

UNCORRECTED PROOF ISSUE

Friday 9 December 2016 - House of Assembly - Government Businesses Scrutiny Committee - TT-Line Company 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
Ms Dawkins

IN ATTENDANCE

Hon. Rene Hidding MP, Minister for Infrastructure

Ministerial Office

Mr Richard Wilson, Deputy Chief of Staff

TT-Line Company Pty Ltd

Mr Michael Grainger, Chairman
Mr Bernard Dwyer, Chief Executive Officer
Mr Stuart McCall, Chief Financial Officer
Mr Kevin Maynard, General Manager Corporate Services

The committee met at 9 a.m.

CHAIR (Mr Shelton) - Welcome, everybody. Minister, would you like to give an overview?

Mr HIDDING - The 2015-16 year has been a great year for TT-Line, which is our iconic Tasmanian brand. In that year we completed refurbishment of the ships. The company recorded an after-tax profit of \$18.8 million, compared to \$1.2 million in the previous year. Revenue of \$221

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million was due to increased day sailings, greater passenger interest in the refurbished vessels, and lower average fares. The vessel revaluation of €65 million each also reflected a value of these great ships of ours, now recently refurbished. Also, throughout that year there was strong progress with the planning for the ship replacement.

Day sailings are now double what they were in the last four years under Labor, with 140 day sailings this year compared to 70 back then. Passenger numbers are up 9 per cent for the year and are up 27 per cent on the number recorded in 2012-13. The company is now generating cash and profits and is in a good position to pay two special dividends, which will be locked away for ships replacement. The post-dividends payment will also leave the company with an estimated \$134 million in cash by 2019-20 according to the company's corporate plan. Freight holding is generally at capacity levels. The average yield is now 13 per cent lower than when we came to office and many of our sailings are chock-a-block with passengers and freight.

The Government congratulates the chairman, Michael Grainger, and his board of directors, and the CEO, Bernard Dwyer, and his executive team. It is important we all pass along our thanks and gratitude to every employee of TT-Line, both crew and shore-based staff. Without question it was a terrific year and their contribution to the company and Tasmania should be recognised.

Mr GREEN - Minister, you have just explained to the committee that the business is in a good position to transfer two special dividends of \$80 million to the Consolidated Fund. You have also explained to the committee there is \$130 million-odd in projected cash within the TT-Line business. Have you foreshadowed with the business that you intend to remove or take further special dividends into the Consolidated Fund in the future for ship replacements?

Mr HIDDING - No, I certainly haven't. I don't know whether the shareholder minister for Treasury has. I don't think he has had separate conversations on this. The only conversations we had have been about the two dividends that we all know about. I am assuming if there is a need to have any further discussions along that line then they will take place in due course.

Mr GREEN - This is the first opportunity we have had to have both you and the chair of the board sitting together to get an understanding of how this whole idea was arrived at.

Mr HIDDING - It's all pretty simple.

Mr GREEN - Maybe you want to explain how it was arrived at.

Mr HIDDING - In 2014 the Government agreed and indicated to the TT-Line that TT-Line would no longer be solely responsible for meeting the future replacement costs of the *Spirits*.

Mr GREEN - How was that indicated. Through the expectations?

Mr HIDDING - No, that was a discussion held by the Government.

Mr GREEN - In 2014?

Mr HIDDING - In 2014, shortly after we came to office.

Mr GREEN - Is the discussion minuted anywhere?

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Mr HIDDING - No. I recall the meeting. The Premier was there; certainly the two shareholder ministers were there and Treasury was there. This came about because of TT-Line's situation when we came to office. TT-Line had been required to come up with a business plan by the Labor-Greens government to fund its own replacement of ships. The only way it could reasonably do so was to act as a commercial company and basically get into the commercial freight market on Bass Strait, blow it wide apart, drive other companies to the wall and operate a commercial freight service. That is the only way it could reasonably fund its own replacement of ships.

Mr GREEN - Are you sure about that?

Mr HIDDING - Yes, absolutely. We know precisely what you are up to. You required that company to fully fund the replacement of ships.

It was a change of thinking for TT-Line to be informed by the Hodgman Liberal Government that we had a plan for the TT-Line, with which we had gone to the people of Tasmania and got elected, which was to drive up visitation to Tasmania by using the TT-Line, and not send it down a course of having to go into the commercial market in order to somehow or other fund its own ships. We asked the company to go away and do a new business case based on our policies, in the knowledge and expectation they would not be required to fund the full price of the two new ships. It was somewhat of a game change for TT-Line because they had been freed from what essentially was a tyranny placed on them by your government.

Mr BACON - When you say you informed the company they had to do this, is this what led to the refurbishment and that business plan? Is that what you are referring to there?

Mr HIDDING - What we asked the company to do at that stage was work with Government policy, go away and do a new business case for the company.

Mr BACON - And that was based on the fact you would pay for the new ships rather than the company?

Mr HIDDING - No. The statement was that they would no longer be required, by themselves, to fully fund the acquisition of two new ships.

Mr BACON - How was that statement made? That was made verbally in a meeting?

Mr HIDDING - That was a statement made by the Government to the company. It does not require letters or follow-up letters. It was simply a statement to say that under this Government we are not forcing you to go away and come up with a business case, using a publicly funded and owned utility, to blunder into the private shipping market, blow it wide apart, drive other companies to the wall, in order to fund the acquisition of two new ships. It was a change for the company, no question. It led to the ability for TT-Line to think much clearer than they had been able to under a Labor-Greens government about what the new business case should look like.

They came up with a business case that has resulted in the fantastic year we are now looking at. It has been a major turnaround for the business and for Tasmania - 418 000 passengers, up from the low 300 000s in the last term of your government. It is a remarkable shift, no question. It has come about because of the confidence the Government has in this company and the confidence the company has in the Government about what the future looks like.

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Mr BACON - Was the legislative lock discussed in that early meeting in 2014?

Mr HIDDING - There was no discussion at that point about dividends.

Mr GREEN - That is not what you said a moment ago, minister. I asked you the question about the dividends and you said you first told the company in 2014.

Mr HIDDING - No, listen again to what I said.

Mr GREEN - Read it out again.

Mr HIDDING - In 2014 the Government agreed with TT-Line that they would no longer be solely responsible for meeting the future replacement costs of the *Spirits*.

Mr GREEN - This was after I asked you a question about the \$80 million and when it was first discussed. You said, 'I will explain to you how it came about'.

Mr HIDDING - Yes. In 2014 this is the first step.

Mr GREEN - You are conflating the two things.

Mr HIDDING - No, no. The matter of dividends was first discussed at the TT-Line's annual general meeting, held on 20 November last year, 2015.

Mr GREEN - Last year, 2015. Well I can scrub that out because it sounded like you said 2014 a minute ago.

Mr HIDDING - The fact is I started giving you the narrative of our discussions with this company and you got very excited at the very first point.

Mr GREEN - Throwing them under the bus like that, yes, I do get a bit excited. In the way they interacted with us did not reflect anything you just said about our relationship with the TT-Line and what we were trying to achieve.

Mr HIDDING - The matter of dividends was first discussed at the TT-Line's AGM on 20 November last year and in December of that year, so 12 months ago, I advised this committee, in the Upper House it would have been then, of course, scrutinising TT-Line that a subcommittee of Cabinet had been established to plan for the replacement of the *Spirits*.

Mr GREEN - Subcommittee of Cabinet.

Mr HIDDING - Yes, Cabinet subcommittee on ship replacement.

Mr GREEN - When was that?

Mr HIDDING - I advised that to the Estimates scrutiny last year.

The core activities of the subcommittee of Cabinet are to request high level information and advice from TT-Line in relation to options on vessel types, capabilities and costings as well as port pairing. Also to consider the strategic passenger and freight requirements of the state and to

evaluate the business case and commensurate funding required, that is the dual environment they are operating in, and how the Government might need to help with that for the procurement of new vessels and to be satisfied that it is a sound investment and meets the policy objectives of the Government. The first meeting of that subcommittee was held in April.

Ms O'CONNOR - Minister, there is \$80 million in the bank for vessel replacement. Can you talk us through the projected total cost of replacing the vessels, what we know about the timeline for replacement as at today, and what the state understands its funding responsibility will be to top up the cost of replacement.

