

UNCORRECTED PROOF ISSUE

**Friday 9 December 2016 - House of Assembly - Government Businesses Scrutiny Committee -
Tasmanian Ports Corporation Pty Ltd**

HOUSE OF ASSEMBLY

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE

Friday 9 December 2016

MEMBERS

Mr Shelton (Chair)
Mrs Rylah (Deputy Chair)
Mr Bacon
Mr Green
Mr Jaensch
Ms Woodruff

SUBSTITUTE MEMBERS

Ms O'Connor

IN ATTENDANCE

Hon. Rene Hidding MP, Minister for Infrastructure

Ministerial Office

Mr Richard Wilson, Deputy Chief of Staff

Tasmanian Ports Corporation Pty Ltd

Mr Stephen Bradford, Chairman

Mr Paul Weedon, CEO

Mr Geoff Duggan, Chief Financial Officer

The committee resumed at 12.02 p.m.

CHAIR - Welcome, everybody. We have a relatively short deliberation of one hour on TasPorts so I will hand straight over to the minister.

Mr HIDDING - We are very pleased with the strong financial results that the Tasmanian Ports Corporation has delivered this year with a profit of \$1.5 million and a shareholder dividend of \$1.3 million. Pleasingly, revenue has increased 9.4 per cent to \$95 million thanks to a 7.7 per cent

increase in freight volumes through our ports partially driven by forestry exports, which increased by 20 per cent. As part of TasPorts' rolling 10-year infrastructure plan, 2015-16 saw TasPorts invest \$23 million in over 100 land and marine infrastructure and maintenance projects statewide. TasPorts tackled major works, including the remediation of the Devonport Airport runway, Macquarie wharves in Hobart and productivity upgrades at the woodchip export terminal in Burnie.

Mr LLEWELLYN - I would like to inquire about the recent press release the minister has made in conjunction with the Minister for Resources regarding TasPorts and the Qube Ports proposal. From the Labor Party point of view we are anxious to find out a little more about the details associated with this. It is not mentioned in the press release.

Mr HIDDING - What are you anxious about in particular? The growth in the forest industry?

Ms O'CONNOR - The growth in the plantation sector.

Mr LLEWELLYN - I am not sure if you are going to be able to answer those questions because you are not minister responsible for forests but I am interested in what is going to happen on the port and the details associated with that.

Mr HIDDING - I will hand this over to Mr Weedon because he has been personally involved in this project for quite some time now. There is under construction a joint venture with a well-known Australian company called Qube Ports. They are two very smart companies working together on a solution for Tasmania.

Mr WEEDON - The joint venture ties together TasPorts and Qube to offer a range of services to facilitate log exports from Hobart. Those services typically involved the deployment of port land and key line to all our ships to do the ship loading. They involve physical services around the marshalling and storage of logs as exporters build up ship load and then the physical stevedoring function of loading the logs onto the ships.

In addition to that range of services around bulk logs, we are also in commercial negotiations with Majestic Timbers to provide them with a packing service. We will receive their logs, sort them to length and then pack them into containers so they can be exported in a contained format. They, in turn, are in negotiations with Swire Shipping, a current caller in the port, to take the containerised logs to their export markets.

The notional land area we have available is in the order of 25 000 square metres, which is a pretty small footprint. We are going to have to work that footprint fairly hard which means high-density storage of logs. One of the parts of the investment the Qube group bring to the table is the log storage and handling infrastructure and the labour to manage that part of the process.

Mr GREEN - Are Qube paying for the infrastructure?

Mr WEEDON - They make a joint venture investment, yes, which will go to cover infrastructure.

Mr GREEN - You do not pay any of the infrastructure costs?

Mr WEEDON - We are covering infrastructure costs relative to land, gates and formatting of format. There is investment from both of us.

Mr GREEN - Is this a formal agreement you have entered into with Qube?

Mr WEEDON - Yes.

Mr GREEN - What length of time is that agreement for?

Mr WEEDON - The business case we jointly developed is predicated on five years of operation.

Mr GREEN - So at the end of five years that is the end of the arrangement?

Mr WEEDON - The business case is predicated on five years so that would be our normal intention. It is incorporated company we have formed. It has no end date but the operational agreements are predicated on five years of operation.

Mr LLEWELLYN - Are the logs intended to be round logs or are they residue?

Mr HIDDING - Mr Barnett is working on breeding square logs but he has not yet.

Mr LLEWELLYN - Don't be cheeky, Minister.

Mr HIDDING - One of the things it is important for the committee to understand is that logs are dangerous and for that reason very special storage arrangements are required, and that is where Qube Ports come in.

Mr WEEDON - Because of the requirement we established not to conduct fumigation services on the port, all the logs will be debarked. As they come out of the forest logs are debarked and therefore do not need fumigation. The nature of those logs without bark makes them quite slippery to handle and if it's wet they're more slippery. Qube, through its subsidiary company, ISO Log Marshalling, have specialised equipment and teams. They currently operate in Burnie, they are in a number of New Zealand ports and are widely considered to be very expert in the handling of that material, both for the log marshalling receiving and storage purpose and for the purposes of ship loading.

Mr LLEWELLYN - I was particularly interested in residue, which may not come in round form.

