon, Minister.

Mr FERGUSON - Thank you, Chair, and good afternoon to the committee. I am pleased to be here today and hope it is a useful exercise for the scrutiny committee.

I'll give my overview statement. The annual report of the TT-Line Company Pty Ltd tells a very positive story about the performance of the business. While I will leave it to the Chairman to speak in some greater detail about TT-Line's financial performance, I particularly highlight the

maintenance of record passenger numbers from previous years and record freight volumes, as noted in the annual report. It's very good for Tasmania.

As the passenger numbers and freight volumes transported clearly demonstrate, the vessels are being fully utilised. This performance is even more impressive when you consider the impact on *Spirit* schedules during the peak period due to increasing cruise ship traffic at Station Pier and vehicle traffic congestion in the greater Port of Melbourne. Indeed, those familiar with Station Pier would recognise the ongoing challenges that the site presents to TT-Line: a small freight staging area, congested urban roads and growing living density around the pier, the heritage-listed nature of the pier and increasing disruption to *Spirit* schedules as a result of the pier's owner, the Victorian Ports Corporation, to increase cruise ship calls.

Further to this, TT-Line is currently in lease negotiations with Victorian Ports, and I understand the offer put to TT-Line is quite unacceptable in terms of its pricing and conditions. I want to assure the committee as a government, we will not accept unreasonable charges that TT-Line would have no choice but to pay and then pass on to its freight and passenger customers.

TT-Line provides an extremely valuable service and there are alternative berth options available in Victoria and we simply do not accept TT-Line has no alternative but to agree to unjustified charges from Victorian Ports that would harm the interests of all Tasmanians.

While the Chair and the CEO will, of course, be professional in their remarks today as we would expect them to be, it is very unfair for Victorian Ports to behave in this way after decades of reliable and loyal custom from TT-Line and the people of Tasmania.

Chair and Committee on the subject of the two new roll-on, roll-off ships that will replace the current *Spirits*, let me place on the record the company continues to be regularly interacting with European ship builder, Flensburger Schiffbau-Gesellschaft - FSG - regarding construction contracts.

The extra capacity on Bass Strait provided by the new *Spirit of Tasmania* vessels will be most welcome and play a key role in further increasing visitation for the benefit of our important tourism sector.

While FSG's cashflow issues have been well-reported, TT-Line advises me it continues to have a strong contract in place with the shipbuilder to build the new *Spirit of Tasmania* vessels for a 2021 operational start date. Importantly, detailed ship design work is continuing as planned on 212-metre-long vessels that can accommodate 1800 passengers and 600 passenger vehicles, plus, of course, increased freight volumes.

Feedback from customers about the travel experience on board the current *Spirits* continues to be very positive, with customers giving the company 93.3 out of 100. The crew are quite clearly doing an excellent job, delivering a very high standard of customer service and, of course, they are supported by our exceptional management team and board.

Beyond the travel experience, *Spirit of Tasmania* continues to provide a significant level of support to events and initiatives that ultimately benefit the Tasmanian community.

During the 2018-19 reporting period, the company provided more than \$190 000 in contra-travel and \$200 000 in financial support to more than 85 organisations supporting education,

research, advocacy and fundraising for charities. This work often does go unseen and unheralded but it is important I mention this for the Tasmanian community context.

In summary, the TT-line board, its management team and all employees are to be encouraged and congratulated on delivering another strong performance for the 2018-19 financial year and if the committee's pleased, the CEO has comments to make also.

Mr GRAINGER - Thank you, minister. The performance of the company during the 2018-19 financial year was again very strong. TT-Line reported revenue of \$260.3 million against \$244.6 million in the previous year, and earnings before interest tax were \$63.4 million compared to \$57 million the previous year. After-tax profit was \$44.1 million, and last year it was \$44.4 million. The *Spirit of Tasmania* vessels are valued at €67.5 million each as at the end of June 2019, which is a very good result given the levels of maintenance we provide to those ships and the output of operation they are currently in.

From an operational perspective, the number of sailings increased by eight to 867 in 2018-19, compared to 859. This included a record 169-day sailings, breaking the previous record of 156 established in 2017-18.

Passenger numbers remained at record levels - 446 869, compared to 448 764 the previous year.

Our freight volumes also achieved record levels for the year, as the minister reported, supporting the additional investment in tonnage for freight across Bass Strait.

We continue to have close discussions with FSG regarding contracts for the construction of new vessels. As the minister also reported, while FSG's financial difficulties were widely reported during the year, the company has solid contracts in place with the shipbuilder to build the new *Spirit of Tasmania* vessels.

Safety remains paramount in *Spirit of Tasmania's* daily operation, whether it be planned maintenance, safety training, performance of exercises involving lifesaving equipment or general maintenance. The board takes an active interest in safety, and it is reviewed and discussed at each and every board meeting.

The company's commercial relationship with the North Melbourne Football Club continued to be a positive one for the company. The partnership was extended to include a fourth game at Blundstone Arena in Hobart in 2019-20 and 2021. The company also committed to a three-year sponsorship of the North Melbourne AFLW team during the reporting period. I am pleased to note that we attended a welcoming reception in the office of the Premier earlier this morning to welcome the AFLW team to Hobart for this year.

Mr DEAN - All you have to do is get them to win.

Mr GRAINER - That's the plan. On behalf of the board, I'd like to thank the Chief Executive, Bernard Dwyer, and the leadership team for their hard work during the reporting period. I'd also like to note the important contribution made by crew and staff and thank them for their work in achieving these results for this year.

Our Director Robert Heazelwood's term ended in November 2018. Mr Heazelwood was first appointed to the board in 2012 and his contribution during that time was significant. Formerly a Commonwealth DPP, Damien Bugg AM QC joined the board in August this year.

Mr Bugg is a highly experienced barrister and board member. I look forward to working with him during his TT-Line tenure. I thank all directors for their diligence, their loyalty, and their high governance performance over the past year.

I would like to thank our shareholder ministers, the former minister for Infrastructure, Jeremy Rockliff, and the Treasurer, Peter Gutwein, for their ongoing support of the company, in a day-to-day context, given the significant infrastructure investment we are set to make in the state's future through the acquisition of two new vessels.

I would also like acknowledge the appointment of Michael Ferguson to the Infrastructure portfolio and to continue working with him in the same positive and constructive way as we did with his predecessor.

CHAIR - Thank you. I invite Mr Willie to commence the questioning.

Mr WILLIE - In the opening statement, minister, you said we were very proactive in talking about the berthing costs. You mentioned some alternative options. What are those alternative options if things aren't resolved.

Mr FERGUSON - I think it was important, given the occasion of the scrutiny of this GBE, to go as far as I am able in terms of letting the committee know that a negotiation is presently underway between the company and Victorian Ports. I have been quite descriptive about that in my opening statement. I am not in a position to provide individual numbers because they are subject to negotiation. It's worth noting that the proposed lease terms for its pricing and conditions are quite unacceptable. On that basis the company, principally through its CEO and Chair, will continue to progress the matter in the way that is in the interests of Tasmanians. What we won't be able to accept are unreasonable price charges that affect our business, passenger travel costs and freight costs.

Mr WILLIE - It sounds like there's a stalemate at the moment.

Mr FERGUSON - I'm pretty sure I didn't say that.

Mr WILLIE - You're saying it is unacceptable.

Mr FERGUSON - I won't be verballed. I said that there is a negotiation underway. It's a commercial process. We are progressing it in a way that is in the interests of Tasmanians.

Mr WILLIE - My original question was: what are the alternative sites if it can't be resolved?

Mr FERGUSON - I invite the Chair and the CEO to add to my answer, but it's a well-known fact that a range of other sites are plausible. I'm not going to be naming them today. It's a matter of record other ports are available in the vicinity. We are aware of those options and we are operating on the basis that we will continue commercial negotiations, aware of our options.

Mr GRAINER - We've always had a requirement for emergency berthing in the event that there is a disaster. As you will recall, we were caught out in Devonport a couple of years ago with the floods and we weren't able to move the vessel from the port. That wasn't our decision, although we certainly supported the decision of the harbourmaster. We are always looking at alternative emergency berthing options. There are a number of those both in Tasmania and in Victoria.

Western Port, for example, could be an alternative emergency berth, as could be Bell Bay or Burnie. The management team has investigated a number of those emergency berthing options. Nothing is concrete but in the event of an emergency, we believe that relatively quickly we could arrange to have an emergency berth.

Mr WILLIE - While we are talking about berthing, the new ships will require infrastructure upgrades at Melbourne and the Devonport. Are those infrastructure upgrades part of negotiations, because they are significant?

Mr GRAINGER - Ultimately.

Mr WILLIE - Is the Victorian Ports saying, 'We will pay for the infrastructure and recoup the costs in the lease arrangements'?

Mr GRAINGER - There is an element of that, as the minister alluded to. It is still in negotiation. The CEO of *Spirit of Tasmania* and the CEO of Victorian Ports meet on a regular basis trying to work through what the future might look like. We have a lease until 2022, so it is not something that is immediate, but they are working through it on a regular basis. Sometimes they don't agree; other times they do. It is a sensitive commercial arrangement. We have to be mindful that our CEO is working very hard for the company to make sure that any risk is mitigated.

Mr WILLIE - If the new ships arrive in 2021, can they berth at Station Pier?

Mr GRAINGER - Yes, they can. With some minor adjustments. To be perfectly efficient as per their design, some additional infrastructure will be required. The company is aware of that because our company has been involved with the discussions on infrastructure with Victoria Ports. If the new ships were to turn up tomorrow, they could berth at Station Pier but they would not be unloading and loading as efficiently as they will be.

Mr WILLIE - They can berth at that side, but will work be needed at the Devonport side?

Mr GRAINGER - They could berth in Devonport also. Again, additional infrastructure will be required so they can be loaded and unloaded as per their design - in other words, efficiently.

Mr WILLIE - TasPorts this morning was telling us that some work will be required before the new ships can berth in Devonport.

Mr DWYER - That's right, if we needed to berth at the current berth, No. 1, some dredging would need to be done there because the ships are slightly deeper. The biggest opportunity with the new ship design is three-level loading and discharge. At the moment we do two-level loading and discharge. Three-level loading and discharge in the new design allows us to separate passenger vehicles from freight. That gives us much more efficient loading and discharge, and a better passenger experience.

The other big part of redundancy built into our current ships and the new ships are the internal ramps. Some members have seen them. In an emergency if we need to go to a berth anywhere in Australia where we have only a single level, we can use the ramps internally to load and discharge the whole vessel out of one level. We need to do that from a redundancy in an emergency in any way, shape or form so we do not impact the service in Tasmania.

Mr WILLIE - We heard from TasPorts this morning that it is going to fund the upgrades at Devonport. I am interested in the options at the Victorian end. There is an option where big ports pay for the infrastructure upgrades and maybe recuperate the costs in a lease arrangement. Are there any other options being discussed about those infrastructure upgrades?

Mr DWYER - That would be the main options we would be discussing.

Mr WILLIE - That is the only option, is it?

Mr DWYER - That would be the main option. I cannot go into the commercial discussions at the moment.

Mr ARMSTRONG - I'm interested in pet accommodation in the two new *Spirits*. Some people have told me it is very substandard on the current ferries. I don't know whether that is a fact, but that is what they are telling me. Can you tell me what the new ferries offer in the way of pet accommodation?