Mr HIDDING - Perhaps if we do the last one first. The Government telling the TT-Line that they should not assume they need to fund the full value of the replacements was a game changer for the company. It allowed them to look at a different business model, which is what they are looking at now.

Ms O'CONNOR - We have money in the bank here, \$80 million, total cost, timeline for replacement and also the proportion that the state will have to meet and what you expect will come out of TT-Line in dividends into that account.

Mr HIDDING - How much does the Government want to contribute into it? About zero, but we know it has to be somewhat south of that. We want that to be as little as possible. We want TT-Line to be in the best condition possible. It was our contention to the TT-Line that our Government's policies to drive up visitation, go to a day and night sailing model, would of itself generate substantial cash and profits. It has done precisely that. There is better than projected returns from this business. However, the company does operate under essentially a statement of comfort that, as opposed to the previous government, there,

Mr BACON - It is not a letter of comfort; it is a statement of comfort.

Mr HIDDING - A statement of comfort. There is not a definitive position by this Government that the TT-Line has to fully fund two new vessels. That is what they were operating under. They are not now.

Ms O'CONNOR - I understand that. We are looking for a bit more detail. There is \$80 million in the bank for vessel replacement. The cost of replacing the vessels is going to be far higher than that. What is the projected cost of replacement? When will the state need to find that money? It would be interesting to know what the state believes the proportion that will come out of dividends and future profits from the TT-Line will be.

Mr HIDDING - The projected replacement date for the vessels is 2022-23. That has always been the working date for TT-Line. In spite of the fact there have been a greater number of extra sailings, which means more wear and tear on the vessels, the vessels will get there. We are confident of that and the company is confident of that. By then they will have reached an age at which we should not be running much past that on a service which is one of the bigger tasks of ro-ro vessels in the world. This is not running between a few Greek islands; this is a reasonably major sea voyage. They cannot go past 2022-23. They will still have a value to elsewhere.

Ms O'CONNOR - Let's talk about money and what the state understands it needs to contribute towards replacement?

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Mr HIDDING - What I and the company cannot tell you is what the build price of a new vessel is until you know what it is you want to build and when you need it. If you were to look at maritime industry news, Lloyds List and other things, you will find a large roll-on roll-off ship these days costs in the area of €300 million.

Ms O'CONNOR - I am trying to get some clarity about future dividend payments and where the split will fall. There is an understanding on the part of the company that it will be required, through its dividend payments, to put money into that account towards the vessel replacement. What is the state's understanding of the proportion it might have to carry when that date comes.

Mr HIDDING - The corporate plan for the company shows a projected cash holding in 2020 -

Ms O'Connor - That is the \$134 million?

Mr HIDDING - Yes. That is what the current corporate plan shows. After the two dividends we are talking about it will still have \$134 million in cash holdings. It is this Government's intention the company always holds significant cash reserves particularly as the ship gets towards the end of its life. An engine failure or something could be seriously expensive and you need to be able to 'bang' like that, be able to get to it. You do not want to be pulling it back out of government. The company needs its own safety net.

Mr GREEN - It doesn't cost you \$130 million to replace a motor.

Mr HIDDING - No, it does not. I did not suggest that at all.

Mr GREEN - We will get to this.

Ms O'CONNOR - Sorry, I do not know if I am not being clear.

Mr HIDDING - You are but I need you to understand there is not a number the company or I can give you on what a ship would cost. In industry numbers you often see -

Mr BACON - How do you come up with \$80 million?

Mr HIDDING - One of these ships is often in the area of between €250 million and €400 million, depending on all sorts of things.

Ms O'CONNOR - Which means replacing two of the ships would possibly be about \$1 billion Australian?

Mr HIDDING - It could get up to that, but that would be top end, you would think. Then you have the value of our ships and then you have borrowings to consider and injections by the Government, which are shareholder, equity injections. It has been indicated to the TT-Line they should understand it will be up for discussion.

Ms O'CONNOR - Are you confirming TT-Line understands it will be required to continue to make dividend contributions into that account? Is there an understanding from the state's point of view that it will forgo any of that revenue? I understand what you said before about the TT-Line having to put away before dividends. Is that the understanding?

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Mr HIDDING - Is it your question we might take general dividends to put into the Consolidated Fund do you mean?

Ms O'CONNOR - I am trying to understand. TT-Line understands it will have to pay dividends into the ship holding account. The state is prepared to forgo any dividends it might have taken into the Consolidated Fund but there will be a rolling sequence of payments from TT-Line into that account?

Mr HIDDING - So far the discussions have been about two special dividends.

Ms O'CONNOR - That is not where it will be limited to?

Mr HIDDING - No.

Ms O'CONNOR - You are talking about a total ship replacement cost of potentially of, potentially, \$1 billion Australian dollars?

Mr HIDDING - Yes.

Mrs RYLAH - Minister, can you put the TT-Line year in perspective in passenger numbers and profitability?

Mr HIDDING - Yes. Recording 418 000 passengers is a remarkable outcome. Many of the state owned companies in Tasmania were under-performing when we came to office. In the case of the TT-Line, passenger numbers were in a worrying decline. Passenger numbers declined by 28 000 to only 330 000 in the last full year of the government.

The extraordinary turnaround in TT-Line's performance under the Hodgman Government can be seen in this year's annual results. Passenger numbers increased to 418 831. I forgot about the 831. An incredible 27 per cent increase in that period of three years. This is a clear endorsement of the Hodgman's Government's strategy to reinvigorate the *Spirits* through the complete refurbishment of both vessels. As I said, the company went away and came up with a new business case. This included the refurbishment of vessels, which was a very exciting period in the company's history. It is something the Labor Opposition took great pleasure in throwing rocks at but it was a very good thing to do. The three-year period saw the doubling of day sailings and the reduction in average fare prices, which TT-Line calculates at 13 per cent in real terms so far.

The TT-Line's after tax profit for the year was \$18.8 million, the second highest profit after tax result achieved by the company and a clear sign our strategy is translating into profits and cash. Cash and cash equivalents at the end of the financial year stood at more than \$110 million, an increase of more than \$20 million over the year. This strong cash position enables TT-Line to pay a special dividend of \$40 million, to be locked away towards the replacement of the *Spirits*, which is required in 2022-23.

Even after this \$80 million is banked for the ships replacement TT-Line estimates it will have a further \$130 million in the same bank by 2019-20, which is still two to three years before the *Spirits* would need to be replaced. The refurbishment of the *Spirits* has added value to the *Spirits*, which have an estimated value of \$194 million -

Mrs RYLAH - Each?

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Mr HIDDING - No. It was an increase of \$14 million over the prior year. The vessels are valued in euros so it is converted. Thanks to the strong policies of the Hodgman Government Tasmania will be very well placed to fund the ships replacement.

Freight volumes were the second highest on record despite interruptions due to missed sailings, caused by two major spectacular weather related issues. The 13 January wind storm at Station Pier, it is nearly 12 months ago, and the early June flood event in the Mersey River. In spite of those difficult circumstances it has been a remarkable year for the company.

Mr BACON - Coming back to the sham dividends you have taken from the TT-Line, you are seeking to take from the TT-Line -

Mr HIDDING - They are not sham. They are real.

Mr BACON - They are real it is real money that has been taken.

Mr HIDDING - So they are not sham.

Mr BACON - We know this started when you tried to take \$75 million from Hydro through the sale of the combined cycle unit. This has lead to taking \$80 million from the TT-Line. It is doing the TT-Line a disservice. Can you tell us when you first raised this with TT-Line?

Mr HIDDING - The matter of dividends was first discussed at the TT-Line's annual general meeting held on 20 November last year, 2015.

Mr BACON - Are there minutes of that meeting, minister?

Mr HIDDING - AGM, yes.

Mr BACON - Do these discussions appear in the minutes?

Mr HIDDING - There is certainly a reference. We had the new AGM and there is a reference in there to discussion between the ministers.

Mr BACON - Can you table those minutes for the committee?

Mr HIDDING - I will check with the company secretary whether these are part of normal disclosure. I have no issue with the minutes being made public.

Mr GREEN - Do the minutes include discussion about the legislative lock required by TT-Line?

Mr HIDDING - I have a document with somebody's scrawled notes, so we would have to bring a clean copy for tabling.

Mr BACON - We don't mind that one.