Ms O'CONNOR - How can you call a log a 'residue', for heaven's sake?

Mr WEEDON - For us, a log is a log and we have a number of customers we have begun negotiations with to handle their export demand. We don't differentiate on private or public wood, it is all log exports and we have customers saying they have a market to suit.

Mr GREEN - You can't say a log is a log because there is a difference between a plantation log and a log that has come out of native forest that is bent and twisted and is effectively known as residue when it comes to woodchipping. That is the point the member is making.

Mr WEEDON - As far as a port and cargo handling operation, it is still a log. Yes, there are different shapes, different lengths, different diameters.

Mr LLEWELLYN - So you will be receiving different shapes, different lengths from different sources.

Mr WEEDON - Standard practice. We do it in Burnie every day.

Mr GREEN - You send wood chips from Burnie. You send logs in the round that are either plantation or logs that are sought that are round. As in round, it can be packed in holes, not residue woodchip native forest logs.

Ms O'CONNOR - Minister, there are a lot of people in Hobart who have woken up this morning horrified at the prospect of another 40 to 50 log truck movements through the city each day, by your own numbers. A large pile of logs on Hobart's waterfront. The woodchips that are going to be coming from the Majestic Timbers deal. Why is your Government so determined to damage Hobart's brand as a growing visitor destination? Why is your Government so determined to inflict on the people of Hobart, a daily battle with log trucks through the city streets?

Mr HIDDING - I accept that the Tasmanian Greens would like to see no trucks on the roads at all. That would be lovely, there are no emissions, no business, no jobs.

Ms O'CONNOR - We are talking about how the people of Hobart feel about what you are doing to our city.

CHAIR - Ms O'Connor you have asked the question, the minister should be allowed to answer it.

Mr HIDDING - This announcement today has been worked out as being one to two trucks an hour.

Ms O'CONNOR - 40 to 50 a day.

Mr HIDDING - One to two trucks an hour and none of them during the congestion periods. There is a curfew. It is good to see TasPorts working with Hobart City Council on congestion matters. That is a good thing to do. One to two trucks an hour with half of them coming from the Derwent Valley and half there. One an hour from down the Brooker, one an hour coming from the south of Hobart. It is our contention that the traffic system and the people of Hobart would see that as jobs positive and not a big impost.

Ms O'CONNOR - You actually do not speak for the people of Hobart.

Mr HIDDING - Neither do you.

Ms O'CONNOR - You are a long way from Hobart most of the time.

CHAIR - Order.

Ms O'CONNOR - Minister, you have just confirmed that it will be about 40 to 50 extra log truck movements through the city each day. Can you confirm that this deal between TasPorts and Qube, along with the opaque Majestic Timbers deal, will see the port of Hobart export almost

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500 000 tonnes of timber? How do you think that sits with our growing appeal as a cruise ship destination, which, in fact, is acknowledged by TasPorts in its business plan as a core priority?

Mr HIDDING - To be clear, there will be no woodchip pile.

Ms O'CONNOR - No, there will be an eight-metre-high log pile.

Mr HIDDING - No, the buildings are about 12 to 14 metres high so you won't even see them. So, eight metres high when the buildings are 12 metres high, it really is not an issue. They do not protrude anywhere.

This is good use of a working port. It is minimal effect on traffic and no effect on congestion at all because of the curfew. The kind of tonnage you are talking about, I think you assume that there is nothing takes place on that wharf now. We had a look yesterday. There are two very large sheds completely full of ply veneer for Ta Ann, waiting for a ship to arrive.

Forest products go out there, not every day of the week, but they are accumulated there every day of the week to go out. This is no change at all, in terms of that policy.

Ms O'CONNOR - Will any of the timber that is going to be exported out of Hobart come from future reserve forests?

Mr HIDDING - That is a question after lunch, you can ask of the forestry minister.

Ms O'CONNOR - You don't know what the product is that will be going through the wharf? That is fine. Mr Weedon has confirmed that Majestic Timbers will containerise their product; 180 000 tonnes of product is about 13 000 containers at \$700 each. Can you confirm Majestic Timbers will receive a subsidy from the Commonwealth of \$9.3 million over a year?

Mr HIDDING - How would that work?

Ms O'CONNOR - Would you like me to explain your portfolio to you?

Mr HIDDING - No, no.

Ms O'CONNOR - The expanded Commonwealth Freight Equalisation Scheme, which allocates a subsidy to containers, is what is the foundation,

Mr HIDDING - To where, the mainland?

Ms O'CONNOR - Yes, to Melbourne and then there.

Mr HIDDING - See that Swire ship down there? It goes straight to China. It doesn't go anywhere near Melbourne.

Ms O'CONNOR - But you do confirm that when your Government talks about ending the subsidies to the forest industry, the \$9.3 million a year Majestic Timbers will get is a massive subsidy.

Mr HIDDING - No, zero - they won't get it.

Ms O'CONNOR - So they are not getting any money for containerising their chips?

Mr HIDDING - How can they? The \$700 per container is for repositioning of a container from Tasmania onto mainland, through a mainland port. It then goes onto an overseas ship and out. The overseas ship is calling here - it's down there now. It's called the *Highland Chief*.