Mr FERGUSON - I will defer to our expert, the Chief Executive Officer, and in so saying my comments on this, I will invite you to inspect, at your convenience, with our CEO at a time that suits you to have a look at the facilities - and any other member. It's my advice that it is for pets to be transported across Bass Strait on TT-Line's current and future vessels. The company takes the issue of the safety and welfare of pets travelling in its care very seriously.

Last financial year, the company had 11 445 pet travel bookings; this financial year to date, the number is 8657. It should be noted that there can be multiple pets attached to each booking made with the company. TT-Line records indicate that there have been two reported dog deaths in TT-Line kennels in the past eight years. TT-Line works with authorities to investigate any incident reported and I am advised that TT-Line will provide further information on features planned for the new *Spirits* between now and when they come online.

Mr ARMSTRONG - Are pet-friendly cabins incorporated in the new *Spirit*?

Mr DWYER - I will cover those three main points. First of all, with utmost respect, I refute that our pet care is substandard -

Mr ARMSTRONG - This was just something I was told, and I can understand what you are saying.

Mr DWYER - On pet facilities, we have worked with the RSPCA and the Chief Veterinary Officer in Tasmania in relation to these.

In the new vessels, the new design is that the pet area is actually accessible by pet owners throughout the whole voyage. At the moment, we cannot let pet owners down with their pets due

UNCORRECTED PROOF ISSUE

to IMO regulations once the decks are locked on that low deck. The new vessels will have areas that the passengers can go up and down to, much closer, to look at those areas.

Mr ARMSTRONG - That was one of the things raised with me, too.

Mr DWYER - We can't wait for the new vessels, but we certainly can't wait, from a point of view of pets - they are not pets; they are actually people's children, we find - and as a pet owner I understand that, absolutely.

In relation to pet-friendly cabins, in the design we will have the ability to have pet-friendly cabins, but they won't necessarily be available from the first time the vessel sails. There are a lot of regulations around pets in cabins et cetera that we will certainly need to work through, but the ability in the longer term is certainly there.

Mr ARMSTRONG - The new fuel regulations coming into environmental regulations, with low sulphur fuel, could you tell me how that is going to affect the operations and costs of running your ferries?

Mr DWYER - We have almost completed the conversion of our current vessels to very low sulphur fuel, so we have already been operating on very low sulphur fuel already. By 1 January 2020, we will be fully compliant in relation to very low sulphur fuel. In fact, we can burn very low sulphur fuel or diesel fuel in our current vessels. For the life of these vessels, we'll be totally compliant with - I think it's MARPOL, Annex VI - the fuel regulation from 1 January.

In relation to fuel costs, these will be greater than we were paying for bunker fuel or heavy fuel, but the price of that is a much cleaner fuel in the environment and a lower footprint from that perspective.

How much it is going to cost us in the longer term is very hard to answer because the fuel prices have changed markedly, even within the last three or four weeks for heavy fuel, diesel and very low sulphur fuels. We are well positioned to be absolutely compliant, and we will put every mechanism we can in place to keep the cost of that fuel as low as we possibly can.

Mr ARMSTRONG - This new fuel is readily available, of course?

Mr DWYER - This new fuel is produced in Geelong by Viva Energy and that's where our fuel comes from now. That's bunker-barged to Station Pier for us to load into the vessels.

The beauty there is we know we have control of that supply as well because it's basically an Australia-based supply of very low sulphur fuel.

CHAIR - Is the company still hedging the fuel?

Mr DWYER - Yes.

CHAIR - And that is still working out as a positive?

Mr DWYER - It is a great insurance policy. We are very well hedged in relation to our Treasury guidelines in relation to fuel.

UNCORRECTED PROOF ISSUE

Ms ARMITAGE - Football. The AFL. Are you able to specify how TT-Line's sponsorship of the North Melbourne Football Club and now the AFLW has been beneficial to TT-Line's operations and bottom line?

Mr GRAINGER - Certainly. I should start by saying the decision to sponsor the North Melbourne Football Club was a straight commercial decision. It was not based on additional passengers travelling on the vessels, for example. It was based on a commercial decision made by the company.

Ms ARMITAGE - That is fine. I wanted to see the results of that commercial decision.

Mr GRAINGER - I will hand to Bernard to answer in more detail, but the other reason we have chosen to be a sponsor of the North Melbourne Football team is the community involvement. That is as important to us,

Ms ARMITAGE - The southern community involvement?

Mr GRAINGER - The state community involvement. That is as important to us as the commercial returns are. It has been a wonderful relationship in terms of our branding, particularly given the games played on a Friday night on free to air TV. We have had a lot of exposure and the CEO can provide the figures, but it has been a very successful relationship and will continue to be until 2021.

Ms ARMITAGE - If I could have some figures, some evidence of the success would be good.

Mr DWYER - It is very hard to put a dollar value on because while I have spent this much in marketing, it has contributed to this much in profit. We are obviously very conscious of how much goes in the till at the end of the day.

Ms ARMITAGE - That is right, but if it is successful, it is good to know how it was successful.

Mr DWYER - How we could see the success is really looking at the bottom line of TT-Line over the period as [inaudible] substantially. I might defer to my CFO to talk about the profit year-on-year. Knowing the North Melbourne sponsorship is funded purely out of our marketing budget - so it is not an additional budget within the business - our normal marketing spend covers the North Melbourne exposure.

Ms ARMITAGE - Your platinum or premier partners?

Mr DWYER - We are naming those sponsors in Tasmania.

Ms ARMITAGE - I am looking at North Melbourne's site and they list you under platinum and premier partners. I wondered which you were.

Mr DWYER - That has not changed other than the four games the Chairman mentioned. The commercial reality of the North Melbourne sponsorship is our reach into the Victorian and regional New South Wales markets through that brand. That is where we are getting substantial increase.

Ms ARMITAGE - When you say through the brand, I am not a little clear here because you do not even have *Spirit of Tasmania* on their guernsey.

UNCORRECTED PROOF ISSUE

Mr DWYER - No, *Spirit of Tasmania* is on all the coaching apparel and it is on all of their websites and their electronic mail communication.

Ms ARMITAGE - Not all their websites. It was only one I could find. A lot do not list you at all.

Mr GRAINGER - Would you be a bit more specific with that?

Ms ARMITAGE - I have been going to several of the North Melbourne Football Club official sites and I just found *Spirit of Tasmania* listed. I can show you later if you like.

Mr GRAINGER - I did not realise North Melbourne had more than one website.

Ms ARMITAGE - Well, there are a couple of sites I have been trying to find things on. In regard to the guernseys, do you believe the *Spirit* or TT-Line should be emblazoned somewhere on the North Melbourne guernsey because when I look at these platinum and premier partners, Canterbury come after *Spirit of Tasmania* and they have 'CCC' right across the front of their guernsey. Have requests been made to North Melbourne to have *Spirit of Tasmania*?

Hawthorn, for example, do it have Tasmania emblazoned across the front of their guernsey when they are playing? I appreciate what you are saying - if you want to get your name out there, apart from anyone that goes and looks at a site, you were saying, 'Okay, they are looking at the live to air television ... isn't that when they should see *Spirit of Tasmania* on a guernsey?' How many people see it on their training?

Mr GRAINGER - It is purely commercial.

Ms ARMITAGE - I understand that and that is why I am saying this is commercial.

Mr GRAINGER - But it will come down to dollars.

Ms ARMITAGE - Canterbury is listed after you but they have 'CCC' on the front of the guernsey.

Mr GRAINGER - Just because they are listed does not mean -

Ms ARMITAGE - Well, they are in the same category.

Mr GRAINGER - Does it say there what Canterbury spends?

Ms ARMITAGE - It does not, but you are listed first.

Mr GRAINGER - No, but that is irrelevant.

Ms ARMITAGE - With respect, have you requested to have emblazed that on their guernseys?

Mr DWYER - We would not want to pay any more money to have our -

Ms ARMITAGE - Have you been told it will cost more money then? I am trying to find out whether it has been requested. Have they come back and said that it will cost you more money to have that? Have we actually requested what will it cost us? Can we have it for the money we are paying? I am just trying to find out. You may think I am being a little parochial, and perhaps I am, but Hawthorn - they do have Tasmania. When they are playing everyone clearly sees Tasmania on the front of their guernseys. When North Melbourne is playing, there is absolutely nothing whatsoever on their guernseys to say they have sponsorship from *Spirit of Tasmania* or TT-Line or Tasmania.

Mr DWYER - That is correct.

The package we have bought in relation to sponsorship of North Melbourne covers change rooms, the coaching staff and all the LED signage at those games as well. At Blundstone Arena is the Red Arena; it is emblazoned everywhere. In North Melbourne games in Victoria, in other games, we have *Spirit of Tasmania* across all the LED signs.

The LED signage is very valuable certainly in the broadcasting space. It sounds like you are all football fans. Over the last five years, LED signage has changed significantly at all stadiums. It is much more cost effective for us to get our message across on the LED signage than it is to have it on the guernseys themselves.

I do not know the extent of the sponsorship of Hawthorn and how much that cost, but I know for what we are paying for North Melbourne, we are getting as much as we want in relation to that.

Ms ARMITAGE - Are you paying extra for AFLW?

CHAIR - Over and above the \$932 320 you paid for North Melbourne?

Ms ARMITAGE - Is that included? Or is there now additional cost on top of that?

Mr DWYER - I am going to say a small addition. I can't disclose it. Obviously, it is commercial-in-confidence.

CHAIR - So was the \$932 320 for the last five or six years, but now it is available so what is the difference now? We have never been able to get that figure before. We found it interesting.

Ms ARMITAGE - Why is it not possible to disclose what the sponsorship is?

Mr DWYER - Is the figure in the annual report?

CHAIR - Yes.

Ms ARMITAGE - Should sponsorship be readily available?

Mr DWYER - Commercial-in-confidence negotiations with North Melbourne, no.

Ms ARMITAGE - It is North Melbourne for the men's team. I am wondering why it is not for the women.

Mr DWYER - Can I ask where that figure came from?

CHAIR - The committee sourced the information.

Ms ARMITAGE - Out of publicly available documents.

CHAIR - We have been asking for a number of years for that figure and we have never been able to access it, but we have been able to access it this year.

Mr DEAN - How long has North Melbourne been in the competition? How long have you been sponsoring North Melbourne? Six years, is it? That very first year, I can remember in this process, we challenged you people time and time again. All you would say is that it is commercial-in-confidence and we will never release that figure. Now all of a sudden, it has been released.

Ms ARMITAGE - But you are not giving the women's figure.

Mr DEAN - The question we're asking is: why all of a sudden is it not commercial-in-confidence?

Mr DWYER - We have not released it.

Mr DEAN - You must have released it. Where did we get it from?

CHAIR - We did not make it up.

Ms ARMITAGE - We did not make it up.

Mr GRAINGER - No-one is suggesting you did.

Mr FERGUSON - I am listening carefully to the questions and the answers from our professional staff and the Chair. I think in fairness to them, they are trying to do the right thing by the company's obligations it has entered into in good faith. You are asking reasonable questions, nonetheless is quite challenging for them in the absence of knowing what other information you have had access to.

Ms ARMITAGE - It is only the annual report and the Auditor-General's reports.

Mr FERGUSON - For the moment. It might be a useful question for us to take on notice with a view to providing what we are lawfully able to provide to the committee, particularly in relation to the AFLW.