Mr HIDDING - It is not my handwriting. It says:

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The minutes of the annual general meeting of the TT-Line Company held on 2nd floor, Public Buildings, 53 St John Street, Launceston, on 20 November 2015 at 10 a.m.

Present were: Rene Hidding, Peter Gutwein, the two ministers. Apologies nil. In attendance were: Michael Grainger, Bernard Dwyer, Stuart McCall, Kevin Maynard. Rick Patterson from my office was present, and Rob Luciani, Manager, Financial Audit of the Tasmanian Audit Office.

The notices of the meeting, with the permission of the attendees, were taken as read.

Pursuant to section 249H of the Corporations Act, the Honourable Rene Hidding tabled consent to short notice of the AGM signed by both members of the company.

It happens from time-to-time if the date of the AGM changed. We had one of those this year in one of my five companies.

The appointment of chairman following a resolution moved by Peter Gutwein, seconded by me, that I be appointed chairman of the meeting.

This is a standard set of arrangements.

Confirmation of minutes, annual accounts and directives, audit reports and dividend declaration.

The following resolution moved by Mr Gutwein, seconded by myself, that the minutes of the AGM held on 20 November be signed as a true and correct record; the reports of the directors and of the auditor; the statement of financial performance; statement of financial position; and statement of cashflows for the year ended 30 June be received and adopted.

No dividend be paid to the Tasmanian government for the year ended 30 June 2015.

Report of the directors and chairman.

Mr Robert Heazlewood and Ms Claire Filson appointed as directors of the company to hold office until the AGM of the financial year ending 30 June 2018.

Mr Michael Grainger reappointed as chairman of the board of directors of the TT-Line Company Pty Ltd to hold office until the annual general meeting for the financial year ending 30 June 2016.

TT-Line performance 2014-15. The chairman advised the shareholders that the 2014-15 underlying profit was \$17.5 million up from last year's \$11.6 million. This enabled TT-Line to write off a substantial amount of the refurbishment in this financial year. The net profits after tax of \$1.2 million, down from

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\$10.4 million the previous year. It is pleasing to see our expense to revenue ratio for the year improved by 1.4 per cent over the previous year.

Passenger numbers on the *Spirit* increased by 8 per cent to 384 501 in 2014-15 up from 350 700 in 2013. Day sailing passenger numbers increased by 20 per cent in 2014-15, primarily due to an additional 17 sailings being completed during this reporting period. The company carried a record 102 309 twenty-foot equivalents, TEUs, in that year, up from 98 511 in the previous year.

TT-Line passengers spent approximately \$440 million in Tasmania, with the company spending another \$66 million either directly or indirectly into the state.

The *Spirit of Tasmania II* was dry-docked in Sydney during 2014-15.

Mr GREEN - It has nothing to do with the question.

Mr HIDDING - You wanted to know what was in the minutes.

Mr HIDDING - It continues:

The *Spirit of Tasmania II* was dry-docked in Sydney during 2014-15. This docking was on time and within budget.

Mr GREEN - And yet you found \$80 million in it somewhere.

Mr HIDDING - It continues:

In February 2015, the company appointed Trimline, a UK-based company, as the turnkey contractor to refurbish the *Spirit of Tasmania* vessels. Though outside the 2014-15 reporting period, I would like to formally record here - this is Mr Grainger speaking - that Trimline, its subcontractors and TT-Line did an outstanding job in delivering the remodelled and refurbished *Spirit of Tasmania I* and *II* vessels on time and on budget.

TT-Line's partnership with the North Melbourne Football Club has been an important one for the company. Not only has it delivered exposure for the *Spirit of Tasmania* brand into our key market in Victoria and around Australia through national TV coverage of AFL games, but there have been flow-on business and community benefits in Tasmania.

In response to a question from the Treasurer, the chairman advised it was important that the state take advantage of the current tourism boom it is experiencing. The state needs to get the right people promoting the state, and Brand Tasmania is crucial in this role in ensuring consistency of the message.

Ms O'CONNOR - They're failing in that, if you saw their publication yesterday. Brand Tasmania has turned into a stooge.

Mr HIDDING - Is that right?

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The chief executive officer also advised that the company was fine-tuning its marketing and PR. Even though the marketing budget has been reduced by \$2 million, it was gaining better market penetration through its well-defined market segments. Their being no further business, the meeting was closed at 10.19 a.m.

A post annual general meeting discussion on ships replacement issues took place immediately following the closure of this meeting involving the shareholder ministers, the chairman, the CEO, the chief financial officer and the company secretary of TT-Line.

Mr BACON - And the dividend?

Mr HIDDING - The discussion on ship replacement issues took place at the end of that meeting.

Mr BACON - So we are going to have to take your word for it? I asked about dividends.

Mr HIDDING - That discussion on ship replacement issues, and how you would fund it, is obviously a discussion - and the dividends.

Mr BACON - Who raised it?

Mr HIDDING - The two shareholder ministers. You have asked me this before. I believe I raised the need for a discussion on ships replacement. We talked about dividends, ships, time lines - everything to do with ship replacement issues. Flowing from that, we set up the Cabinet subcommittee.

Mr BACON - Did you talk about a quantum of a dividend, how much would be taken?

Mr HIDDING - No.

Mr BACON - You didn't discuss that at all?

Mr HIDDING - I don't recall that discussion at all.

Mr BACON - Had you had that discussion with the Treasurer before the meeting?

Mr HIDDING - Only discussions in Cabinet.

Mr BACON - So we are going to have to take your word for it that the dividend was discussed at the meeting, because it isn't in the minutes? You could read the whole lot again but it's still not going to be in there.

Mr HIDDING - The minutes show that a discussion on ship replacement issues took place immediately following the closure of this meeting. The audit office and others at the AGM couldn't be part of that discussion.

Mr GREEN - The board of TT-Line walked away from that meeting understanding they would have to provide a dividend to the state that could be put into the Consolidated Fund, or foreshadowed?

Mr HIDDING - I can say confidently the board walked away from that meeting knowing this Government is engaged in the business of ship replacement and that the funding of the ship replacement, the process for deciding the ship replacement, were all matters that needed to be discussed from that point forward.

Mr BACON - So not at that point? The funding was going to be discussed from that point going forward?

Mr HIDDING - The ships replacement subcommittee of Cabinet was set up as a result of that. These are all very detailed matters but money is the first thing you raise for ship replacement. You have to talk about how you are going to fund it.

Mr GREEN - We know they had the money, that's not a problem, the question is why you needed to take it into the Consolidated Fund. You have run an argument that it is to protect it from the Labor Party - that was your prime motivation. Did you tell the TT-Line board at that time in your discussions that you believed you needed to take this money, put it in the Con Fund to protect it from another political party?

Mr HIDDING - The discussion was about ship replacement, and dollars and cents as part of the ship replacement. Dividends and where funds sat, those sorts of things, all had to be discussed later.

Mr GREEN - Discussed later.

Mr HIDDING - These were all matters for the ship replacement subcommittee of Cabinet.

Ms O'CONNOR - Minister, I am quite interested in looking ahead here. By our calculations, at current exchange rates the cost of replacing the two vessels will be around \$850 million, but that is just in today's dollars - by your €300 million each. There is \$80 million set aside. There is approximately one-tenth of the cost of replacing those vessels in the bank. Is there not a risk here that, without clarity to TT-Line and to the people of Tasmania about how those funds will continue to accrue into the account, whatever that account is, there is a risk that a future government will be left carrying a huge financial burden and expectation to replace those vessels five years from now. Can you explain how we are going to get from \$80 million to potentially somewhere south of \$1 billion?

Mr HIDDING - I do not accept your numbers at all.

Ms O'CONNOR - They were your calculations for an estimated cost of replacement.

Mr HIDDING - No, I did not say that at all. What I said was that if you went to shipping maritime news you will see large RORO vessels often cost in the area of €300 million. That is not to say you could not get vessels for less than that. You have just plucked a figure out of the air.

Ms O'CONNOR - We have converted your estimate into Australian dollars.

Mr HIDDING - No, that is not an estimate. You could have done some homework yourself to look at maritime news around the world to understand what these things might cost. I do not accept your figures. I accept the proposition that this is the ongoing task to understand where the

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state needs to be in 2022-23 to pay for two new vessels. That is a task that Treasury is very engaged in. In our making the statement to TT-Line that they need not assume they have to fund the full replacement of vessels, which is an assumption they had to make under your government. A joint approach between us and the company to get in the best possible position to do that to pay for the two best possible ships was the way forward, which is what we are doing. The bigger risk for the future would be if Tasmanians voted for another minority government at the next election.