Ms O'CONNOR - So Majestic Timbers will receive no subsidy for transport?

Mr HIDDING - I can't imagine how they would.

Ms O'CONNOR - Do you know if Majestic Timbers is eligible for the Commonwealth Freight Equalisation Scheme?

Mr HIDDING - This is not a matter for TasPorts; this is a matter for the business case.

Ms O'CONNOR - There is a reason, minister, isn't there, that Majestic Timbers business case stacks up and that's because they will be eligible for the expanded Commonwealth Freight Equalisation Scheme?

Mr HIDDING - How could they?

Ms O'CONNOR - Tell me they're not, then. By our calculations, and your minister previously did not deny they would be eligible -

Mr HIDDING - It is not for me to deny whether they be eligible or not because the requirements are there. The \$700 is a repositioning cost for the lack of overseas freight. If there is an overseas vessel that picks up the box from here and goes to China there's not a cent available, it would be against world trade rules.

Ms O'CONNOR - There is not going to be a freight equalisation subsidy for Majestic Timbers?

Mr HIDDING - I have no idea what Majestic's business case is, but in terms of TFS - that is my transport policy - that is only for containers that are forced to go to the mainland, go through a port and off to another ship overseas.

Ms O'CONNOR - Can you explain then why any timber business would put woodchips in containers, other than to gouge the taxpayer?

Mr HIDDING - I have already explained that that is not possible if the vessel doesn't go to -

Ms O'CONNOR - You haven't said it won't be.

Mr HIDDING - I don't know their business case.

Ms O'CONNOR - No-one knows what Majestic Timber's business case is.

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CHAIR - Order. Ms O'Connor, I am almost required to rule that question out of order. I need to keep this committee focused on TasPorts. From my point of view that is well outside the questioning we should go to.

Ms O'CONNOR - With respect, Chair, it is germane to the operations of TasPorts whether exporters are accessing the taxpayer-funded Commonwealth Freight Equalisation Scheme.

CHAIR - It is still not a question for TasPorts at this point.

Ms O'CONNOR - Will any of the Qube TasPorts timbers be containerised before export? We have the Majestic deal and then we have the other 300 000?

Mr LLEWELLYN - I think the answer was 'some', was it not?

Mr HIDDING - Yes, that's right. One company has indicated it wants to export its logs in containers, so obviously there is a customer who wants them that way.

Ms O'CONNOR - Which company is that?

Mr HIDDING - Majestic.

Mr WEEDON - Majestic is the only customer at present that has indicated a preference for containerised shipment. All others are talking about bulk form.

Ms O'CONNOR - Through you, Mr Weedon, do you know if those ships will be going to Melbourne or straight to market in Asia?

Mr WEEDON - No.

Mr HIDDING - That is not a matter for us. Bear in mind, if they go to Melbourne first there is the double-handling - the cost of that service is approximately \$700 and you still haven't got the vessel overseas. It would more than likely going direct overseas from here, but that is a matter for that company. I am aware, in a transport sense because I asked some questions about this when I first heard about it, there are buyers of woodchips and logs in Asia who prefer them in containers because when they get to the port there they have to put them in containers to get them inland. There is, by all accounts, a case for certain clients for the products to be in boxes.

Mrs RYLAH - Minister, can you provide any additional comment on the reports today about the export of logs from the Port of Hobart?

Ms O'CONNOR - When you are doing that, can you tell us where the logs will come from, whether they are plantation or private or public forest?

Mr HIDDING - What we know is that there are a lot of MIS schemes and plantations that have been stranded essentially through the events of the past few years, which have been roundly cheered on by the Leader of the Tasmanian Greens.

Ms O'CONNOR - I'm not cheering on the misery of farmers that your colleagues brought on.

CHAIR - Order.

Mr HIDDING - The owners of those trees now have an opportunity to cash out, which they will do. There is going to be a major injection into the Tasmanian economy as they do that.

Ms O'CONNOR - Very temporary, as you know.

Mr HIDDING - It could be temporary if they don't replant, but I understand many of them are looking at replanting. That is a matter for the Minister for Resources. Without question there will be somewhat of a spike as we deal with this unlocking of the potential. We think that is a great thing to happen. It is going to be great for the southern economy, too.

Mr GREEN - Just to clarify, the answer given was that there was a five-year business case. Is that your understanding?

Mr HIDDING - Yes, it is.

Mr GREEN - Is it completed at that point? Is it a five-year window we're looking at here?

Mr HIDDING - I guess that at the end of four years -

Mr GREEN - I don't want you to guess, I want you to tell me what you know.

Mr HIDDING - What I know is exactly what you know - that TasPorts and Qube are working on a business case that expires in five years.

Mr GREEN - It expires in five years.

Mr LLEWELLYN - Does that have any options?

Mr HIDDING - A business case is a guiding document to the two partners in it. They are not assuming they are going to be doing that in six years. They are assuming that this market is there for five years.

Mr GREEN - How long will the facility be used? If I write 'five years' down, from a start date of when?

Mr WEEDON - The projections in terms of log start up for January next year.

Mr GREEN - And what about the containerised, when does that start?