Ms ARMITAGE - What I want to know is whether it is an additional sum for the AFLW over and above what you are paying for the AFL men's team?

Mr FERGUSON - I would offer that we take on notice the generality of the question, noting the particular interest in AFLW and a good faith offering to come back with what we are lawfully able to, given that there is a commercial-in-confidence in place.

Ms ARMITAGE - I will look at the booklets I have while other questions are answered. I will see if I can advise you where it came from.

CHAIR - In this in regard to the football? I am mindful we are jumping all over the place if we do not stick to one area.

Mr DEAN - On the issue of the new ships, what is the turning and capacity of them in the Mersey River? The current ships can turn, but there is not a lot of area for them to do that. Will the new ships be able to do that independently of tugs?

Mr GRAINGER - Yes.

Mr DEAN - They will still be able to turn in the Mersey?

Mr GRAINGER - Absolutely.

Mr DWYER - The initial design of the ships we requested from TasPorts was: what is the maximum envelope of the largest ship that can go in and out of the Mersey? The design was built within that envelope, and not only that - the model has now been tested at the Australian Maritime College in Launceston in the simulator with TasPorts, with our own skippers and Australian Maritime with all the conditions in relation to the port, so we do not have any issues in relation to the port.

Mr DEAN - Can you get on with the new ships?

CHAIR - I am going to Ms Howlett who has indicated she has been waiting for quite a while, but we certainly will come back to the new ships.

Ms HOWLETT - Minister, how much Tasmanian produce does TT-Line use on board and how does TT-Line market Tasmanian produce?

Mr FERGUSON - Thank you. I believe this has been raised with my predecessor in the past and it is an important question. It provides us with the opportunity to always check to make sure we are maximising the use of Tasmanian product. After all, we are the 'Spirit of Tasmania' in terms of our message and our visitor experience and I totally agree with you about its importance.

Tasmanian food producers have an unmatched reputation in Australia and around the world for the quality of our food and TT-Line is, I can assure you, working hard to ensure Tasmanian products are used wherever possible onboard its vessels.

The figure you are asking me for is 68 per cent. TT-Line advise that 68 per cent of all food used on its vessels is supplied through Tasmanian suppliers. A selection of Tasmanian wines, ciders and beers is also offered throughout the *Spirit of Tasmania's* bars and dining options. The wine menu is over 65 per cent Tasmanian, so providing some choice, but certainly a much heavier opportunity for Tasmanian products.

The Pantry, on board the *Spirit*, is available to passengers with a range of grab-and-go foods for quick and efficient service as well as Tasmanian providore-style products for the discerning traveller. TT-Line makes space available on board for food producers to showcase their craft beverages and gourmet foods to passengers through the Flavours of Tasmania program, which runs from May through to August. The team has done a great job with that and producers are reflecting this in their comments.

Producers showcased in the financial year included Coal River Farm, Elsewhere Vineyard, Next Door's Cider, Pyengana Dairy, Sharman's Wines, Take a Broth and Waterton Hall Wines and in total, although you didn't ask me for it, I can tell you TT-Line spent over \$42 million on Tasmania-sourced goods and services in 2018-19.

Ms HOWLETT - The providores and things will be consistent with the new ships?

Mr FERGUSON - Absolutely.

Mr GRAINGER - More so. The new ships will have approximately 40 per cent additional capacity.

Mr DEAN - Both freight and passengers?

Mr GRAINGER - Yes. Therefore, we would expect those numbers to be increased significantly. Also, I might add the company places enormous emphasis on Tasmanian products. We have a preferential policy to buy Tasmanian, sell Tasmanian. The only reason the produce we sell on board the ships is not Tasmania is if we cannot source it in Tasmania.

CHAIR - In regard to the passenger numbers, these are slightly down on the previous year.

Mr FERGUSON - No, they are up.

CHAIR - Passenger numbers for 2018-19 were 446 869, and in previous year, they were 448 764. Is that correct?

Mr FERGUSON - Yes.

CHAIR - So, I am right - slightly down. We had more sailings, but we had slightly lower passenger numbers so does that mean we are taking more freight? There used to be a percentage of passenger versus freight. What is that percentage?

Ms HOWLETT - I have a follow up on that.

Mr DWYER - Last year was a record freight year of 110 000 TEUs. The reasons for that were that not only do we provide a great and essential service, but we also looked after our freight customers when their services weren't necessarily running to full capacity with all of our services across Bass Strait. So we took up some of that capacity.

In relation to passenger numbers, I think the differential is about 1800, which could be just one sailing for that number of passengers. In relation to overall passengers, it's a very small percentage.

Mr DEAN - But there were eight extra sailings, so it's more than just a decrease of 1800.

Mr DWYER - Eight against more than 860 sailings. It's still a smaller percentage. We have put on more day sailings. A lot of that day sailing allows us to carry more caravans and camper vans. We have had record years for caravans and camper vans. The reason is that freight doesn't normally move on a day sailing. Freight prefers to do the evening sailing.

CHAIR - They arrive in the morning first thing to pick up and take off.

Mr DWYER - That's right. That's why we've had more passengers and caravans and camper vans, certainly on the Saturday double sailing. You may remember a few years ago there was some publicity about people not being able to get their caravans out of Tasmania. That season we implemented double sailing on Saturday, starting in September until after Easter to give surety in relation to caravans and camper vans. Internally, we said we would do that at least for three seasons. The reason you would do it for three seasons is that there is nothing worse than putting schedules on and taking schedules off based on demand. That's why we've still had eight more sailings. We are still training the market in relation to availability. It takes a couple of seasons to do that.

CHAIR - Can I have that percentage break-up? Then I'm going for supplementary from Ms Howlett and then I'll come back to Mr Dwyer.

Mr DWYER - Can I just ask a question - the percentage breakdown?

CHAIR - There used to be a percentage of passengers and freight.

Mr DWYER - It's a 60-40 split between passengers and freight. That hasn't changed over 10 years.

Mr FERGUSON - Can we just confer for a moment, please? Can we reconcile some of these numbers for the committee?

Mr DWYER - That's a 53-week -

Mr FERGUSON - That explains it. Could you explain, please?

Mr DWYER - We carried 447 847 passengers in 2017-18; in 2018-19, we carried 451 932, but was a 53-week year. We broke 450 000 for that year, but in our reports we've reported them on like-on-like in relation to the financial accounts. The actual carriage for that year in the 53 weeks was over 450 000.

CHAIR - We only have the annual report, so that's where we get our information.

Ms ARMITAGE - Can I just point out before we go on where our information came from? It came from your annual report, on page 78.

CHAIR - That's what I said.

Ms ARMITAGE - I'm just pointing out that -

Mr FERGUSON - I appreciate the feedback, but nonetheless, it doesn't change the fact that we will have a fresh look at that and are mindful of the obligations. We will provide you with what we are able to.

Ms HOWLETT - What's been the trend in caravan and motor home numbers on TT-Line? Do you have any numbers?

Mr DWYER - I just need a couple of seconds to find that.

Mr FERGUSON - While Bernard is finding some briefing notes, I will commence.

As the link for Tasmanians and visitors, TT-Line is a vital connector for caravans and campervans. It is an important part of the business. Day sailings have proven to be highly popular for caravans and motorhomes. In 2018-19, the company had a higher than ever number of day sailings, 169, which broke the previous record of 156 in 2017-18, as a matter of interest.

I'm pleased to let you know that off the back of that increase in day sailings, the number of caravans, campervans and motorhomes carried by TT-Line continued to grow. In 2018-19, TT-Line carried a total of 15 363 caravans; for motorhomes and campervans, the number was 11 437. In respect of caravans, that was an increase of 1174, an 8.3 per cent increase, on the previous year. In the case of motorhomes and campervans, that increase was 219, or 2 per cent, on the previous year. Taken together, they represent 12.9 per cent of all passenger vehicles carried in that year. Do you have anything to add to that, Chief Executive?

Mr DWYER - Very strong in uplift - for example, even last week we had a Black Friday sale which went from Friday through to Monday, and 380 motorhomes and 360 caravans were booked just in those four days alone.

Ms HOWLETT - How far in advance can you book?

Mr DWYER - Up to 12 months in advance.

Mr FERGUSON - To assist the committee, the Chairman has some extra information to Ms Armitage's question.

Mr GRAINGER - You have mentioned a figure of 900.

CHAIR - I did.

Mr GRAINGER - Are you referring to the community service obligation?

CHAIR - Yes.

Mr GRAINGER - That is a figure we publish each year. That is not the total amount of sponsorship, it is part of the sponsorship.

Ms ARMITAGE - You mean we pay more than that?

Mr GRAINGER - That is a part of the sponsorship we choose to declare.

Ms ARMITAGE - We pay more than that?

Mr GRAINGER - I am saying that it is a community service obligation that we choose to declare. It is not the sponsorship deal. As we have said in the past, and to answer your question, Mr Dean, the contract that we have is commercial-in-confidence and it is between the AFL North Melbourne Football Club and *Spirit of Tasmania*.

Ms ARMITAGE - I don't understand that because we know how much Hawthorn gets.

Mr GRANGER - Too much.

Ms ARMITAGE - It's irrelevant whether someone thinks they get too much or not; it's public knowledge how much they get. This is still public money that's going to a football club. The money that goes to Hawthorn is well known, everyone knows how much they get; whether they like it or they don't, people know what the figure is. Why is TT-Line able to keep secret what they are actually paying North Melbourne?

Mr GRAINGER - As the CEO referred to earlier -

Ms ARMITAGE - I know you said commercial-in-confidence but -

Mr GRAINGER - I'd like to finish.

Ms ARMITAGE - Fine.

Mr GRAINGER - As the CEO said earlier, whether we spend our advertising budget or our marketing budget on AFL or banners across bridges in Melbourne or television advertising, we have an advertising and marketing budget, and the North Melbourne sponsorship comes out of that budget. At the risk of repeating myself, we operate under the Corporations Act. TT-Line has an obligation that we operate under the Corporations Act and that is very serious. If we sign a commercial-in-confidence contract with AFL North Melbourne and that is under that Corporations Act, we have to be very careful because it is commercial-in-confidence.

Ms ARMITAGE - It would be interesting to know how much it would cost to get the name on a guernsey, that's all. Okay, thank you, minister.

Mr FERGUSON - You can ask them how much it would cost them to put a name on a guernsey. I think any member of the public may be able to do that. With all respect, I am being sincere.

Ms ARMITAGE - And I am too; I thought \$936 000 was a lot of money - now I am realising it is only a part of it, so it is obviously a lot more.

Mr FERGUSON - We are doing what is right to respond to your questions as openly as we are able.

Ms ARMITAGE - I accept that.

CHAIR - Are we able to access the total marketing budget? Is that a figure accessible?

Mr DWYER - It is not normally in the annual report, but I will take that on notice and come back with it later on.

Mr FERGUSON - I intend to come back to the committee with what I am able to, to satisfy the question, as much as we are able.

If I can add one quick comment, please, and that is to Ms Howlett's question in relation to the campers and caravans.

Understanding that people want to have best access to information so they can plan their trips, there is a newer feature that has not always been available. The availability calendar is now part of the website and passengers are able to research in advance and select the sailing dates to travel on board. This is intended to assist passengers in planning their trip ahead of time. They will know what months are particularly busy, and this is especially intended to be useful for owners of caravans and motor homes.