Ms O'CONNOR - What a load of bollocks. Why would you say something like that at the table when you know that the budget started improving from 2013 after the global financial crisis. Just stop it. We are trying to have a conversation here about how Tasmanians are going to afford to pay it. Even if we take your figures and knock \$100 million off the them because the state goes out and gets a great deal, even if the cost of the replacement is \$750 million, when will we start seeing, for example in the forward Estimates, an allocation made by the state where there are savings. We have five years to save more than \$600 million. Are we going to start seeing it in the budget papers? Presumably it will be your next budget where we have to see some numbers of savings put away for 2019-21-22?

Mr HIDDING - I think you are right. As some point it will be reflected in the budget because budgets are four-year documents and it will need to be there. Again, I do not accept your figures. The numbers I was talking about were general maritime figures.

Mr GREEN - You do not accept our figures but they are the figures that you quoted.

Mr HIDDING - No, I am not quoting anything. I am telling you -

Mr GREEN - You're making a big man of yourself saying you did not expect the company to pay -

CHAIR - Order.

Mr HIDDING - If either of you political parties had done a modicum of homework, you would know this stuff.

Ms O'CONNOR - You don't need to sit there and be insulting because the questions don't make you feel particularly comfortable.

Mr HIDDING - I am completely comfortable. What I am saying to you is that some of these vessels can cost up to \$300 million. You have conflated that to a figure. There is a substantial financial challenge here. We are confident about it and we have started the process with two special dividends which will be locked away towards this task. You are right, in budgeting terms I would assume that in a year or so Tasmanians should start seeing a pathway forward to that.

Ms O'CONNOR - Okay. Can we be really clear here? Whatever the likely cost of replacement is, and given that we are now in 2016 and you will presumably be starting negotiations and commissioning to some extent the work that needs to be done, at the moment the state has a fraction of the money that will be required to replace the vessels in an account. Are you saying that from next year's Budget, Tasmanians should expect to see relatively substantial sums set aside across the forward Estimates?

Mr HIDDING - No, I am saying nothing like that.

Ms O'CONNOR - Is the state or TT-Line going to borrow to meet the final cost of replacement?

Mr HIDDING - Why wouldn't that be in the mix?

Ms O'CONNOR - I am just trying to get to the bottom of where the money is going to come from. I do not have a problem with borrowing for good infrastructure; that is not the issue here. I am just trying to get some clarity on how we are going to pay for the replacements. There will be presumably be a large hit on the state Budget in order to put the money away, or a substantial proportion of it, to pay for replacements.

Mr HIDDING - That is your reading of it. I can tell you that this Government is well engaged in this task. By 2022 -

Mr GREEN - TT-Line is not paying.

Mr HIDDING - Who said that?

Mr GREEN - You did. You said you had taken responsibility away from TT-Line.

Ms O'CONNOR - And that they would not fully have to pay.

Mr GREEN - Fully.

Mr HIDDING - That is right.

Mr GREEN - So you will be making a contribution?

Mr HIDDING - Listen. Do you recall what happened with the red ships and how that happened? What happened?

Mr GREEN - They were purchased.

Mr HIDDING - Who paid?

Mr GREEN - The TT-Line. The Government paid initially to buy the new ships.

Mr HIDDING - The Government bought one and the TT-Line bought the other.

Mr GREEN - So is that what is going to happen this time?

Mr HIDDING - I am not saying that.

Mr BACON - So what is going to happen? Tell us.

Mr HIDDING - When we came to office, the TT-Line was of the view that the previous government had required them to fund the entire cost of two new ships which had sent them down a course that we did not want to go. You shouldn't have been there either. We are working with this company to replace the two new ships with the best ships we can possibly get in the world.

Mr BACON - How are you going fund this?

Mr HIDDING - They are going to be funded through a mix of company funding and some possible investment by the Government.

Ms O'CONNOR - Minister, you said TT-Line wrote a new business plan following the arrival of the new Government. You are not prepared to put even a relatively tight number on what it might cost to replace the vessels, but has Treasury provided you with advice on what the cost is likely to be? It is only five years away. What is the thinking about how much it will cost and what the state needs to contribute?

Mr HIDDING - For that reason, Cabinet set up a cabinet subcommittee on ships replacement. I chair it, the minister for Tourism and Premier is on it, Mr Gutwein is on it, and we get expert advice. Infrastructure Tasmania manages the arrangements for that subcommittee. It reports to cabinet.

Ms O'CONNOR - Has Treasury given you a ballpark figure?

Mr HIDDING - Treasury is absolutely engaged in this process.

Ms O'CONNOR - I am sure that's true, they're very good, but have they given you a ballpark figure?

Mr HIDDING - Treasury does not provide the figure.

Ms O'CONNOR - Has the TT-Line given you an estimated cost of replacement?

Mr HIDDING - If you had done some homework on this, you would find there is a wide range of prices. You keep asking me to do your homework for you. There is a wide range of prices. If you bought existing ships, for instance, it could be so much, if you built new ones, it could be so much. If you went to a fit-out of the kind of the *Queen Mary* it would be so much more. There is a very wide linear path to decide what this is going to cost.

Ms O'CONNOR - So there is no clear understanding on the part of you, the Government or the TT-Line of what the cost will be?

Mr HIDDING - I am not sharing Cabinet information with you.

Ms O'CONNOR - So even though we are talking about what the cost would be to the TT-Line, which is a publicly owned company by the people of Tasmania, you are not prepared to share with the committee what the projected cost of replacement will be, other than sit there and insult me because I do not know how much it costs to buy a new ship?

Mr HIDDING - No. What I am saying to you is that a whole range of possibilities are on the table. There is a range of dollar value - from there to there.

Ms O'CONNOR - Why can't you tell us what the range is? Why should that be secret?

Mr HIDDING - How could it be secret?

Ms O'CONNOR - Because you're not telling us.

Mr HIDDING - Some vessels you can purchase for about €65 million. They look like the two red ones we have.

Ms O'CONNOR - You won't let that happen.

Mr HIDDING - That is the value of those, you know that.

Ms O'CONNOR - You're not buying old ships.

Mr HIDDING - We might be. When the state bought these vessels they were already used. It has to be in the mix. We have to be looking at those and comparing that to a new build and then comparing a very complex matrix of decisions to be made in the coming years as to which way the state goes forward.

Ms O'CONNOR - Mr Grainger is itching to respond.

Mr GRAINGER - No, I am enjoying the ride. To add some clarity to this, it is a complex business we are in and the vessels we operate are complex. We are not talking about fridges and washing machines, we are talking about serious pieces of infrastructure. The company has engaged a number of consultants and global experts on what we believe we might need for the future as replacement vessels. We are well into that and have been conducting those exercises for a while now. The cost of replacement vessels, if we went to a new build, will be determined some time in the future, because it will depend on where the ships are built and a lot on which country they may be built in, what design we end up going for, what capacity we have, what mix of freight, passengers, shopping, all those things. It is difficult, as we sit here today, to understand what a new vessel might cost. We have not even confirmed the length of the vessel yet.

It is a difficult question to answer and, as the minister said, there are global industry standards of similar-sized ships which can cost x or y . If we choose to go down that path, that is what you would expect to pay. It will depend on the global economy and on ship builders having slots to build, all these things. That can mean a difference of tens of millions of dollars. I am not being flippant, it is that level.

Ms O'CONNOR - I acknowledge that.

Mr GRAINGER - The company has engaged some global experts to give us the best possible advice on all of that and that is in process at the moment.

Ms O'CONNOR - When do you expect to have some advice back to the subcommittee of Cabinet on the likely costs, accepting everything you just said about the complexity of it?

Mr HIDDING - In due course.

Ms O'CONNOR - Don't 'in due course' me.

Mr HIDDING - You have been in Cabinet and you know we do not discuss what might come to Cabinet and when it might get there.

Ms O'CONNOR - No, you can tell us. You have said this is a matter for the subcommittee of Cabinet. We all understand this will go back to Cabinet, so you do not need to be secretive about it not being discussed in Cabinet, you have already said it will be. We are curious about the timing of when advice will go to Cabinet.