Mr HIDDING - About the same time.

Mr WEEDON - We'll start receiving volumes from customers during January.

Mr LLEWELLYN - So that's one month's time you're talking about.

Mr GREEN - You can confirm with me that it is a five-year deal?

Mr WEEDON - We have done all of our business case modelling and return on investment calculations based on a five-year term.

Mr GREEN - The comments today suggest that it is at least five years.

Mr HIDDING - What's the difference?

Mr GREEN - There is a stark difference between what is being portrayed and what might finally be.

Mr HIDDING - What do you want it to be? Do you want it to be less or more?

Mr GREEN - Is it your understanding that it is a five-year deal or for at least five years?

Mr WEEDON - A five-year deal.

Mr GREEN - It's a five-year deal.

Mr LLEWELLYN - Are there no options in that deal for a further five years?

Mr HIDDING - They could strike a new five-year business case.

Mr LLEWELLYN - Of course they could.

Mr WEEDON - That will be a negotiation between TasPorts, its partners and the government of the day to ascertain whether a new period of operation would be appropriate and financially viable, and whether there is a market demand.

Mr GREEN - Trees take a bit longer than five years to grow, obviously, so you would make the assumption, given everything the minister has just said, that you would need a long-term solution. Has there been any consideration given to a long-term solution in this regard?

Mr HIDDING - All the options are on the table, obviously, which include rail. We've still got another \$180 million of state and federal money to be spent on below rail, so it is getting better and better. In five years' time that expenditure would be close to mature and I can see a lot more forest products going on rail north out of Bell Bay. That is a view I hold.

Mr GREEN - Did you know Liz Jack resigned today?

Mr HIDDING - No.

Mr GREEN - I am informed she resigned today. Has Cabinet been briefed by MONA?

Mr HIDDING - Yes, the Cabinet has been briefed.

Mr GREEN - In line with what has been put forward by MONA and if the Government accepts that proposal, do you think this project as it stands at the moment is compatible?

Mr HIDDING - I think everybody, including MONA, would be very relaxed about this announcement today.

Mr GREEN - Has there been any discussion?

Ms O'CONNOR - Have you asked them?

Mr HIDDING - I am aware of details of the MONA proposal. It is a very long term proposal. I think they are going to release that in a few days.

Ms O'CONNOR - Sunday.

Mr HIDDING - The Government is relaxed about this arrangement, particularly the five-year element of this arrangement for the future of the port.

Mr GREEN - Before you said 'guess' but my view is that you believe this is a five-year deal, end of story.

Mr HIDDING - No. You could say that from what I have said, however, what is unsaid is what would be the timing of a Mac Point development that might impinge on the port? Let me put on the record that the Government accepts that in a city like Hobart, the magnificent port city we have, we should use the port as best we can at the time but it could transition in the out-years into being a specialist cruise line terminal or a specialist Antarctic gateway. We would be hoping for a lot more involvement in the Antarctic from Tasmania already down there. Look at all the stuff on the wharf going off to the Antarctic yesterday. We want to see a lot more of that, as well as CSIRO oceanography work and more ships being based in Hobart. By definition there would not be much of a requirement then, or a need or a necessity, for the industrial elements of the port to be anywhere near as prominent as they are today. The Government sees the cruise ship market, the Antarctic, the CSIRO, that kind of activity encroaching on the port in a very positive way. It will transition to that kind of port over a period of time.

Mr GREEN - I am asking these questions from a forest industry perspective because I would have thought their expectations would be much higher in terms of the longevity of this arrangement; that is, it would be a permanent arrangement. I cannot quite work out why there is a five-year end point to this.

Ms O'CONNOR - It's because the forests will have been plundered by then.

Mr GREEN - I am trying to get my head around it from the point of view of the sovereign risk associated with their investment decisions, how it can be that a government can say they are satisfied with an arrangement that pulls up, stops dead, or up to at least five years.

Mr HIDDING - In the interim there is ongoing consideration for other port facilities, other options in the south, which are fairly limited, including, as I said, a major improvement in the Tasrail operations where the price per tonne of material shipped north would be improving all the time with this expenditure. The case starts to demonstrate itself to a degree.

Mr GREEN - So this is a temporary solution.

Mr HIDDING - No, it is a five-year deal.

Mr GREEN - But a temporary solution?

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Mr JAENSCH - Minister, it is very pleasing to see the corporation return to profit in the reporting period. Could you please outline the factors that drove that result and what the current outlook is for the company into the next period?

Mr HIDDING - I would be very pleased to hand over to our chairman who is here for his very first scrutiny to outline and answer that question.

Mr BRADFORD - Thank you, minister, and thanks for the question. We are very pleased that TasPorts has returned to profit after a number of years of losses. The losses of course were driven by wise investment in community assets and the long-term maintenance backlog that had to be recovered. That is ongoing, but the 7 per cent growth in trade volumes, together with management's very prudent review of costs, has produced a profit. We would expect that profit to continue in the years ahead and continue to increase. The risks for that are primarily trade-related but we do not have visibility on aspects of Tasmanian trade that suggest it is likely.

Mr JAENSCH - Have profits been achieved in the context of an ambitious and aggressive infrastructure program, including projects such as those around the Burnie port?