CHAIR - Now I am heading up to this end of the table and I will come back to you, Mr Armstrong, I absolutely promise. We are going to talk about the new ships.

Mr DEAN - The grey nomads have always talked to us about the *Spirits* and not getting on. This year they did not come back to us; they are perfectly happy and I congratulate TT-Line on what they have done in this area to accommodate these people in their campervans and caravans. It needs to be said because they obviously happy, because they did not come to us.

Mr GRAINGER - We appreciate that, Mr Dean. We have been working hard to keep them happy.

CHAIR - The access to the sailings calendar would have to be a plus.

Mr GRAINER - Thank you for saying so.

Mr DEAN - The position is for the new ships is in 2021?

With the current situation with FSG, can you be satisfied we will have those new ships delivered here in Tasmania in 2021?

Mr FERGUSON - Mr Dean, I will make some general comments. I am going to adhere to advice as well, because of the sensitivity of the matters raised. We want to do the right thing by all concerned and be completely up-front.

We have very strong contracts in place, bearing in mind the replacement of our vessels in our 2016 strategy was to achieve that within a decade, so we are well ahead of the 2026 date, in terms of the contract. TT-Line has signed a contract for the building of the two RoPax vessels with FSG. TT-Line is in regular contact with FSG, as you would expect with a contract of this importance and size.

To be very open, we acknowledging that industry media reports from Germany have noted the FSG shipyard is in a 'difficult financial situation'. Of course, the Government continues to be briefed on a regular basis by TT-Line on this matter to assure the committee no payments have been made yet by TT-Line to FSG. Importantly, no money will change hands unless a refund guarantee is in place to protect taxpayers.

Mr DEAN - Just on that, has any money been put aside in euros or some other account for the deposit or what is necessary? Has any money gone in that direction at all?

Mr FERGUSON - Can I invite the Chair to answer that in just a moment?

Mr DEAN - Okay, I thought you might.

Mr FERGUSON - I can, but the Chair would do it better, because we have arrangements in place in relation to currency and provisions for that through the Vessel Replacement Fund. I do not want to deviate; I will come back to that.

The new vessels will be more than 30 per cent larger than the current *Spirits* and will carry up to 1800 passengers and 600 passenger vehicles.

People, of course, are curious and want to speculate and also like make political points along the way. The simple fact is that we have strong contracts in place; we have regular updates along the way and we are aware of the media reporting.

TT-Line is, as you and I expect, is taking advice from the appropriate professionals and experts and would like to have the matter resolved as soon as possible.

CHAIR - How long will the Government wait for that guarantee it is waiting for before you have to look elsewhere? Is there a time frame on that, minister? There would have to be.

Mr GRAINGER - The contract determines the trigger dates. We need to be mindful, particularly in this environment, where it is a public hearing, but the contract we signed does have trigger dates in it.

Referring to your question in terms of funds, you will be aware that the company is paying dividends into the Vessel Replacement Fund that has been legislated. That gives us a great deal of comfort. Euro accounts are probably something that the CFO should elaborate on.

Ms SAYERS - Yes, we have forward exchange contracts in place through TASCORP, aligning with expected payment dates. We are not holding any funds in euros at the moment.

Mr DEAN - There is no cost at all to the state, nor to TT-Line?

Ms SAYERS - There are costs associated with those instruments, where international markets fluctuate and change.

Mr DEAN - That is the cost.

Ms SAYERS - It's not a realised cost until we reach those dates though, if that makes sense.

CHAIR - The dates, are they something we cannot have any understanding of?

Mr GRAINGER - There are trigger dates in the contract. We have sought some legal advice on that so we need to be very mindful.

Mr WILLIE - Is the first one January? The date components for the ship have to be ordered.

Mr FERGUSON - First of all, I am happy for the Chair to answer as he sees fit but we are not going to engage in a discussion that answers yes or no to a certain date because you know where that leads.

What we are doing is undertaking the work professionally. As the client, we have strong contracts in place. It is a serious matter. It is one to be treated seriously. Of course, TT-Line is taking advice from the appropriate professionals and experts, noting that TT-Line has advised that the situation with FSG is still being worked through. For example, an indicator for the committee to know about is that, despite all the foregoing, I am advised that in relation to the build the detailed ship design work is continuing.

We would not want people to walk away with a different impression. However, we are a responsible government and TT-Line is a responsible company on behalf of the people of our state. Of course, we are proceeding with our strong contract but we are also being prudent with taxpayers' money and ensuring that the necessary guarantees are in place.

Mr GRAINGER - Just to provide a level of comfort. The shipbuilder has not advised us that it intends to or will be in breach of the contract. It has not advised us of that. We have only followed media reports like the public have in terms of its financial situation. We have taken some legal advice from our lawyers in London on those unsubstantiated reports, I have to say, so that we can be across the situation as best we can. We do not really know what the shipbuilder's financial situation is. We are just reading the media reports. We are being diligent in what we do to make sure that the Tasmanian taxpayer first and foremost is protected. And, as the minister said, we have not paid any money and we won't pay any money until we can have that assurance that the money can be fully refunded.

Mr FERGUSON - I did want to come back to a question - I think it was from the Chair.

I am not here to speculate or to cast doubt on others, but given all the foregoing and your own question, as TT-Line itself has previously indicated, it has remained in contact with the other shipbuilding companies shortlisted should FSG be unable to fulfil the contract.

I think it is fair and reasonable we inform the committee of that and reaffirm it. However, we feel it's prudent to continue taking professional advice so that the state and the company are both fully informed about our options but, at the same time, confirm that from a contractual point of view we are in a very strong position.

CHAIR - My understanding is that the project team has been meeting with other possible suppliers in regard to this matter. I expect it is prudent to do so.

Mr GRAINGER - Are you referring to Damen?

CHAIR - Yes.

Mr GRAINGER - It is interesting you say that because we have had no official meetings with Damen. I have seen the press.

Mr GRAINGER - And I know that they've written to you.

Mr DEAN - That's commercial-in-confidence. We can't talk about that.

Mr GRAINGER - Bernard will elaborate, because to say \ we're disappointed is an understatement.

UNCORRECTED PROOF ISSUE

Mr DWYER - We're in a very tight process with FSG. As we've said before, there were shortlisted yards in that original business case. To be prudent we've talked with the other shortlisted yards and worked with them.

In relation to Damen. Damen has put an unsolicited proposal, not even a proposal - an unsolicited letter, to us. Last time I spoke to Damen was at an inter-ferry conference. I explained to Damen that we're in the middle of a process. If, for whatever reason, the company has to go back to the market, I will be in contact with Damen as well as other shipyards in relation to that.

I was very surprised to see that they've actually written to a Legislative Councillor in relation to that. They are not in a process with us at all.

Mr GRAINER - None, whatsoever.

Mr DWYER - They'd like to be.

CHAIR - They'd like to be in a process.

Mr GRAINGER - There are 50 shipyards that would like to be.

CHAIR - So they are obviously well aware of the situation. I expect they probably have some pretty good information on FSG.

Mr GRAINGER - I'm not sure about that. They are reading the media like we are. When a project of this magnitude is announced we have shipbuilders and suppliers all over us. They are all unsolicited.

When we went through the process of elimination, Damen wasn't capable of building a ship of our size. It didn't have the facilities. I'm still not sure they do because we haven't had any detailed conversation with them. We are disappointed that they've chosen to write to this committee and we've let them know that.

CHAIR - But they've been writing to the Government.

Mr GRAINGER - We are aware of that.

CHAIR - Their first email was to a member of State Growth.

Mr GRAINGER - Yes, we've seen all that and we've let -

CHAIR - They've not been hiding the fact that they've been interested.

Mr GRAINGER - With respect, we've said to them, 'We can't speak to you. We have a contract'. Then they go and talk to State Growth and the Premier and this committee. That's what they're doing. It's shocking.

Mr DEAN - You are saying that State Growth hasn't talked to you about it?

Mr GRAINGER - They have now but they didn't at the time. Nor should they. We have a contract.

Mr DEAN - Whether you have a contract or not, I thought they might have let you know. I couldn't see anything wrong with letting you know that they'd had correspondence from them

CHAIR - I thought the company was being quite proactive in their attempt to try to assist Tasmania.

Mr FERGUSON - They may well be but that would be speculation and guesswork on our part. The fact is that we have a contract in place. It's a contract about securing the vessels the state wishes to buy. We are aware of the media reporting. I think everybody in the room is aware of the media reporting. Curiosity leads to asking how is it going? We are informing the committee to the extent that we're able to. We understand our obligations and are mindful of those and taking expert advice.

I reiterate: the 2016 strategy set about a ship replacement program that should happen within a decade, so out to 2026-28. I'm not saying anything about those dates other than we are well ahead of the game. We have a contract in place for delivery for 2021. We intend to hold to that contract. Any other speculation is unhelpful, other than to say, noting that media reporting, that we have maintained contact - the company and the board have maintained contact with the other ship building companies that were shortlisted through the original process should FSG be unable to fulfil the contract. Again, that's speculation.

CHAIR - Thank you, minister. I'd like to add that when the committee receives information, we have a duty to ask those questions. That's what we're here for.

Mr GRAINGER - I respect that.

CHAIR - People provide us with information and we are very appreciative of that.

Mr GRAINGER - We were aware they wrote to you. They told us that. We wrote back to them and said we didn't know why they felt it necessary to do that, given the conversations we'd had and the fact that they knew we had a contract. However, this isn't fridges and washing machines - this is serious stuff we're talking about so not unsurprising.

Mr WILLIE - If it's more comfortable, minister, we can put the break contract clauses to the side for a moment.

Mr FERGUSON - It's not about comfort; it's about being proper.

Mr WILLIE - However you phrase it. First of all, we heard from the Auditor-General yesterday and he said, which you have confirmed, that no payment has been made, and that was at the time of his auditing. In January the company will need to order components for the ship.

Mr GRAINGER - Which company?

Mr WILLIE - FSG.

Mr GRAINGER - I don't know. Is that correct?

Mr DWYER - Possibly.

Mr WILLIE - You are not across the timeline?

Mr GRAINGER - I probably need to hear the rest of your question; I am not sure where you are going.

Mr WILLIE - My question is: if the components for the ship need to be ordered in January, will the first payment have to take place?

Mr DWYER - No.

Mr WILLIE - When will that first payment take place?

Mr GRAINGER - When we receive refund guarantees.

Mr WILLIE - Refund guarantees.

Mr GRAINGER - Absolutely.

Mr WILLIE - Is it scheduled to take place in January but you do not have the refund guarantee yet?

Mr GRAINGER - Nothing is scheduled to take place in January that I'm aware of, and it depends what equipment you are referring to. I don't know what equipment you're referring to.

Mr WILLIE - I'm not an expert in shipping. 'Shipping components' could mean a range of things.

Mr GRAINGER - It could mean a million different items, Mr Willie, quite frankly. I'm not trying to be smart; I don't know what you are referring to. I assume that there will be a point when the builder will need to order main components, but I actually don't know what that will be because that's their business.

Mr FERGUSON - Could you inform the gentleman what particular purchase you are saying should happen in January?

Mr WILLIE - I'm not an expert in shipping; I just know that components have to be ordered. I'm just taking advice, minister, as you do. I'm interested in when the first payment will take place.