Mr GRAINGER - It is an ongoing process. We are providing advice to Cabinet now on various aspects of vessel replacement and we have been doing so for over a year.

Mr HIDDING - It's a very structured process.

Mr GRAINGER - It is a transparent process as far as we are concerned. The company, Bernard and his team, are doing a phenomenal amount of work. We are providing information to that Cabinet subcommittee as it becomes available and there will be a determination at some point in the future.

Mr JAENSCH - Minister, can you tell us some more about the value of TT-Line to Tasmania's economy in terms of its supplier arrangements in Tasmania?

Mr HIDDING - We have very happy circumstances. No reflection on previous CEOs but we have a Tasmanian CEO who spends most of his life in Tasmania. While I know previous CEOs were also very committed to Tasmanian products, it is fair to say that Bernard Dwyer is pretty ferocious on this stuff and does a very, very good job.

The TT-Line is a major contributor to the Tasmanian economy and its contribution goes well beyond the many Tasmanians that are employed both on the vessels and on shore. Seventy-five per cent of all food consumed on the *Spirits* is sourced from Tasmania. The wine menu is 71 per cent Tasmanian. The TT-Line purchased nearly \$40 million worth of goods and services in 2016, in addition to the more than \$30 million paid out in wages and salaries, most of which is on the north-west coast. The list of Tasmanian suppliers is vast and demonstrates a great variety of goods and services purchased by TT-Line. The ten top Tasmanian suppliers are: TasPorts, Tasfresh, Top Centre Laundry, TasmaNet, TMD, Freshline Marketing, Panatana Shipping, DPIPWE, Creature Tales and Veolia. It is a very good story and the company continues to be very diligent in ensuring that where possible the goods on board and the value is put into the Tasmanian sector.

Mr JAENSCH - Could you comment also on the refurbishment process?

Mr HIDDING - One of the great stories just recently was that Fairbrother won a national award, which was terrific for the *Spirit* because it got publicity all around Australia with photographs of the fantastic refurbishment that Fairbrother did on the *Spirits*.

The logistical complexity of the \$31.5 million refurbishment with passenger and crew areas of the *Spirits* was unprecedented in Tasmania. It required one vessel to be completely refurbished within a matter of weeks, while it was in its biennial dry-docking in Sydney in July-August 2015 at the same time as all the regular maintenance work was carried out. The other *Spirit* had its refurbishment completed while alongside in East Devonport with some work undertaken while actually on the run. The quality of the work, and the fact that it was completed on time and on budget is a demonstration of the great capability of Tasmanian businesses.

One of those businesses, Fairbrother, started in Devonport and now with a national footprint, was awarded the Master Builders Association National Specialist Contractor of the Year on 24 November this year for its role in the project. The company describes the refurbishment as the largest that its joinery division had ever undertaken. Fairbrother supplied a range of joinery products, including Tasmanian oak window screens, laminated feature wall panels, stainless steel column surrounds, solid copper columns, copper map of Tasmania and 277 table tops on each ship. All materials had to be certified to meet IMO - International Maritime Organisation - safety requirements, as well as fire-rated glues, MDF, laminates and polish and everything was protected to guard against moisture. In all Fairbrother reports that it supplied \$2.6 million worth of joinery in 15 weeks, meaning 10-hour days, six days a week and some five-hour shifts on Sundays.

The world-leading contractor, Trimline, which project managed the work provided the following citation to Fairbrother:

Fairbrother Joinery performed extremely well in a highly complex and time-challenging refurbishment project, delivering the project on time and on budget. The team's attention to detail was exceptional and they took a proactive, collaborative approach throughout the project at design, production and delivery stages.

If you add that to an international award that the TT-Line won called the Shippax Award for refurbishment of vessels, without question the refurbishment was a wonderful effort by all.

Mr GREEN - Regarding the \$80 million dividend, I accept you have provided some clarity with the issue being raised at the annual meeting. That is the first time we have understood that. You didn't talk about it last year in the GBEs. You talked about the subcommittee being formed, but you didn't talk about a dividend. In fact, even in those minutes you haven't talked about a dividend. My very specific question is, there are two parts to it, too. It has gone through the lower House, the dividend arrangement hasn't it?

Mr HIDDING - It has not gone through the upper House yet?

Mr GREEN - It is sitting there in the upper House waiting. Hypothetically if it does not pass through the upper House what does that mean for the dividend?

Mr HIDDING - We take a very optimistic view of the upper House. We know that they would also want to protect \$80 million from the rapacious fingers of future minority government.

Mr GREEN - Do not fall for the trap for goodness sake.

Ms O'CONNOR - We actually did not block the legislation.

Mr GREEN - Can you explain to the committee exactly where those funds will sit within the Government's bank if you like? Where will the money be?

Mr HIDDING - Chair, I need to answer it on the basis that that is a matter for the Treasurer. It is not my portfolio where disposition of funds sit, in which account, and where they sit is clearly not a matter for -

Mr BACON - It is in the Consolidated Fund.

Ms O'CONNOR - Could you bring that advice back to the table? It should not be secret. It would be nice to know where it is.

Mr BACON - It is in the Consolidated Fund.

Mr HIDDING - I am sure I have heard you discuss all this with the Treasurer, which is with whom you should be discussing it. If there is some particular information I can get to the committee from the Treasurer and table it later, I'm happy to.

Mr BACON - Is it your understanding that it will not be in the Consolidated Fund?

Mr HIDDING - I am making no comment at all. They are matters for the Treasurer.

Mr BACON - You do not care where the money goes?

Mr HIDDING - This is a matter for the Treasurer. The Treasurer is responsible for the budget.

Mr GREEN - How can it go on the surplus?

Mr HIDDING - This is a matter for the Treasurer. What we are scrutinising here is the TT-Line performance for 2015-16.

Mr GREEN - The chairman will know where it is going because there would have been a formal discussion between the Treasurer and himself as to where the funds are going? Can I ask the chair where the funds are going?

Mr HIDDING - The disposition of funds within the state's budget are not a matter for the chairman of TT-Line. How would that even be possible?

Mr GREEN - Why is there then a legislative lock at all?

Mr HIDDING - These are matters for the Treasurer. I have heard you ask all these questions in the House. You got the responses. If you are not happy with them keep asking him. I am not the minister to be asking questions about the budget.

Mr BACON - We are interested to know if the TT-Line company has been given any assurance about where the money is going to sit.

Mr GREEN - It is actually you pinching the money at the moment. You have pinched the money from TT-Line not us.

Mr BACON - If it is going to be secure, where is it going to be?

Mr GREEN - Where is it?

Mr HIDDING - They are matters for the Treasurer.

Ms O'CONNOR - Minister, it is not unreasonable for members to ask that you bring that information back to the table. It should not be a secret.

Mr HIDDING - I am sure it is not. It will be in *Hansard* from when it went through the lower House.

Ms O'CONNOR - No, it is not clear from the second reading debate.

Mr HIDDING - I am happy to provide advice from the Treasurer.

Mr BACON - You have agreed to take \$80 million from the TT-Line and you do not even care where it goes?

Mr HIDDING - This is a matter for the Treasurer.

Mr BACON - But you will not answer it?

Mr HIDDING - What we are doing is putting aside \$80 million towards the purchase of new vessels, or replacement vessels, and it is our intention to make it secure from a future Labor government that has a track record of spending the superannuation provision fund of \$1.7 billion you pinched, raped and pillaged. That is what happened to that fund.

Mr BACON - Where is this money going to be safe?

Mr HIDDING - It will be safe from you.

Mr BACON - Where will that be?

Mr HIDDING - Safe from you. If you get into government you would need to come back to Parliament to say we want to pinch this money.

Ms O'CONNOR - Minister, that is extremely childish.

Mr BACON - You do not even know that. You do not even know where it is going to be.

Mr HIDDING - I am not answering Treasury questions.

Mr GREEN - Just a rough calculation based on you said 300 million, I'll make an assumption of €280 million for a new boat, take off the amount you have suggested that the value of the vessels are at the moment, and at some stage in the not too distant future about \$601 million will be required to replace the ships. Do you think that is a fair assumption?

Mr HIDDING - They are your numbers. You are starting to do your homework now which is good. The fact is though it is a very linear argument. If you were to buy existing ships they are much cheaper than building new ones. If you were building new ones, vessels of a certain kind would be much cheaper than another kind.