Mr BRADFORD - Yes.

Mr JAENSCH - Are they included in this financial year's reporting?

Mr BRADFORD - Yes, the developments in Burnie, our desire is to open a modest international container terminal and restore direct container exports, particularly with China, out of Burnie. This will be together with this modest log terminal investment and investment in cruise shipping. I chair another body relating to cruise shipping and have to say, cruise shipping into Tasmania has a very robust future for the next five to 10 years, at least.

Mr JAENSCH - Could you comment, as you have mentioned it, what is the status of discussions on the international terminal?

Mr BRADFORD - I will allow the CEO to comment on that.

Mr WEEDON - We cannot say too much. We are bound by confidentiality agreements.

Mr JAENSCH - I am only going off the chairman's comments.

Mr WEEDON - It is going extremely well. We, and DP World, remain convinced there is a viable business model and we are at the very last stages of those negotiations. My ambition is to wrap those negotiations up during the first quarter of next year, with a view to bring back a firm proposal to my board and, through them, the Government.

Mr BRADFORD - The board is very encouraged by the work so far.

Mr HIDDING - To finish the answer on cruise ships. Mr Bradford is a senior national figure in the cruise ship industry. From 13 December, over a 10 day period, 25 000 passengers will step ashore in Hobart. That is going to be wonderful.

Ms O'CONNOR - From January they will have to dodge log trucks.

Mr LLEWELLYN - What is the relationship between the Macquarie Point Corporation and TasPorts, and their view about the current direction of the Macquarie Point Development Corporation? I seek that from the Chairman.

Mr HIDDING - The Macquarie Point Corporation, not long after I became minister, spoke to me about my view of the Hobart port. I have indicated it was a working port. In all discussions it has been accepted, rather than the port becoming more and more industrial, with more ships, more trucks and more activity on the wharf - bearing in mind, the Labor Government spent \$72 million at Brighton in order to move all activity out of the port, and it has done so. One or two trucks an hour will be a blip on the radar.

Mr LLEWELLYN - I directed the question to the Chair.

Mr HIDDING - Yes. The Macquarie Point Corporation is a wedge of land between the port and the Domain. They are always going to have designs on waterfront access. I am unsure whether Mr Bradford has been here long enough to talk about the relationship he has with Macquarie Point, but Mr Weedon has been there long enough to do it.

Mr WEEDON - I can comment. Through the development of their master plan we were in lock step with them. We were clear in our expectations of the preservation of a working port, and what it meant to access corridors and the orientation of their site. In our view, the master plan released last year was a good representation of how the site might be developed in the way it could co-exist with a working port. We have an excellent relationship.

Mr LLEWELLYN - The announcement today has not changed this view, from the point of view there is going to be a working port, with logs on the port and so on?

Mr WEEDON - I do not believe so. I have not seen anything today that would change that.

Ms O'CONNOR - Minister, there are media reports today stating Mr Weedon is not concerned about the export of high conservation value forest reserve logs and was not concerned about the potential brand damage to TasPorts. Does it concern you, given there is likely to be a civil response of some sort to the export of native forest logs and woodchips from the Hobart Port, this could impact on tourism impressions and visitor numbers? We are now told logs and chips will start arriving in the port in January, which is cruise ship time? Can't you see there is the potential for damage to TasPorts brands - and they do not have to worry so much because they are not selling anything apart from freight shipping services - and there is also potential damage to the brand of Hobart City, damage to Tasmania's brand? How do you think visitors on cruise ships are going to feel if there are protestors on the waterfront?

Mr HIDDING - I note your naked threat to be leading a civil campaign against -

Ms O'CONNOR - Is that right?

Mr HIDDING - Yes, that is what you said.

Ms O'CONNOR - Is that right? You are saying I am making a threat. You are not casting your mind forward to the realistic possibilities other people will object to this.

Mr HIDDING - You are promising to chain yourself to trucks to stop them.

Ms O'CONNOR - You know that as an elected representative I cannot. You will have to wait until I resign until I chain myself to anything. There is potential for brand damage, isn't there?

Mr HIDDING - Yes, but only through irresponsible activity you are now threatening.

Ms O'CONNOR - No, I am not threatening anything. I am flagging the real prospect of civil unrest over your Government's backward and destructive plans.

Mr HIDDING - Yes, you are. I would say to anyone considering joining your campaign of civil unrest against this mild, fairly modest development in terms of -

Ms O'CONNOR - Half a million tonnes, 40 to 50 log trucks a day.

CHAIR - Ms O'Connor, please do not interject.

Mr HIDDING - It is one or two trucks an hour to a working port that in the last few years has had the trains taken out, the trucks taken out, and will barely touch the radar of most Tasmanians.

Ms O'CONNOR - People will notice the log trucks.

Mr HIDDING - No, they will not, one to two an hour. What you are proposing is there be no log trucks in Tasmania. We know it is your position. I have confidence in my fellow Tasmanians they will see this as being a good deal and modest. It is a harvesting of previously locked assets. This is a good thing to do.