Mr GRAINGER - You are correct: components will need to be ordered. Components, depending on what they are, will have different lead times. The main components, I assume, have longer lead times. We are in the shipping business so we understand a bit about that. However, that's determined by the yard. As long as they deliver to the contract, we don't care when they order main components, as long as they've got control of it. It's a separate issue to paying them any deposits because, again, the company will not pay a deposit unless we have a watertight guarantee that the deposit can be refunded back to us in the event of a breach of contract.

CHAIR - If they can't deliver.

UNCORRECTED PROOF ISSUE

Mr WILLIE - I accept that. It's due diligence to have that condition in place, but when is that deposit due?

Mr GRAINGER - When they provide refund guarantees.

CHAIR - So we are back to the question of how long we have to wait for that.

Mr GRAINGER - There are trigger points within the contract.

Mr WILLIE - Putting aside the condition you have on it, when is that payment due?

Mr GRAINGER - I can't tell you that.

Mr WILLIE - Why not?

Mr GRAINGER - Because it's a commercial contract we have with the shipyard.

Mr WILLIE - It's a deposit on an announced infrastructure project. Why can't we know when the deposit will be paid?

Mr GRAINGER - The deposit will be paid when the yard provides us with a refund guarantee. If they don't provide us with a refund guarantee by a certain time, they will be in breach of the contract.

Mr WILLIE - When is that certain time?

Mr FERGUSON - We might be in breach of the contract if we answer all the questions that you are asking, Mr Willie, with respect.

Mr DWYER - I am not comfortable in answering that without a bit of legal advice.

Mr WILLIE - Could you take it on notice, through the minister? You can get legal advice.

Mr FERGUSON - I'm not sure we are in a position to take it on notice if we are confident that the contract itself is commercial-in-confidence.

By the way, I have been on that side of the table, I understand the need to scrutinise government and GBEs; I completely respect that and indeed where your questions are coming from, Chair, Mr Dean and Mr Willie. As much as we may wish to or like to be able to answer those questions and provide the necessary reassurances that an MP might like to have, we also operate within the law and in our advice about what is appropriate and lawful for us to share. It's with that in mind that we deliberately come to the committee today with clear statements prepared, including the one that no money will change hands unless a refund guarantee is in place to protect the taxpayers' interests, which I know you are also seeking to do.

Mr WILLIE - Minister, I have not finished yet.

Mr FERGUSON - We are not going to breach the contract in a way that then exposes the state because that would be reckless.

Mr WILLIE - Minister, the GBE employees have said they would need to take legal advice on that question I asked. Why can't they go and take legal advice? You take that question on notice; the advice might come back and say it is not in the public interest to disclose that. They may get advice to the contrary, so why can't you take that on notice?

Mr FERGUSON - I have already said I would take on notice what we are not confident in answering. I will invite the Chair and the CEO again to indicate a level of confidence on that and if we feel we might be able to take it on notice and come back with a different answer, I am more than comfortable with that. However, I meet the company regularly about this. This is a significant purchase for our state. We are very proud of the decisions we have made in replacing the vessels and we have ensured as a government - despite myself being a new minister to the portfolio - this Government has taken all the necessary actions to provide for and support the company in being a prudent purchaser with the right advice.

I will ask the Chair and the CEO in response to that question.

CHAIR - I think they have made their position clear.

Mr GRAINGER - I would not because we would need to take our own legal advice on whether we should or can or cannot answer that question.

Mr WILLIE - Isn't that a reasonable proposition, minister, that you do take that on notice? They can go and seek the advice and come back to the committee. That is a more than reasonable proposition.

Mr FERGUSON - You say you are being reasonable, but I am deliberately being proactive in providing the committee with all the information I am lawfully able to. I am well briefed on this. I have been extensively briefed and am aware of our Government's and our company's obligations. I am not sensing there is more information we are able to provide.

Mr WILLIE - They are saying they need legal advice. You are not a lawyer.

Mr FERGUSON - Please do not put words in their mouths because I have just conferred.

Mr WILLIE - They will need to seek legal advice.

Mr FERGUSON - Can I be clear on this? We have not stopped taking legal advice. This is how this works. We do not take any steps without prudent advice being taken and we do not like to see reckless statements being issued on this subject.

Mr WILLIE - Who is making a reckless statement?

Mr FERGUSON - There have been a range of statements made, not by yourself today, Mr Willie, but I am more than aware of the things that have been said. My principal interest is the Tasmanian community and taxpayers.

Mr WILLIE - I think that is all our interests, minister.

Mr FERGUSON - I am not sure.

UNCORRECTED PROOF ISSUE

Mr WILLIE - You are not going to take it on notice?

Mr DEAN - Yes, he said he would, I think.

Mr WILLIE - He is. I want to confirm that.

Mr DEAN - I think they said they would.

Mr FERGUSON - I would be prepared to take on notice a question that asks the company what it is able to share with the committee, without breaching commercial-in-confidence arrangements in the contract in relation to the deposit.

Mr WILLIE - Can we put the question on notice? When is the first payment date, depending on the legal advice The committee will obviously accept the legal advice or TT-Line.

One last question, Chair. That is the payment date. When will construction start on the new ships?

Mr DWYER - That is purely up to the yard. The yard knows and has its delivery date and will work backwards in relation to that. It will depend on workforce. It will depend on slots.

Mr GRAINGER - That ties in to your question about ordering of main components.

Mr WILLIE - They would have advised you around a start date of construction, wouldn't they? As a business, you would want to know the time line of how this all unfolds.

Mr GRAINGER - First, there is a design process they need to go through. Provide drawings - and there are thousands and thousands of technical drawings that need to be produced. We are receiving those almost on a daily basis. They will decide when to start to construct and that might depend on their current orders. It may depend on orders they have that they may not want to fulfil. We do not know that.

Mr WILLIE - Is there a point you will become concerned if construction does not start? Have you a date in mind if they have not started construction?

Mr GRAINGER - No. I do not have a date in mind, because they have an obligation to let us know they are going to deliver the ships on time.

Mr WILLIE - So you are expecting the ships?

Mr GRAINGER - As I sit here, we have no reason to believe the ships will not be delivered on time. The yard has not advised us they cannot deliver on time. The yard has advised us they are working hard. We have a true intent to build your two ships and build them well and make them the best in the world. We're working very hard towards that. The contract stipulates we can't try to influence them in any way, shape or form. We wouldn't do that.

CHAIR - Thank you. We're moving on, we're getting bogged down in this. I'm getting as frustrated as everyone.

UNCORRECTED PROOF ISSUE

Mr DEAN - Is there a build time on these ships, minister? Has a company confirmed there's a build time - in other words, will it take them six months, 12 months or two years?

Mr FERGUSON - From our contract's point of view and to the extent we're able to discuss it, it's about the delivery of the vessels as contracted.

Mr DEAN - By 2021?

Mr FERGUSON - Yes, exactly.

CHAIR - What time in 2021?

Mr FERGUSON - Again, can I ask the Chair to respond to that?

Mr GRAINGER - March 2021 for the first ship.

CHAIR - That's not far away. I think we've exhausted it.

Mr DEAN - What's the position if these ships can't be delivered on date in 2021? Obviously, TT-Line would have looked at that because of what's happening and just in case they can't be. If that time is likely to blow out, are our current *Spirits* in a position to continue to provide the service that is necessary for the state in the meantime and if it blows out for a further period?

Mr FERGUSON - I can confirm that in the event of any delay in delivery, the current *Spirit of Tasmania* vessels will be emission-compliant and suitable for the purpose well past 2021, given the refurbishments that occurred some four years ago for many years.

Mr DEAN - Thank you.

Mr FERGUSON - That is a great and reasonable question. That's the answer.

Mr ARMSTRONG - The new *Spirits* are going to be 30 per cent larger.

Mr GRAINGER - About 40 per cent larger.

Mr ARMSTRONG - Will you need more crew and staff?

Mr DWYER - Certainly, in the longer term that's the potential. We've increased the capacity. I can't remember off the top of my head, but we have increased the number of crew cabins on the new vessels in anticipation of that. Obviously, to provide the service to our passengers, if we're taking upwards of 1800 passengers and not 1400 passengers, for example, on a full day, we will need to make sure we provide the proper service to those passengers.

Mr ARMSTRONG - So will there will be a recruitment process closer to the time?

Mr DWYER - I don't know if there will be a recruitment process. We have people knocking on our doors every day trying to work at the *Spirit of Tasmania*. It's a great place to work so we won't need to recruit. We will have people coming to us.

Mr ARMSTRONG - The speed of the new ships. Will they be quicker or the same?

Mr DWYER - The speed is equivalent to our current vessels. The reason for that is not only from a day sailing point of view. We need to be able to travel at night, discharge load and travel back ready for the next night so we can do double sailings. To do that we need to travel at about 27.5 to 28 knots. These ships will be designed to do that speed.

Mr ARMSTRONG - If the ships are doing the same speed and they're bigger, would they use more fuel?

Mr DWYER - The newer engines and the technology will be more efficient.

Mr ARMSTRONG - The current ships are 20 years old now.

Mr DWYER - We're looking at mechanical and engine technology that is 20 years younger. So the efficiencies and everything we need from a really efficient vessel from an energy production point of view is much better than the current vessels. We expect them to be more efficient in how we propel those vessels.

Mr ARMSTRONG - These ships weren't new when they were purchased, were they?

Mr DWYER - No, I think the current vessels were built in 1996 or 1998.

Ms ARMITAGE - I am looking at your annual report, at Other Important Information - and I noticed 'buy local'. Does buy local extend to consultancy?

Mr DWYER - If the expertise for amenity is local, absolutely.

Ms ARMITAGE - I was just noting, out of 13, only three are Tasmanian. I accept Sweden and Finland. ACOM port infrastructure review and investor replacement?

Mr DWYER - ACOM are experts in marine engineering.

Ms ARMITAGE - BDA Marketing Planning, customer market research. Could that be done in Tasmania?

Mr DWYER - BDA are nationwide. I understand they work for Tourism Australia as well. They are very important. They have dealt with us, I think, for nearly 18 or 19 years, so they have all of the trends that we use.

Ms ARMITAGE - Bevington Group, operations process review?

Mr DWYER - They are Melbourne based, they are a process re-engineering firm that we use.

Ms ARMITAGE - It can't be done in Tasmania?

Mr DWYER - We put it out to consultants in Tasmania and we have gone with the best. Cost effective as well, which we need to be aware of.

Ms ARMITAGE - We do, we also need to be aware that we are employing Tasmanians and we give Tasmanians work.

Mr DWYER -You can't talk to two gentlemen at the table more conscious of that.

Ms ARMITAGE - That is why I am going through it. You prefer to go with Bevington?

Mr DWYER - They were the best.

Ms ARMITAGE - Corporate Communications is here, that is public relation advice. I understand Figura and Foreship, Sweden and Finland, to do with the vessel design, that is understandable.

Halliday's Business Insights, employee training and support. Victoria?

Mr DWYER - Halliday's is a single person consultancy who has worked for many years in the company in relation to support.

Ms ARMITAGE - It can't be done in Tasmania?

Mr DWYER - They have been working for so long with us, they know our crew, they know our processes and they sometimes -

Ms ARMITAGE - So we do not put it out to tender on a regular basis? Do we compare to see that they are still the right people for the job?

Mr DWYER - It is normally a three- or four-year rotation.

Mr GRAINGER - Three years for tenders, and that comes to the board for its approval.

Ms ARMITAGE - HFW Australia, legal services for contract negotiations and legal representation. We don't have Tasmanian lawyers to do that work?