Mr GREEN - They cost us about that back then, so I would say that figure is fairly conservative. Looking at where you are spending your money in Tasmania, I am looking at the various figures on page 73 of the annual report. There are a number of ad hoc consultancies. Corporate Communications is on a retainer of \$59 000 a month. Can you explain how that was tendered and how it came about?

Mr DWYER - It is not monthly, that is \$59 000 for the year but is paid on a monthly retainer basis.

Mr GREEN - That makes it reasonable. I have to admit we were going to pursue that line a bit because we thought it was slightly over the top.

For clarity, can I get the TT-Line chair to explain to the committee his view of the exchange of the \$80 million post the legislation going through the upper House and how that has been transacted with TT-Line to this point?

Mr HIDDING - The TT-Line has participated in a number of discussions. The first one on ship replacement was on 20 November last year and since then they have attended subcommittee meetings of Cabinet where these matters are discussed. A special dividend was required of the company by letter, in the normal fashion, and that matter went to the board, which responded.

Mr GREEN - What was the response? It seems it was a negotiation - 'You want the \$80 million, so we will require that money to be somewhere within government so we can get our hands on it again when we need to replace the ships'.

Mr HIDDING - There was no requirement from TT-Line on us; there was no request to do anything special with the money. There was a special dividend requested which was always understood was to do with ship replacement. We made the decision as a government that we would legislate the way we are.

Mr GREEN - So you would legislate for \$80 million, you have \$130 million in cash within the business come 2020, and there is no forward plan to continue to put money away for the savings because the legislation only talks about the two tranches. Do you think people might be a bit cynical about the way the Government has effectively stolen this money from the TT-Line?

Mr HIDDING - No, I don't think they're that cynical.

Mr GREEN - You don't think the cynical amongst us might think this is a dodgy deal to prop up the surplus?

Mr HIDDING - No, I don't think that at all. I believe they would see this as wise stewardship.

Ms O'CONNOR - Minister, should Tasmanians then expect to see in next year's state budget - the last budget your government will deliver before it goes to election - an allocation towards the vessel replacements and some kind of forecast across the forward Estimates of what the state's contribution will be?

Mr HIDDING - I agreed with you earlier that at some point the pathway forward needs to reveal itself in the budget. Working back in my mind from 2022-23, I am not sure which year would be the first year where in a four-year budgeting cycle it would be required to be there. I take it that next year there would be the same reference to the \$80 million special dividend. In terms of contributions from the Consolidated Fund towards the task, that is four years out.

Ms O'CONNOR - We are all required to develop a fiscal strategy to be really upfront with Tasmanians about how we would or do manage the state's finances. Should we expect to see in the

2017-18 state Budget an allocation towards the replacement as well as really clear lines in the forward Estimates about how the state proposes we get to the point where there is enough money in the bank to make a substantial contribution towards the cost?

Mr HIDDING - I am going to agree with you on the level that it would be good to have a pathway forward as soon as possible so that Tasmanians can see what the nature of the contributions may be. In terms of budget cycles, I can't tell you exactly when it is going to appear in this Budget coming or not.

Ms O'CONNOR - But you would agree it would have to be somewhere in the forward Estimates in the next budget?

Mr HIDDING - The budget risks are always named up and this is a very substantial budget risk, so it is within the system already. It could well be in the 2017-18 year but it might be the next - I am not absolutely sure.

Ms O'CONNOR - But just to be really clear, it mightn't be that there is necessarily an allocation made in the 2017-18 Budget but there are lines in the forward Estimates that make it clear that for whoever is in government next, not that any previous government can bind a future government or parliament particularly, there will be a clear path through the line items in the state Budget we see next year towards that savings goal.

Mr HIDDING - I would be very confident that would be there.

Ms O'CONNOR - Minister, page 53 of the annual report talks about incentive payments to the board. Would it be possible to detail what those incentive payments were in this past year? It says the board sets performance targets with goals and indicators aligned to the creation of values. Short-term incentive payments were awarded during the current year for achieving performance goals. My question to you is how much was paid to whom in incentive payments and what goals were achieved in order for those payments to be made? Then it talks here about long-term incentive payments that have also been made during the year. What is the difference? It would be good to know where the money has gone and for what purpose.

Mr HIDDING - This company, like the four others for whom I am portfolio minister, has the ability to have incentive payments as part of their remuneration packages. They have coverage to do that, so I am not at all surprised to see the company has made some payments this year after the wonderful year they have had.

Ms O'CONNOR - I am looking for the actual numbers.

Mr HIDDING - This is to encourage these people to rise ever higher. They have done a magnificent job in this last year.

Ms O'CONNOR - If you could talk us through it, that would be good, and what performance indicators were met.

Mr GRAINGER - Performance targets are set primarily by the CEO and discussed at the remuneration committee meeting. The remuneration committee will then put a proposal to the board for adoption of each executive employee the amount of incentive payment they get, both short and long. We are not doing long-term incentive payments anymore.

Ms O'CONNOR - I understand that but you have some residual ones to deal with.

Mr GRAINGER - We have, and it is a process we go through. The CEO would, generally speaking, set the targets. The remuneration committee discusses and approves - or not, as the case may be - and then makes a recommendation to the board.

Ms O'CONNOR - So we have it on the public record, what is the total TT-Line has paid in incentive payments in the last year?

Mr GRAINGER - It is on page 55 - \$289 000 in 2016 and \$261 000 in 2015.

Ms O'CONNOR - Presumably the difference in those incentive payments is because TT-Line had a better year this year than it did the previous year.

Mr GRAINGER - It's based on individual performance. Some areas of the company performed better than others and are remunerated appropriately.

Mr HIDDING - I will answer this question, too, and it is completely measurable. The tasks set are definable and measurable. When the company reaches that point the person responsible for that area will have hit their target.

Ms O'CONNOR - What was the highest incentive target paid to an individual?

Mr GRAINGER - The highest incentive payment was paid to the general manager, marine operations. That was \$50 000, but that also included a portion of long-term incentive.

Ms O'CONNOR - If we could move along to the North Melbourne contract. In budget Estimates this year, minister, there was a refusal to provide any information on the value of the contract between North Melbourne and TT-Line, is that still the Government's position? Even though we are talking about a public company reliant on public funds, and ultimately public financial support if there is any problem with their viability, you are still breaking new ground in lack of transparency and won't tell people the value of the contract?

Mr HIDDING - This is very old ground.

Ms O'CONNOR - Well, it's not because the contract was signed this year. It is not very old ground at all.

CHAIR - Order.

Mr HIDDING - Ever since these government businesses existed they have had commercial contracts, which are necessarily secret.

Ms O'CONNOR - So it's necessary for a sponsorship deal with a football club to be secret?

Mr HIDDING - You could imagine the carnage if there was disclosure of energy contracts, for instance. They are commercial contracts.

Ms O'CONNOR - This is a very different scenario, because North Melbourne was locked in, in many ways, in terms of its loyalty to the state. We know the cost of the Hawthorn sponsorship deal, why shouldn't Tasmanians know the cost of the North Melbourne deal?

Mr HIDDING - It was a condition prescient to this deal that the commerciality of it not be made public. It would be damaging to the business of North Melbourne Football Club, not embarrassing to us, and to the AFL.

Ms O'CONNOR - Why was it okay when we knew what the value of the North Melbourne contract was previously, and now we can't?

Mr HIDDING - In the previous arrangement there were a number of people involved and the number was never disclosed in any event.

Ms O'CONNOR - I will bring it back to you, but it is in the public record and was reported widely.

CHAIR - Order.

Mr HIDDING - It was in the *Mercury*.

Ms O'CONNOR - And it was on the ABC.

Mr HIDDING - It is a commercial deal entered into under the Corporations Law. If the TT-Line enters into commercial deals such as this and there is a requirement for confidentiality they have to comply with it.

Ms O'CONNOR - You would understand why people would be really cynical about the lack of transparency.

CHAIR - Order, Ms O'Connor. That is only a statement.

Mrs RYLAH - Can you explain the practical benefits of the community service obligation associated with the deal we have been talking about between the North Melbourne Football Club and the TT-Line?