Ms O'CONNOR - Minister, the 2015-16 annual report mentions progress on TasPorts' rolling infrastructure program and the major works across key assets including Macquarie wharves in Hobart. Do those major works include upgrades for the planned increased export of containerised wood, such as woodchips? Can you confirm TasPorts has all the necessary container loading and management equipment in place at Macquarie Wharf to deal with the planned container export of woodchips, such as cranes and other equipment? If new infrastructure, related to woodchip containers, has been installed, who paid, and at what cost? If new equipment is required but not yet installed, who will pay and at what cost?

Mr WEEDON - The principal investments of Macquarie wharves in the period under review were in the area of a cruise ship approach. It would spend multiple millions upgrading the fender systems and the bollard system. These very large vessels are very heavy and they need to be tied up safely. We also worked to remediate and level off the seabed in close proximity to the wharf to allow safe decks under the vessels.

The rest of the investment around Macquarie wharves was part of an ongoing program to deal with the long-standing issue of concrete cancer. We pull the concrete slab deck up and replace it, progressively. That program has been going on for as long as I have been, for at least six or seven years. There was further marching north up the river with that work. That is the investment.

Ms O'CONNOR - The question relates to the infrastructure needed in place for the two new deals, the joint venture with Qube and the Majestic Timbers deal.

Mr WEEDON - It is the same deal. It was all part of the southern export terminals package.

Ms O'CONNOR - That was the dealing with the concrete cancer, but have there been other infrastructure upgrades that have been required because of these extra arrangements?

Mr WEEDON - No. What we will do, along with our partners, is provide investment capital for the development of southern export terminals. That is what we have branded the joint venture. It will primarily be in the storage equipment ISO Marshalling needs to facilitate the storage of the logs as they build up for the export load.

Ms O'CONNOR - So the expectation is, in significant part, that TasPorts - and therefore the people of Tasmania - would pay for the upgrade that allows for the export of those timber products?

Mr WEEDON - It is confidential within the joint venture in terms of the sharing of that investment.

Ms O'CONNOR - Can we confirm TasPorts is not going to detail how much public funding it will invest in enabling these potentially native forest exports?

Mr HIDDING - In terms of the deal with Qube where there are confidentiality arrangements, it is the same discussion we had earlier.

Ms O'CONNOR - There is a big difference here. What Qube pays is very different from what the people of Tasmania pay.

Mr HIDDING - In this case this is expenditure for a business case. This is expenditure to develop a business model that pays for itself.

Ms O'CONNOR - No, we are talking here about the expenditure on infrastructure that is required to enable private forest industry exports of potentially high-conservation-value forests. Taxpayers will fund it and you are not telling us how much.

Mr HIDDING - It will funded by the income from that business.

Ms O'CONNOR - Are you not able to say how much it will cost the taxpayer or TasPorts?

Mr HIDDING - No, the business case will pay for itself.

Mrs RYLAH - I am interested in the wharf facilities at Strahan. Can you update the committee on any plans to upgrade the facilities for the benefit of recreational and commercial fishermen stakeholders in Macquarie Harbour?

Mr HIDDING - TasPorts has begun the \$4.7 million Strahan main wharf remediation project. This is very good news for the west coast. It will provide remediated berthing and deck wharf load capacity for the key ferry and fishing operators, provide ongoing useable infrastructure for the next 50 years, limit the cost of future repairs and minimise ongoing disruption to stakeholders, limit safety risks, improve the amenity of the area through providing a consistent experience along the waterfront, and replace and improve the ageing electrical and water assets on the wharf. The project timing is likely to be complete by the start of the peak tourism period in late 2017, 12 months from now. There is going to be a lot of activity on that wharf, but a good outcome for Strahan.

UNCORRECTED PROOF ISSUE

Mr GREEN - I am very interested in this five-year model. We need to understand today exactly what the situation is. In response to an earlier answer you indicated five years, with the potential to go beyond that, is that correct?

Mr HIDDING - No, that's what you said.

Mr GREEN - They are nodding and you are saying no.

Mr WEEDON - I said the business case which informs my board's decision is predicated on a five-year operational model.

Mr GREEN - But your expectation would be, under normal business arrangements, that an extension could be sought to that?

Mr HIDDING - It's not an extension. A business case is a guiding document to the partners in the business. That business case shows profitability for five years on that model. The business case goes for five years and at any given time the partners could revisit that business case to see whether it wanted to pull out early or go for another year or two more.

Mr GREEN - You obviously convinced the *Mercury* because in their editorial today it talks about woodchip piles. You are taking a more conciliatory approach so there will be no woodchip piles, and the explanation from the Government that this would likely be a short-term five-year arrangement will also win support within our community. Is that what we are talking about? A short-term five years.

Mr HIDDING - Yes, five years. This does not lock the port or anybody into anything past five years. In fact, does not lock anyone in even for those five years. The business case shows that it will be profitable and a viable business case for five years. That is what the partners are doing.

Mr GREEN - At the last sitting of Parliament, you triumphantly announced the new shipping service to King Island. You said Mrs Rylah had been flown in especially to do the negotiations. Of course, you trumped up also the new head of Infrastructure Tasmania for this excellent outcome. Yesterday, the deal completely collapsed. What went wrong?