Mr DWYER - They are maritime lawyers.

Mr GRAINGER - They are admiralty lawyers and considered the best in the world. We use them both in Victoria and in London.

Ms ARMITAGE - Hospitality Business Solutions, training and systems support?

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

Ms ARMITAGE - We don't have people in Tasmania that can do training and systems support, \$59 000 to Victoria again?

Mr DWYER - That could very well be the support of the computer system. I would have to take that on notice.

Ms ARMITAGE - James C. Smith and Associates, specialised food service advice. We don't have people in Tasmania that could give us specialised food service advice? This is Victoria again?

Mr DWYER - What was the amount for that?

Ms ARMITAGE - Sixty-six thousand dollars.

Mr DWYER - Can I take it on notice again, my apologies.

Ms ARMITAGE - That's all right. So we have two Tasmanians; then we have Simon Kucher and Partners, New South Wales, more customer market research, \$186 000?

Mr DWYER - Simon Kucher and Partners are world renowned for yield management. That is a specialised area and there would not be anybody in Tasmania that could provide those services for the *Spirit of Tasmania* market.

Ms ARMITAGE - There are 19 other consultants engaged for \$50 000 or less, coming up to a total of consultants of \$2 013 000, with only three being Tasmanian.

Just going back to Corporate Communications, \$71 000 monthly retainer -

Mr DWYER - That is annual, not monthly.

Ms ARMITAGE - It says monthly here.

Mr DWYER - It is a monthly retainer but an annual -

Ms ARMITAGE - So \$71 000 for the whole year?

Mr FERGUSON - Can I just please clarify, we will take that on notice -

Ms ARMITAGE - If you would, because it is all about buying local.

Mr FERGUSON - I wish to clarify that although a comment has been made about how a number of those firms are specialist in their field and internationally significant in the field for reasons that I am sure you would understand, it would not necessarily apply that we are suggesting that in some of the other cases the skill is not in Tasmania. There may well, nonetheless, have been a method of selection for value for money.

Ms ARMITAGE - I appreciate that minister -

Mr FERGUSON - We are very proud of our Buy Local policy, which is working. It is up to about 87 per cent now.

Ms ARMITAGE - I think it probably should extend to consultancy where it can. With respect, what I am simply asking is that when we look at something, even if a Victorian company may seem a little less expensive, if they are doing the same job, the benefit to Tasmania of giving locals the work far outweighs the few dollars saved in Victoria because it is employing people and it's a lot of other attributes that go with it.

Mr FERGUSON - You have just done a very nice job of summarising the way our Buy Local policy works. The very point you have made.

UNCORRECTED PROOF ISSUE

Ms ARMITAGE - That was the thing, looking here to see only three Tasmanians in among the group. I have one more question.

Mr FERGUSON - We will take it on notice.

Ms ARMITAGE - Thank you, minister. Twenty-one international trips costing \$268 000. I accept international travel has to be undertaken when you are replacing current vessels, but can you outline - is that 21, so it is really 42 going over and coming back, if you are talking trips.

Mr DWYER - They would be return trips, I would think. They are 21 return trips.

Ms ARMITAGE - It is 21 return trips?

Mr DWYER - We do not leave people overseas.

Ms ARMITAGE - There is one there that does not balance if that is the case. Can I have a breakdown? Twenty-one seems a considerable amount, so there might be two or three people that go each time - is that how it works so that could be seven trips?

Mr FERGUSON - I will take that on notice.

Ms ARMITAGE - Could you advise whether this was economy travel?

CHAIR - It would be if the minister were going.

Ms ARMITAGE - I am wondering because I know that when the member went to England, it was economy travel. Are they economy travel?

Mr GRAINGER - It depends on the people travelling. I get annoyed about this, because I have travelled a number of times to assist Bernard and his team at my cost.

Ms ARMITAGE - That is fine; I am simply asking.

Mr GRAINGER - We are doing everything we can to be fiscally responsible and you can rest assured none of these trips' time has been wasted. They are very tough on our employees; they are not having a holiday.

Ms ARMITAGE - I am certainly not saying they have but, with respect, we are here to question the money spent on a government business enterprise. I am sorry if people get annoyed, but I would like to know if the 21 international trips were economy, business class or how they were. It is irrespective if someone chooses to pay for themselves - that is purely up to them, as is if they then take a holiday when they are there and do whatever they like. I am not making any inference one way or the other. I simply asked: are the trips economy, business or what class are they?

Mr GRAINGER - It depends on the trip and on the employees travelling.

Ms ARMITAGE - If I could have that on notice, please? I would like an answer.

Mr FERGUSON - I think we will answer it now and suggest there is clearly business travel involved.

Ms ARMITAGE - You are not going to say it is commercial-in-confidence, are you?

Mr FERGUSON - I am specifically telling you there is business travel involved to get people to the other side of the globe for business purposes, but I am happy to include that in the question on notice I took earlier.

Ms ARMITAGE - I would like that if I could, thank you.

Mr DEAN - If they are expected to hit the road working when they get there, they should travel business class. My son travel business all around the world all the time, because he is expected to get out of the aircraft and straight into the job.

Ms ARMITAGE - That is good of you to answer the question, member for Windermere, but I am asking this government business enterprise what they have done with our money.

Mr FERGUSON - I might add some commentary here. It is about getting the best outcomes for the people, for the business and for the state, and there may well be circumstances where economy travel is the appropriate level of travel. It might also be reasonable that business travel is afforded to people who are doing extremely long journeys and are expected to perform at the top of their game for the state. Personally, I travel economy around Australia when I occasionally travel for ministerial purposes.

Ms ARMITAGE - I have only ever travelled economy.

Mr FERGUSON - It is not an argument I necessarily wish to be part of; people are here to serve the state and we will provide the answer.

Ms ARMITAGE - Sorry, the minister said an argument. I am simply asking a question.

CHAIR - To break the cycle I will ask a question. We have a couple of matters before the court, but no valuation was given in the annual report of the cost attributed to those court costs at this time. Is that something the committee can access? They are live cases and we do not have any commentary around that, but the cost, thus far, would have to be significant, I expect.

Mr DWYER - The costs of our legal, I have to be careful of what I say as you would appreciate, is under insurance. I need to be careful how I answer that. All the costs are not direct costs to TT-Line.

CHAIR - It is just that it wasn't something we were able to source from the annual report, again, acknowledging that a court case is something we can't comment on.

Mr DEAN - Are the case dates for those hearings yet?

Mr DWYER - They are. I think the next date is June 2020 for the criminal matter. The civil case is August 2020.

Mr WILLIE - Can I turn to another matter, Chair?

CHAIR - You can. I'd actually be appreciative of that.

Mr WILLIE - On page 39 of your annual report, the statement of financial position, it's been pointed out to me that income tax of \$8 950 000 was payable in 2018, but in 2019, there's income tax receivable. Is there an explanation for that? I'm also advised that there hasn't been income tax payable in any of your other annual reports for quite a number of years.

Ms SAYERS - In previous years, the company had carried forward losses that it used to reduce its tax payable position. We incurred a tax liability, as is shown in the accounts for 2018. For 2019, we had access to a shipping reform tax exemption that meant we did not have to pay tax on our -

CHAIR - That was only from November.

Ms SAYERS - Yes.

CHAIR - That was only a portion of the year.

Ms SAYERS - Yes.

CHAIR - That covered the whole lot?

Ms SAYERS - Not on the whole tax liability. Once we incurred a tax liability in 2018, we made some instalments in the expectation that we may have a similar liability for the following year. So, what we'd actually paid covered some of that and the balance is sitting there as a potential refund.

Mr WILLIE - This is a shipping income tax exemption. I'm interested: the liability in 2018 that hasn't occurred the following year or the previous years, is that just a matter of not applying for that tax exemption by the required date?

Ms SAYERS - No. It's not meeting the eligibility requirements.

Mr WILLIE - It wasn't meeting the eligibility requirements. It's not an administrative error or anything like that?

Ms SAYERS - No.

Mr WILLIE - That's the tax you were liable for.

Mr GRAINGER - Mr Willie, we don't make administrative errors.

Mr WILLIE - I'm just asking the questions. You can answer it however you like. You were liable for that difference of about \$3 million, and it wasn't a mistake or anything.

Ms SAYERS - No.

Mr WILLIE - Okay.

UNCORRECTED PROOF ISSUE

CHAIR - In relation to the special dividend of \$41 million, what's the future dividend expectation?

Mr GRAINGER - The expectation is to continue to pay that special dividend. As I've said in the past, the company is comfortable in agreeing to that dividend payment because it goes into the vessel replacement fund. As you are aware, it's through legislation. It just sets us up in the future to be a bit more financially secure. As a company we don't have any qualms about paying that - so long as we can afford to pay it, of course.

CHAIR - There's no issue to date so you expect to continue to pay that \$41 million?

Mr GRAINGER - Yes, we do.

CHAIR - That's in a separate fund?

Mr GRAINGER - The figure you are quoting is all relevant to the amount of profit the company makes. So \$41 million is just a figure that's been used.

CHAIR - Was that included in the opening balance or is that in a separate fund?

Mr GRAINGER - It's in a separate fund with government, I understand. Again, that's based on a percentage of profit the company makes.

CHAIR - How is the cash balance of \$187 million being invested? What returns are being realised?

Mr FERGUSON - Kym, are you able to breakdown the cash balance of \$187 million?

Ms SAYERS - TT-Line cash balances?

CHAIR - I am interested in what the cash balance of \$187 million. How is that being invested? What returns are being realised?

Ms SAYERS - A significant portion of that is being managed by TASCORP so we have that being held as what we call restricted funds. It is being held and managed and is earning interest with TASCORP. Then the balance is TT-Line-controlled cash balances. We have a mixture of mainly shorter term investments with a number of different counter-parties just to manage our day-to-day cashflows. The bulk of that is our cash but it's being managed by TASCORP.

CHAIR - You rely on TASCORP to get you the best returns. Do you get the interest back?

Ms SAYERS - Yes, it is being managed by TASCORP and linked to our financial instruments that we have with them.

CHAIR - Any impact on the foreign exchange rate in regard to the FSG? I know we did talk about the euro, and you said that no euros are put aside at this point in time.

Ms SAYERS - As at the balance date we certainly didn't have that. We're impacted by the movement in the euros. We are and we account for that but it's not realised until we get to the point that those instruments are due for realisation.

Ms HOWLETT - How are you currently monitoring customer satisfaction and what has TT-Line put in place to do so and to improve the customer experience?

Mr DWYER - We have a product in place called Clarabridge, which is a system that when somebody travels with us at 9 o'clock, after you have sailed you will receive an email with a survey to be filled in. At the moment we are hitting between a 13 and 15 per cent return rate on the survey of all of our passengers, which is substantially more than you would normally expect.

Ms HOWLETT - I'm really bad with filling out surveys.

Mr DWYER - If somebody has a service issue with *Spirit of Tasmania* or they only rate us an 85 out of 100, the survey is sent to me and to the leadership team and we see that survey. If anybody has a service issue with TT-Line, it goes to our General Manager of Hospitality, and he controls that response. He has 12 hours to have a personalised email returned to that passenger, as well as a case that is set up within the business to monitor and resolve any issues they would have with the business.

The most important thing we did when we implemented this system was for our crew. We made sure that this system is a system of trying to find out if there are any friction points with our passengers and our service. It's not 'Who has done something wrong?' That's certainly not the character; it's 'How can we fix something going forward?'.