Mr HIDDING - As well as the commercial deal with North Melbourne there are some wonderful benefits that have flowed from the ability to do this deal. One is the establishment of the youth AFL Academy. In a year where we have seen no Tasmanians drafted. It is a pretty tough thing for us all to understand, for those of us who love the game of footy. It can only be great news the state now has a youth AFL Academy. I know of a young kid from one of my district schools. He is in year 9 and he is a wonderful footballer to watch. His father takes him about 100 kilometres for training down and back to this youth academy. He will end up playing for an AFT team, no question at all. He has the ability now through this youth academy.

The establishment of a youth women's academy - I was at Brighton the other day, looked out the window at footy training and there were about 30 young women training in the game of footy. This is part of the youth women's academy. North Melbourne has their well known Huddle, which they are establishing in Tasmania, assisting with the education and training of disadvantaged youth throughout Tasmania. They do a wonderful job there and leveraging off the very positive brand of

UNCORRECTED PROOF ISSUE

AFL. It is something wonderful to see these footy heroes involved in these huddles, and they are a great addition to Tasmania. There are a lot of very good benefits flowing from the entire deal.

Mr GREEN - You may think I am talking about this in the absence of a range of other things we could talk about regarding TT-Line, employee numbers and KPIs and so on. It is important for transparency for us to understand the discussions and how the \$80 million dividend was arrived at. You told us it was first discussed at the annual meeting, the whole question of ship replacements. You told us the final figure was arrived at in April. You did not tell us a figure was discussed in November meeting. We know the budget had \$80 million from the TT-Line. Who required a legislative lock be applied to this money? Was it the Government or the TT-Line?

Mr HIDDING - It was the Government. TT-Line never raised the notion of a legislative lock. This was the Government.

Mr GREEN - Are you sure about that?

Mr HIDDING - I am absolutely sure.

Mr GREEN - You are not misleading the House? The chairman is sitting beside you; can you ask him what his view was about whether there ought to be a legislative lock?

Mr HIDDING - I would have been mightily amused if any chairperson of any the companies I am responsible for said to me that we will agree to a dividend but you have to put a legislative lock on it. That would be a ridiculous.

Mr GREEN - You could have done what you have accused us of and taken the \$80 million?

Mr HIDDING - Sorry?

Mr GREEN - You have taken the \$80 million. You put it into the budget. It is in the budget now; it has not passed the upper House. I asked the question before and you were a little bit flippant about it. I asked what would happen to the \$80 million if the legislative lock does not pass. You said, 'We have -

Mr HIDDING - We have no concerns about it being approved the upper House.

Mr GREEN - These discussions are really important.

Mr HIDDING - The upper House is also aware the previous Labor government took \$1.7 billion out of a superannuation provision and blew it. For that reason they understand completely. It would be a good thing to require a future government to explain to Parliament why it wants to spend money put aside for the replacement of ships or something else.

Mr GREEN - You are telling the committee it was at the Government's insistence a legislative lock be applied?

Mr HIDDING - There was no insistence, nothing to do with the company at all.

Mr GREEN - In the discussion there was never -

UNCORRECTED PROOF ISSUE

Mr HIDDING - A dividend is a dividend.

Mr GREEN - They were always going to hand it over to you, regardless?

Mr HIDDING - A dividend is requested by letter, it goes to a board and it is responded to - in every case.

Mr GREEN - What was the response?

Mr HIDDING - They agreed to pay the dividend.

Mr GRAINGER - We agreed to look at it. It was as a result of a number of discussions that started at the meeting in Launceston. Those discussions revolved around the cash position of the company. During those discussions the dividend was raised and -

Mr GREEN - In November?

Mr GRAINGER - Yes. It was suggested by the Treasurer or the minister, I cannot recall, legislation might be put in place to retain that dividend for a vessel replacement fund.

Mr GREEN - Why would they say that to you? To give you comfort that the money was not going to be used for anything else?

Mr HIDDING - We were jointly engaged in the task of ship replacement.

Mr GRAINGER - We have always referred to it as a vessel replacement fund, even though it is a dividend.

Mr GREEN - Do you believe it is going to go into the consolidated fund?

Mr HIDDING - It is not a matter for what Mr Grainger believes. It is a matter for what is going to happen.

Mr GREEN - He said there has been a series of discussions. Are you worried he is going to answer it truthfully? Does he believe it is going into the con fund or not, that is the question?

Mr HIDDING - Why would that be a matter for the chairman?

Mr GREEN - He has told us he has been in discussions. I thought I heard him say, no it is not going into the con fund.

Mr HIDDING - You are asking questions of the chairman which are not a matter for him.

Mr GREEN - I am asking him where he thinks it is going to go. Based on the discussions he has had with the Government, as shareholder ministers to the chairman, where is the money going?

Mr GRAINGER - A vessel replacement fund is our understanding.

Mr GREEN - A vessel replacement fund, not the Consolidated Fund?

UNCORRECTED PROOF ISSUE

Mr GRAINGER - A vessel replacement fund is the discussions we have had.

Mr HIDDING - The technicalities where Mr Grainger thinks that fund might sit -

Mr BACON - It is not about where he thinks it is; where is the money going to sit?

Mr HIDDING - That is a matter for the Treasurer. You have asked all these questions of the Treasurer, you are not happy with the answer, now you are asking me to answer something that is the Treasurer's -

Mr BACON - You are the shareholder minister. You are taking \$80 million, which you say is for ship replacement. It is really to prop up the budget. You are going to have that money taken from the TT-Line and you don't even know where it is going.

Mr HIDDING - You know that the purpose of the bill that went through Parliament because you were told all this and you argued -

Mr BACON - Why don't you know it then? Seriously, fair cop.

Mr HIDDING - I listened to the debate and I know, like you know, that the purpose of the bill is to establish an account in the Public Account to be called the TT-Line Vessel Replacement Fund. Section 13 of the Public Account Act 1986 provides for the Treasurer to establish accounts in the Public Account and to define the purpose for which they are to be used. The purpose of the Vessel Replacement Fund Account is to accrue funds to assist with the funding of the replacement vessels for the TT-Line's Bass Strait ferry service.

Mr BACON - It is really to provide a fake dividend. It is not a real dividend. You knew that. Why didn't you answer it half an hour ago?

Mr HIDDING - You know that as well.

Mr BACON - You didn't know it.

Mr HIDDING - Yes I did. We both know that all this is a matter for the Treasurer. You think you are going to sit here and ask me Treasury questions. It is not going to happen.

Mr BACON - Why is that. This is not about ship replacement. This is about making a fake dividend. You well know it.

Mr HIDDING - That is complete nonsense and you know it.

Mr GREEN - How many employees are currently employed across the operations of the TT-Line?

Mr DWYER - It is approaching 550 employees.

Mr GREEN - How many of those are based here in Tasmania?

Mr DWYER - About 60 per cent would be based in Tasmania. The remainder - some in Melbourne and between the two states.

UNCORRECTED PROOF ISSUE

Mr GREEN - Even though you spend a lot of time in Tasmania, you are still based in Melbourne?

Mr DWYER - No, I am based in Devonport. I travel to the Melbourne regional office, usually by ship.

Mr GREEN - That is very good. As your role as an employer, has there been any work done to understand whether you are an employer of choice.

Mr DWYER - We are actually going through a lot of internal programs at the moment, enforcing more customer service focus within the business. Customer service, that is our internal customers, being our internal staff as well as our external customers. We are not directly comparing ourselves to other businesses as yet, Mr Green, but there is a lot of work happening internally.

Mr GREEN - I have looked at Trip Advisor and the responses that you have had to the ships and to your service generally. The ratings are generally good, excellent say 272 out of a total of 1 227, 448 say 'very good', 249 say 'average', 87 say 'poor' and 55 say 'terrible'. Some of the responses are pretty ordinary to be honest. For example, 'Kill all the caterers' and various other things. Horrendous. I noticed TT-Line is not engaging with any of these people, either on the positives or the negatives. Why is that, given the business you are in and given that you have corporate communications, albeit on much smaller scale than I first thought?

Mr DWYER - Mr Green, we have implemented a new system in the last four months within the business. We survey electronically every passenger who travels on our ships and they respond electronically to us. If they have an issue they have to be replied to individually.

Mr GREEN - They have to now?

Mr DWYER - Within 12 hours.

Mr GREEN - What was the cost of this. Is it within your existing employment arrangements you have established this within this last four months, or was it a consultant? You have implemented a program?

Mr DWYER - Internally. This is done by us. There is some software we use to facilitate that. The actual rating across all of that is 92.5 at the moment out of 100.