Mr HIDDING - When you say the deal completely collapsed, there was a joint venture announced only in the last month between port and Coastal Marine Services, who are the Government's preferred proponent along with the King Island Council. They did a deal with SeaRoad to combine to provide the service. It was a good day to be able to announce that. However, port and Coastal Marine Services had trouble with that particular vessel in Brazil for a whole range of reasons. I do not want to cut into their business arrangements.

Mr GREEN - Not understood by Mr Garcia or Mrs Rylah when she was negotiating the deal?

Mr HIDDING - Mrs Rylah was not negotiating. She was helping me over there with a lot of the stakeholders and has done a great job. The fact is, though, that there were expectations on one of the players that the players could not, in the end, deliver. That is due to a complex set of circumstances which has to do with the international shipping market, the owner of the vessel that was selling it, well underneath value, financiers, all the way back to King Island where a certain key stakeholder, one of the major beef processors, had not committed to the deal.

One thing led to another and the deal was not able to be finalised on that vessel, which triggered the demise of the joint venture. We now continue to separately speak to PCMS, still as the preferred proponent, while they look to plan B for their vessel. We are also speaking to the next preferred proponent down the list, SeaRoad, which is the one departing the service with the *SeaRoad Mersey*.

We are in discussions with them. They have indicated reasonably recently, that all other things being equal, they would be pleased to continue the King Island service, but likely not with that vessel because it is a Melbourne vessel and it is at the end of its life. Those discussions are ongoing and I am confident that either of those two will bear fruit. Either way, I am not just confident, I am committed that when the *SeaRoad Mersey* comes off the service, there will be another vessel to take its place on the next scheduled service. That is my commitment to the King Island people. There is no reason why I cannot keep that commitment.

Mr GREEN - You are confident that the next service will be operational as soon as it is finished? Who is involved in those negotiations? Alan Garcia again?

Mr HIDDING - Mr Garcia as head of Infrastructure Tasmania. He is still in there.

Mr GREEN - On the Triabunna Wharf, how did that transpire in the end? Mr Barnett, who we will be talking to later on as the forest minister recommended to the Government not to sell the port. Did you direct TasPorts to in the end, sell the port? Did the Government?

Mr HIDDING - No. TasPorts indicated to us as the Government, that it was a stranded asset, literally stranded because the land was technically, literally and every way, figuratively, it was stranded because it was not connected to the land anymore and the land was not going to be used for anything to do with forestry anymore, so therefore it was not required. As it one of our assets, TasPorts advised me as the portfolio minister, that it was going to have a close look at its structure and integrity with a view to putting it on the open market with all the probity around it, to dispose of it. In the end, we were advised of the disposal. You may recall you asked me questions in the House. The Tasmanian company purchased it, they have some ideas there for a large vessel marina and they are in discussions with the owner of the land as well.

Mr GREEN - In other words it was TasPorts' decision to get rid of the -

Mr HIDDING - Yes.

Mr GREEN - You didn't -

Mr HIDDING - No, we didn't seek to participate, intervene or provide any direction at all as to the normal business arrangements of TasPorts divesting of assets that were clearly not required any more but it did have a value.

Mr GREEN - From the layperson's point of view we now have a minister who was the chair of a committee who arrived at a decision that was completely undermined and shot to pieces by TasPorts, and now he is actually running the portfolio. It's a bad sign.

Mr HIDDING - Is it, what portfolio? Forestry, do you mean?

Mr GREEN - Yes. He put a lot of political capital into that whole argument.

UNCORRECTED PROOF ISSUE

Mr HIDDING - I don't know if he did or not. He chaired a parliamentary inquiry. At the same time TasPorts was continuing on a responsible corporate path, which saw the sale of the asset. I think everybody locally appears to agree it was a good outcome.

Mr LLEWELLYN - Isn't it a fact that TasPorts would have sought your approval for doing that?

Mr HIDDING - No, that would have been most peculiar.

Mr LLEWELLYN - Or sought your position, given what the Leader has said with regard to Mr Barnett and recommendations that had been made to the Parliament and the select committee? I think it would be quite irresponsible for TasPorts not to seek the Government's view about the matter.

Mr HIDDING - I am sure at our regular monthly meetings the matter came up and I indicated I expected them to act commercially and that the Government wasn't going to seek to intervene at all.

Ms O'CONNOR - In the annual report it states a couple of times that there has been an increase in forestry exports, including an increase in export volumes by 69 per cent through the Burnie Woodchip Export Terminal and an increase in overall freight volumes 'driven largely by forestry, which increased 24 per cent in this year'. What percentage of the total woodchips exported through the Burnie port or those processed by New Forests' Hampshire mill private plantations operations? Further, can you provide a breakdown or commit to bringing it back to the committee detailing the amount of private plantation-sourced export woodchips and logs for the past financial year compared to those sourced from native forests?

Mr HIDDING - First, Mr Weedon's and the previous chair, Dan Norton's, resolve to acquire the Gunns asset of the chip facility -

Mr GREEN - I think you will find, unlike what you just talked about, that we actually participated in that decision.

Mr HIDDING - Good, I approve. It was a very good thing for TasPorts to be able to buy that from Gunns and make it available to the industry up there. It has been a great success, no question.