I will give an example of that. Just after the refurbishments we were getting a lot of feedback through these surveys that the recliners didn't go back far enough. We did a lot of work with the manufacturer in Europe on whether to change the hinges in the seats. In the end, we came up with an idea of putting what I think was a 12-degree wedge under the legs or the uprights of the seat, which tilted the whole seat back so we didn't have to change those and it went back further at any rate.

Mr WILLIE - It would have been much cheaper too, probably.

Mr DWYER - To use a real technical term, it went back like that. Immediately, in the Clarabridge surveys the complaints in relation to the recliners stopped. Almost overnight that issue went away. We use it constantly in relation to that.

There are good news stories. We get some really great stories. I have to pay tribute to my crew because it's not only the customer service, it's our medics and our security staff on board. We have to remember that our crew are in a tin can in the middle of Bass Strait and if something goes wrong, there is no-one to help them. The expertise they have and the way they look after our passengers is amazing.

Mr FERGUSON - On that point we are blessed to have a chief executive who has such a strong track record in the hospitality sector. It has actually changed and improved the dynamic about the kind of service we are seeking to offer. It's not just about getting passengers from one point to another point, but helping them to have a fantastic time on board. It's that hotel industry experience which Bernard brings to this job that is absolutely valued.

Mr GRAINGER - For transparency those [inaudible] reports come to the board with positive and negative reports; we do not get very many but -

Mr DWYER - Suboptimal not negative. The board receive those reports every month and we discuss it.

Ms HOWLETT - As a consumer, we expect so much more all the time as far as you said - food, wine.

Mr DWYER - If I may, the biggest feedback we have from our passengers is 'We thought we would send in the survey and did not think we would get a response. We certainly did not think we would have the General Manager picking up the phone and ringing me and saying "I am not quite sure what you mean by that".'. Seriously, you have them for life as a passenger when you have that sort of service.

Mr GRAINGER - The process determines if the comment is suboptimal; the policy is the person is contacted within 24 hours. How many hotels or other transport operators do that? Not too many, I do not think.

Mr DEAN - Make an adverse comment, and they do not come back to you at all.

Mr GRAINGER - We do within 24 hours, Mr Dean.

Mr DEAN - What areas of complaint have come up - other than the issue we have just referred to - in the last 12 months or so? It might be in the annual report, but the number of issues there. I really wanted to get onto the area of security as to exactly what has happened there. Has there been any major security issues in the last 12 months? In the sole area we did not cover, ships rightly or wrongly are being said to be couriers for drugs such ice and all those sorts of things. What is in place to try to ensure this is not happening, and there are some controls on bringing illicit drugs in moving both ways on the ships?

Mr GRAINGER - Mr Dean, you will know better than most around the table what we need to be mindful of. The company works really closely with the local police, the federal police and = security agencies like ASIO. The company has a full-time security manager who is an ex-detective, and it is an ongoing process. I will let the CEO elaborate if he chooses to, but we have to be mindful as you have alerted us to in the past and rightly so. What I can say is the company does treat security very seriously. Again, security is a broad agenda item every month, so we are kept abreast of everything that happens on our ships. Some things we simply are not allowed to discuss because it would breach security and put people at risk. I as chairman am very comfortable the company is doing a lot behind the scenes in terms of security. Incidents of drug busts and things like that, I cannot go into, but maybe Bernard can elaborate a bit more.

CHAIR - We do not need blow-by-blow detail.

Mr DWYER - I am not actually allowed to talk about operational matters -

Mr DEAN - Have there been any major security breaches in the last 12 months?

Mr DWYER - It depends on your definition.

UNCORRECTED PROOF ISSUE

Mr DEAN - Well, when we say serious issues involving some real action. I do not mean somebody getting drunk and playing up and having been controlled; I mean other issues, of threats of violence.

Mr DWYER - Anti-social threats of violence are normally drugs or alcohol; we do have a brig on the vessel and our security people are well trained in protecting my crew and obviously our passengers as well.

Ms ARMITAGE - Do you have your own detector dogs?

Mr DWYER - No, we don't.

Ms ARMITAGE - Because it is such an important issue and there's an inference that many drugs come through, wouldn't it be worthwhile having your own detector dogs checking that boat?

Mr FERGUSON - I think it would be a bad idea.

Ms ARMITAGE - Why would it be a bad idea?

Mr FERGUSON - I think that we would trust the experts on this - being Tasmania Police which does have the charge in this zone.

Ms ARMITAGE - They bring the dogs?

Mr FERGUSON - They do.

Ms ARMITAGE - It's random, isn't it?

Mr FERGUSON - It's risk-based and it's based on intelligence. We want to inform the committee as best we can without going into the operational detail but the Government is resourcing Tasmania Police with more detector dogs and they're being trained specifically in these areas. As a shipping provider law enforcement is one for the federal and Tasmania Police to operationalise. We would look to them to make those judgments.

Tasmania Police, for example, have made some statements to let it be known they will use their intelligence trail and then respond accordingly on a risk-based approach.

Ms ARMITAGE - I understand that, but it would seem an obvious thing that the more you can catch -

Mr GRAINGER - I think it is important to understand that we are a ferry operator, we are not experienced with sniffer dogs or -

Ms ARMITAGE - You just pointed out that you have a security person.

Mr GRAINGER - That's more strategic. We let the police and others do their job without hinderance. We're a vessel operator.

Mr DWYER - We assist all law enforcement exceptionally well. I will just leave it at that.

Ms ARMITAGE - I am not going to ask how often the detector dogs go on, but wouldn't it be beneficial - and I understand that you leave it to the police - to have some responsibility to try to make sure that it's not a random thing, where people think, 'I'll put something on the ferry and send it across because the dogs were there last week so they're probably not going to be there again this week'. The police can't have information on everything that comes across on that boat. I would have thought that would be one of your major priorities, to make sure that drugs and other contraband is not coming across on that ferry.

Mr GRAINGER - We work very closely with all forces. Mr Dean, it's probably a better question for you to answer.

Ms ARMITAGE - I don't think so. I think he's been out of it a little bit too long.

Mr FERGUSON - We won't discuss this in too much more detail other than to say that we rely on Tasmania Police to do the strategic risk-based, intelligence-based law enforcement, in addition to random searches. Drug dealers beware, you will be caught!

Mr ARMSTRONG - It is to do with biosecurity. It's in the same area.

Who runs the biosecurity for the ship? Is it TT-Line or is that onshore? I've been checked going in: is that by TT-Line?

Mr DWYER - It is by Wilson Security and our own people who have been trained and are regularly trained by Biosecurity Tasmania in relation to the functions they undertake.

Mr DEAN - Other than the recliner chairs, what other common complaints come up in the system?

Mr DWYER - I am going to ask the Chairman to answer that because he should know this through our board reporting.

Mr DEAN - It is just an idea.

Mr GRAINGER - A common complaint is ship vibration, particularly in certain areas of the ship. That's a function of the ship design. The ships are 21 years old or thereabouts. They're not harsh complaints, more of a commentary. We have some negative comments about the weather. While we are always polite in our response, there's not a lot we can do about that.

We had some complaints regarding the bathrooms having a less than pleasant odour. We have fixed that now. The complaints are minimal, they really are.

Mr DEAN - That's the point I am trying to get to.

Mr GRAINGER - It's not much at all, Mr Dean. It really isn't. It's minimal but we still take it very seriously.

Mr ARMSTRONG - It is correct because I've travelled on the vessel regularly. You talk to people. and I don't usually get any complaints usually. The weather is one. I was coming back once and it was very rough on a day sailing. People have a bad experience but the general comments when I've been travelling on there have all been pretty good.

CHAIR - So the member is asking whether the minister pleased with that, if that's the case?

Mr FERGUSON - The answer is yes. I know you don't want to dwell on it for too much longer but with a 13 per cent response rate, you are always going to get a higher response rate from people who might be dissatisfied with something. In itself, 13 per cent is quite a good participation rate in response to the large number of emails that were sent out to follow up customers, with a 92.5 stated satisfaction rate. It's an incredible result and I think it would leave a lot of hotels in their dust.

It's important as a customer-focused business that we are always prepared to listen to a complaint because it might allow us to learn something that will help us provide a better service.

Mr GRAINGER - Just to finish off a regular comment which can be construed to be a complaint from time to time is the congestion around Station Pier, particularly with cruise ships. We're getting an increasing level of comments around the congestion at that port.

Mr FERGUSON - Does that come in the email responses?

Mr GRAINGER - Yes, it does. It comes in email responses. It comes in letters to media. It comes in phone calls to politicians. That seems to be increasing, and it will by its very nature.

Mr WILLIE - If I could go back to a previous question, I would just like to explore the shipping income tax exemption a little further. What are the eligibility criteria for that?

Ms SAYERS - I'm not going to be able to list them off the top of my head. There's a number of criteria. I haven't looked at them for about six months. Can I take that on notice?

Mr WILLIE - Take that on notice. I am advised that one criterion might be providing training.

Ms SAYERS - Yes.

Mr WILLIE - You were saying that the liability had been carried over from previous years. Is that what you said previously?

Ms SAYERS - We had carried forward tax losses.

Mr WILLIE - Tax losses.

CHAIR - That's why there wasn't any tax payable.

Ms SAYERS - We had unprofitable years many years ago. Then when we came into profit, we used those losses to offset the profit to a certain extent.

Mr WILLIE - Then they run out.

CHAIR - Once we've used those losses, then we become, in theory, in a tax-paying position.

Mr WILLIE - It wasn't from not providing evidence of training?

Ms SAYERS - No. We do a lot of training as a business. The specific eligibility requirements around training for that legislation are very specific in categories of people. The way we were set up with our training didn't quite meet some of those. It wasn't our overall training spend or the amount of training that did. It was being able to show that in certain categories was one of the areas that we didn't meet that.

Mr WILLIE - Are you saying that you weren't able to show evidence?

Mr DWYER - The structure of our training didn't meet the compliance, only for some of the training.

Ms SAYERS - Part of that challenge was around how our own employees versus ASP employees who are our officers and being able to show that line of -

Mr GRAINGER - ASP are a provider of officers to the company.

Mr WILLIE - Sorry, what about previous years? You would have been conducting the same training.

Mr GRAINGER - We weren't making a profit. You only pay tax if you make a profit.

Ms SAYERS - You only apply for the exemption in the year that you need to use it.

Mr WILLIE - Hasn't it been profitable in other years?

Mr GRAINGER - No, we carried forward losses.

Mr WILLIE - We've talked a little about fuel and the environmental regulations, hedging and how the current ships will meet those regulations and continue. What sort of fuel will the new ships use?

Mr DWYER - The new ships are designed around LNG fuel and diesel. Dual fuel. We can't afford to only have one fuel type.

CHAIR - And you said that the company is Victoria-based?

Mr DWYER - Diesel fuel currently is Victoria-based through Viva.

Mr WILLIE - Have any contracts been signed with the supplier of gas?

Mr DWYER - There has been a contract signed for the first tranche of LNG for the new vessels, yes.

Mr WILLIE - Is that a take-or-pay contract, where you have to take the fuel?

Mr DWYER - It's a take-or-pay contract, once the ships are here.

Mr WILLIE - Once the ships are here, so not beforehand? If they are delayed, it's not an issue?

Mr DWYER - We will give notice to the supplier that the ships would be delayed, if that was the case.