Mr GREEN - Why was a letter of comfort required for that?

Ms O'CONNOR - We are trying to establish the division between the plantation product and the native forest product that is going out. I note what Mr Weedon said before that a log is a log, but they're not to a lot of Tasmanians. Your Government crows about this 24 per cent increase but our understanding is that that is very substantially plantation growth and we want to understand the division in the amount of product that is being shipped out.

Mr HIDDING - I take it you are not able to work that out from anything else, so therefore now you are asking the port company -

Ms O'CONNOR - It's in the annual report of your government business.

Mr HIDDING - But it's the actual provenance of those chips that you want to know about.

Ms O'CONNOR - I and a lot of people want to know how much of what is going out now in the growth is from the plantation sector - we believe it is the vast majority - and how much of it is native forest product. Our understanding is that about 90 per cent of what is exported is woodchip, basically, so we're the great wasters, but what is the division?

Mr HIDDING - You wouldn't let us build a pulp mill.

Ms O'CONNOR - Haven't you got the imagination to do something better with the wood?

Mr HIDDING - You wouldn't allow that either.

Ms O'CONNOR - What is the division between plantation exports and native forests exports, because your Government says it is all going swimmingly? You can look at the clock but you still have five minutes and you need to try to answer the question.

Mr HIDDING - In answer to a previous question from Mr Green about a letter of comfort, I am looking at the letter of comfort and the date on it and the member should check with the signatory of the letter - Lara Giddings, the then premier. Ask Lara what that was about and you will get your answer there.

Ms O'CONNOR - Thank you. Timber exports, forest product exports - where is the real growth and do we know what percentage of the total chips exported through Burnie were those processed by the New Forests' Hampshire mill?

Mr GREEN - While you are answering, Mr Weedon, given that the minister has provided that edification for us, can you tell us why there is a letter of comfort?

Ms O'CONNOR - Well, can you take that time off mine, please, because I have tried to ask this question three times and have been interrupted twice.

Mr HIDDING - Mr Weedon, are you able to provide any clarity as to the provenance of the chips that go out through Burnie.

Ms O'CONNOR - Is there data? There is nothing TasPorts has which says where the products are coming from so that you can do some sort of calculation on whether it is plantation or native forest product.

Mr WEEDON - We maintain our statistics based on a customer basis. We understand the volumes being exported by Forico, our commercial contract partner, and through Forestry Tasmania. The woodchip capacity is divided between those two customers of the port. We are not necessarily privy to the arrangements relative to where their volume comes from. We can provide you with a breakdown of the volume split between Forico and FT.

Mr HIDDING - As long as they agree.

Mr WEEDON - Under advice - we will seek their permission to do that.

Ms O'CONNOR - Excellent. I am sure Forico, which has a very different approach to transparency than Gunns did, probably will -

UNCORRECTED PROOF ISSUE

Mr WEEDON - You appreciate we have a customer relationship with them so we will need to seek their confirmation to release that.

Ms O'CONNOR - I understand that. Thank you, Mr Weedon, and when will that be available?

Mr HIDDING - Next week some time, I think.

Ms O'CONNOR - It would be fair to say that Forico is a substantial customer of TasPorts and are substantially a plantation-based company that has FSC certification. Do you have any data available on how much of the chips that are going through the Burnie port are from the New Forests Hampshire mill?

Mr WEEDON - I don't believe so. To a certain extent for us it is just Forico and what is from Hampshire or other source points in their supply chain is not material to our operation at the port.

Ms O'CONNOR - Has there been any change, whether an increase or decrease, in the export amounts of plywood veneer to Malaysia across the Hobart and Burnie wharves?

Mr WEEDON - Not significantly, no.

Mr HIDDING - About the same quantity.

Mr GREEN - Does TasPorts believe it sold the Hobart cool store to the Macquarie Point Development Corporation for a fair and reasonable price?

Mr WEEDON - Yes, supported by independent market valuations. It was supported and informed that process.

Mr GREEN - Did you disclose the degree of contamination at the cool store site to Macquarie Point upon selling?

Mr WEEDON - Yes, we did.

Mr GREEN - That was all disclosed to them and well understood?

Mr WEEDON - Yes. In fact we granted them unfettered access to conduct their own due diligence so they did some physical soil sampling and core testing to verify their understanding of the documentation that was available.

Mr GREEN - Macquarie Point bought the cool store knowing full well that it had a significant liability ongoing?

Mr WEEDON - They did.

Mr GREEN - Would you agree with people outside of your business probably and outside of Macquarie Point that you got a windfall and the Australian taxpayer effectively now has to pay for that clean-up out of the funds allocated to Macquarie Point?

Mr HIDDING - They were already holding cash for that purpose.

UNCORRECTED PROOF ISSUE

Mr GREEN - To a degree, but this is buying a cool store site in particular. Has that been a transfer of that liability?

Mr HIDDING - The value of the property with all its assets and liabilities were transferred for a sum of money. That is what happens with properties.

CHAIR - The time being 1 p.m., I declare this scrutiny of TasPorts concluded.

Mr HIDDING - I thank the members sitting alongside me. I am sure Mr Bradford cannot wait to come back next year.

The committee suspended at 1 p.m.