Mr WILLIE - So there is no liability if the ships are delayed?

Mr GRAINGER - We saw the media as well, Mr Willie; we weren't very happy about it because it was factually incorrect.

Mr FERGUSON - People should be more reflective before they make accusations against a proud Tasmanian business.

Mr WILLIE - I don't think they were accusations. It's a government business enterprise, minister, that deserves scrutiny on behalf of taxpayers.

Mr FERGUSON - Scrutiny is great but false claims are another.

CHAIR - I want to put on the record that one of our stakeholders was very appreciative of TT-Line and its timeliness of sailings, so that was a plus. But there were also some concerns about prioritisation of time-sensitive freight. They were concerned that at times their time-sensitive freight may have been left behind while something that wasn't time-sensitive -

Ms ARMITAGE - Perishables or non-perishables?

CHAIR - Yes, were taken on -

Mr GRAINGER - That's very surprising, but I know, and the CEO can answer that, because we are very mindful of priority freight and that's our core business. I'm happy for Bernard to elaborate.

CHAIR - Is that something the company is aware of, or did this committee, in its diligence, unearth that?

Mr DWYER - We have heard that statement before and it depends on the definition of 'leave behind'. People get the view there is a trailer left on the wharf and the ship sails away, which is not the case at all.

Ms ARMITAGE - We were told non-perishables. Perishables were being taken and non-perishables were being left on the wharf. They were the words.

Mr GRAINGER - Can I ask for a bit more elaboration on that - who it came from or what it was?

CHAIR - One of your customers. We can't divulge our sources, otherwise we will never get any information.

Mr FERGUSON - We'd like to meet with you in confidence.

Mr GRAINGER - The reason I ask is that unless we know who it is, we can't do anything about it and we are very serious about that.

Mr DEAN - I think it's reasonable to say it was fruit.

Mr GRAINGER - Okay.

CHAIR - Which is time-sensitive.

Mr GRAINGER - Of course.

Mr FERGUSON - I might put it another way, if you would invite that individual to feel comfortable to raise it with the company directly, especially as you have brought it to the attention of the Chairman and the CEO today.

Mr DEAN - In fairness, I did make a note here 'not discussed with TT-Line', so I think that was a statement made to us -

Mr FERGUSON - We don't want to reject the concern. What we want to do is let that person feel that they be comfortable to raise it with TT-Line.

CHAIR - One of the issues raised by the organisation was that they deal with freight companies and don't necessarily have a direct access to the TT-Line organisation. Perhaps there is an opportunity to liaise more directly.

Mr GRAINGER - That's a different circumstance and we fully understand what you are saying, but that does shed a different light on it.

The other thing you need to know is that the CEO regularly meets with freight companies, fruit growers and the like because, unlike the other operations on Bass Strait, we are not a freight forwarder, a freight company, we are totally independent; whereas the other operators are also not only shippers but freight forwarders.

Ms ARMITAGE - If I could ask a supplementary question, one of the things we were told - and I don't know if this happens with TT-Line - is that on occasion, stock or freight is sent over and it's forced out of the Melbourne Port before it's actually all unloaded and comes back. Does that happen with TT-Line as well?

Mr GRAINGER - Say that again, I didn't quite understand.

Ms ARMITAGE - We were told that freight can go over to the Melbourne Port, but the ships - and I am wondering whether it is TT-Line as well - are forced out of the port before they have had a chance to unload everything and some of the freight comes back.

Mr DWYER - Definitely not. There has never been one sailing that we have brought freight back. It just doesn't happen.

Ms ARMITAGE - It is awful to think that some -

Mr FERGUSON - Well, that is not completely true. There is that cask of whiskey sitting up on the top deck and it is has done a lot of journeys. That has never been discharged.

Mr DWYER - But it is not freight.

Ms ARMITAGE - It was an interesting one.

Mr DWYER - I know the situation you are talking about. It is not the TT-Line.

Ms ARMITAGE - It does happen then. I have never heard of it before and I don't think other members have. To think that you send it and it comes and you have got to wait for it to go again.

Mr GRAINGER - I have never heard of that.

CHAIR - Regarding working with freight companies, is it envisaged that when the new ships come on line, there may need to be an increase in price for freight, or would increases come around not necessarily because of purchasing new ships?

Mr DWYER - There is the normal price increase required in relation to fuel costs, and so on. There is no anticipated increase in freight prices. We charge a fair rate for the service we provide because we provide a gold-plated service.

To answer the prior question, because we are not a freight forwarder we do not talk to the customers of our freight customers. We would never do that. It would be inappropriate for me to talk to a customer of SRT about freight rates. That is SRT's business. We would never do that. That might explain why that question may not have been raised with TT-Line.

Mr FERGUSON - Given my earlier invitation, maybe it would be appropriate for you, Chair, to invite that member of the public to raise it with their freight company with an understanding that if there is a concern the freight company has with the TT-Line service, it would be okay to be in touch with us.

CHAIR - I understand that, thank you.

Mr DEAN - With the new ships coming on line and the additional freight and people that will be able to be carried, is there sufficient growth in these industries? Do you foresee at this stage, minister, we will be able to use the capacity of these two new vessels? Will the sailings change or is that something you will be addressing at the time?

Mr FERGUSON - I will ask the Chair and CEO to give the operational response in terms of setting the sailings. There is demand for growth. There is growth in demand for freight services across Bass Strait. That is not just being reflected in the report we have on the table but the other private sector interests that traverse Bass Strait are also seeing increased volumes and have added capacity. There is an expectation of further capacity to be added in the future.

Mr DEAN - Toll is building larger vessels with the capacity to move more freight. This morning there was talk about changes to the ports to accommodate all this. How much growth does TT-Line see in it for them?

Mr DWYER - I do not have the forecast growth in front of me but the issue I have had as CEO for the last five years has been that Bass Strait has been an artificial choke on economic growth in Tasmania because of capacity. Toll has put two new vessels on, SeaRoad has put a larger vessel on with its older vessel. Even with them in the market, we still had a record year last year of 110 000 TEUs. That may be an indicator that the demand for the services there.

Businesses will invest in their businesses in Tasmania once they know they have surety of getting their products to and from through Bass Strait. We love the fact that Toll and SeaRoad are putting more capacity. It really is essential for this state over the next 20 to 25 years of growth undoubtedly in relation to that.

The one question the board asked me, and they are probably sick of asking me now, is: but what keeps the CEO up at night? What keeps me up at night is the demand that I cannot satisfy across Bass Strait because whenever we have put new sailings on after the refurbishments, we have filled the vessel. There is definitely the demand there.

Mr DEAN - Is that in passenger movement as well? We did see a slight decrease this year.

Mr DWYER - A slight decrease, but bear in mind in the last three years, we have added 160-day sailings, which is a lot of capacity to be added. We are full.

CHAIR - In regard to your staff turnover, you said everyone loves working and wants to work for the TT-Line, so does that mean you do not have a huge staff turnover?

Mr DWYER - We do not have a large staff turnover. I do not have the figure off the top of my head but I think it was in the low teens. The question was asked in the lower House last year if I remember rightly. It might have been slightly less than teens.

Ms ARMITAGE - Good news, thank you. I appreciate that you have answered generally, regarding biosecurity and what happens. I am curious with regard to blueberry rust. When we had our inquiry two years ago now - it seems like it was yesterday.

CHAIR - We have had about seven since then.

Ms ARMITAGE - One of the real concerns was people coming from New South Wales and driving down with mud on their cars and bringing the rust in. Apart from the general checking over by Biosecurity and dogs, yet again, different dogs this time - they have different noses for different things, I assume - ones looking for drugs and looking for fruit are obviously different. Assuming that is the same thing, you are relying on Biosecurity to bring its dogs at random times. What is the process to try to stop specifically blueberry rust and fruit fly coming in?

Mr DWYER - I can give you an example. I was on the ship the night before last, coming out of Melbourne and taking my car through. I don't want to be too far operational; I will only talk on biosecurity side.

Ms ARMITAGE - That is fine. When we went to New Zealand, you could not even bring anything in if you had dirt on your shoes.

Mr DWYER - My vehicle was checked. There were a couple of leaves in the hinge well under the bonnet and they were taken out by the Biosecurity people. They check wheels and wheel arches and they will even be brushed down before it goes on the ship. When I got to Devonport and came off yesterday morning, there is a washdown area that Biosecurity controls.

Ms ARMITAGE - Are they random? Obviously it is not everyone.

Mr DWYER - No, every day.

Ms ARMITAGE - Every one - every vehicle - is checked before it gets on?

Mr DWYER - Every vehicle is checked before it gets on. Biosecurity in Tasmania is there every day. If a four-wheel drive or a vehicle has mud on it, it is diverted into a wash bay and washed down before it leaves the yard.

Ms ARMITAGE - Do they have their dogs as well?

Mr DWYER - Biosecurity sometimes has their dogs. It is more the police.

Ms ARMITAGE - We were told how easy it was for New South Wales, having such a prevalence of blueberry rust coming in, so you -

CHAIR - Minister, we have exhausted our questions.

Mr DEAN - Just on the current vessels, is there any move at this stage to see whether there is a sale for them? Have we progressed that far, minister? I would have thought we would have done. Are they going to be on the market? What is the interest in those vessels?

Mr GRAINGER - We know through our associations with some international organisations that those ships will sell very quickly. Everyone in the industry knows they were built very well and have been maintained to the highest level. We have had off the cuff comments we do not take too seriously, but from some of the leaders of the global shipping [inaudible] industry. We are very confident. Our shipbroker is very confident we will sell the ships without too much difficulty. The ships are maintaining their value. In shipping circles that is almost unheard of, but our ships actually went up in price last year. It is looking very promising. The market is very strong at the moment. There is a shortage of new builds, so we are quietly confident those ships will sell pretty easily.

CHAIR - Thank you very much. Obviously, the committee appreciates your time, minister, and particularly Bernard, and we look forward to another tour, as always.

Ms ARMITAGE - We are looking forward to another tour of the ships. It has been a few years since we have had one.

CHAIR - Yes. Thank you, Michael and Kym, and the teams that support you. We know a lot of work that goes into these particular opportunities to scrutinise on behalf of the Tasmanian people. We have a significant interest in the replacement of those two vessels because people really appreciate that opportunity - it is our highway to the big island so, it is important.

Mr GRAINGER - We have very exciting times ahead of us.

CHAIR - We thank you very much and we wish you all the best for the future.

Mr FERGUSON - May I reciprocate and say thank you to the committee, it has been a great process. I have taken some questions on notice, which we will faithfully reply to.

I add again that we have been as open as we are lawfully able to be. Already, there are statements flying around which are just unhelpful. What we are seeking to do here is to provide

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Tasmanians with the vessels they are entitled to, noting all of the taxpayers' concerns are being protected dutifully with the best legal advice and with great people committed to our state and we will not be distracted from that task, despite the cheap shots being thrown around. Thank you.

Ms ARMITAGE - I would like to particularly thank Deb from Hansard for her support. Thank you, Deb. We can finish the hearings for today.

Mr DEAN - And our own staff for putting everything together. Nat - thank you very much.

Ms ARMITAGE - And particularly the stakeholders who provide information to members, it is very useful. We do not always have time to be out in the arena finding out these details, and they come forth, so we do our best. Thank you. Merry Christmas.

The Committee suspended at 4.12 p.m.