Mr GREEN - That is good because it seemed to me to be fairly stark. You had a situation where you have a lot of people praising you but you are still not saying thanks very much. A lot of people bagging you and you are saying how can we do better.

Mr DWYER - We would prefer to deal with our passengers individually one-on-one rather than through a third party, which is what we are implementing now.

Mr HIDDING - We have some feedback from people saying they have made a complaint, they expected either no response or a letter in due course and within hours they get a response.

Mr GREEN - Can I ask about the interface between yourself and Biosecurity Tasmania and how it is operating at the moment? Of course it was the drugs super highway under us, according to Mr Hidding. He was never political about the TT-Line.

Ms O'CONNOR - No.

Mr GREEN - Absolutely not. Obviously there has been a change in practice with respect to the interface between your business and Biosecurity. Can you explain to us how that is going from a Victorian perspective? Whether or not you believe the TT-Line is being used from time to time to bring contraband foxes and other things into Tasmania? Allow us to understand how you think Biosecurity is going. Given somebody has been charged recently for bringing a fox into the state.

Mr DWYER - I am not sure how the fox relates to TT-Line.

Mr GREEN - It may well have come on your ship.

Mr HIDDING - There are five other ships.

Mr GREEN - It may well have come on one of those too but we have TT-Line in front of us at the moment.

Mr DWYER - The arrangement with Biosecurity is all the inspections are now done in Melbourne. As you are aware there are regular reviews by Biosecurity Tasmania on what is actually happening in Melbourne. We have not reduced in any way the quality of those inspections on vehicles coming into the state. In fact I think we have been on record and I think the minister has been on record we have collected probably three times more material and have taken that away before it has come into the state than was happening in Devonport. Two main reasons are not to reduce the quality of those inspections but also to enhance the experience once people get to Tasmania they can quickly get off the ships themselves.

Ms O'CONNOR - Minister, there is a growing understanding of the environmental and health impacts of the emissions that come from large vessels. Bunker fuel, which I understand is the fuel used in the *Spirit* vessels, is on average 2 700 times dirtier than fuel used in the road sector. A large cruise ship can emit more sulphur dioxide than many millions of cars. There is a story in *The Age* which talks about the residents at Port Melbourne's Beacon Cove who are now extremely distressed and claiming respiratory illness as a result of emissions not just from the *Spirits* but from around 50 vessels that regularly use that port. Can you explain TT-Line's response to these concerns? What is the sulphur content in the bunker fuel used by the *Spirit of Tasmania*? Is there lower sulphur content in the *Spirit* auxiliary motors when it is berthed?

Mr HIDDING - This is a substantially changing environment right now. I recently received a letter from the Honourable Darren Chester MP to inform me of the recent decision taken by the International Maritime Organisation's Marine Environment Protection Committee to uphold 1 January 2020 as the date from which ships are to comply with the maximum 0.5 per cent by mass sulphur content limit for fuel oil, a more than 85 per cent reduction from the current 3.5 per cent. What is remarkable about this is that it is earlier than we thought it would be. The TT-Line and the Government were thinking probably 2025 but now the International Maritime Organisation has taken this decision. The decision follows the adoption of amendments to MARPOL Annex VI in 2008 that set a global 0.5 per cent sulphur content limit from 2020.

Australia adopted a strong position during negotiations, without our intervention calling for an immediate decision for a 2020 implementation date to provide certainty for investments and preparedness. A significant number of other countries expressed similar views during negotiations so it is great to hear Tasmania is at the forefront with other jurisdictions around the world.

The year 2020 is quite an onerous date for shipping companies in that we are almost at the end of 2016. Australia's intervention pointed to the significant human health and environmental benefits in implementing the 0.5 per cent limit in 2020, particularly for people living in port cities and coastal communities. Studies submitted by Finland estimate that by adopting the lower limit in 2020 rather than 2025, sulphur emissions would be reduced by up to 8.9 million metric tonnes worldwide and would result in 570 000 fewer premature deaths. Notwithstanding the human health and environment benefits for countries including Australia, the shipping and petroleum peak bodies recognise further consideration needs to be given to the practical requirements and transition to the lower limit. In this regard it was agreed the IMO should further consider what additional measures may be developed to promote globally consistent implementation.

The scope of those initial measures are going to be developed over this coming year, however there will likely be included development of guidance on a range of matters including the reporting of non-availability of compliant fuel. AMSA and the Department of Infrastructure and Regional Development will coordinate Australia's input into this further work. This is now a very substantial issue for TT-Line.

Ms O'CONNOR - I have some questions relating to the sulphur content of the fuel TT-Line currently uses and what it will take in terms of transitioning to the fuel we need to use. I note in the annual report that TT-Line reports to the National Greenhouse Accounts on an annual basis. What contribution does the bunker fuel we use in the ships make to the emissions totally of the company, in rough terms?

Mr HIDDING - The ships would be the total emissions, unless you are talking about Bernard's car. I will pass over to Bernard because we have only become aware of this just recently and it is now a big issue for the company.

Mr DWYER - To take the first part of your question which was in relation to the Beacon Cove residents, we are working very closely with the Port of Melbourne, or Victoria Ports as it is known now. There has been an environmental station put in very close to Station Pier in Melbourne that is measuring every minute all of the emissions so that we can understand what impact the cruise ship industry has in relation to that area of Beacon Cove and ourselves as well.

We fully comply with all legislation in relation to our vessels. As the minister has mentioned, it is 0.5 per cent from 1 January 2020. We will need to have some remedial action on the vessels and there are a couple of avenues we will need to investigate and potentially implement and that involves moving to a different fuel. A lower sulphur fuel is not available in Australia at the moment so we have to work very closely with the suppliers of low sulphur fuel internationally to make sure there is supply through Melbourne ports for us.

The other technology we need to investigate is something called scrubbers that would be installed on the vessels to clean. There are three types of scrubbers - a closed loop, an open loop and a hybrid scrubber system. We would look at a closed loop system which means that we hold all particulate matter internal to the vessel and that would then be disposed of. That is the best solution obviously on an environmental front that we would be looking at there. The issues we

have with installing new scrubbers is that they need to be installed very high in the vessels, so that potentially has some stability issues for impact and waste stability, and also we would be losing dead weight for taking vehicles and freight. We have to weigh those up. Legislation at this stage comes in on 1 January 2020 and we have to comply with that.

Ms O'CONNOR - I noted, Mr Dwyer, what you said earlier about the monitoring that is being undertaken in the Port of Melbourne. The TT-Line obviously docks in Devonport as well in an area that is reasonably densely populated. Is there any work being undertaken with the Environment Protection Authority, for example, about looking at those emissions and potential health impacts as you transition towards this cleaner fuel?

Mr DWYER - At this stage there has not been any work done in Devonport.

Ms O'CONNOR - How quickly can the ships change fuel sources? It is now four years before the legislative deadline comes into place. What does that mean in terms of the change?

Mr DWYER - Our engines and power cells can run on low sulphur fuel but we need to have the ability to buy it. That is really the issue we have at the moment. It is substantially more expensive than current fuel so it would certainly have an impact on current figures on the financial viability of TT-Line.

Ms O'CONNOR - And potentially have an impact on prices to some extent.

Mr DWYER - Yes, to some extent, and also, as you would appreciate, with looking at new vessels. Obviously that is being built into all of our considerations about potential ship deals in making sure we are absolutely compliant and more efficient.

Ms O'CONNOR - My understanding is that in the EU and the USA the maximum sulphur content is 0.1 per cent. Would it be possible to purchase ships that ran cleaner than the new framework requires? Would that be a goal?

Mr DWYER - That would certainly be a goal for two reasons, from the point of view of corporate responsibility and also from this legislation it could be brought into Australia at any given time so we would not consider building or purchasing vessels that wouldn't comply. These are strong pieces of infrastructure and we have to think out to 2035 to 2045.

Mr GRAINGER - It is almost a given that any new vessel that is built today would need to comply with the 0.1 per cent. I sit on an international committee that deals with this and no-one is talking about alternatives now. Every new vessel would comply with that higher standard.

Mr JAENSCH - Minister, the good results we have seen this year have been achieved despite some unpredicted and unprecedented weather incidents in the ports of Melbourne and Devonport. How have you assessed the company's response to those events?

Mr HIDDING - It is worth looking back on these serious challenges at the time. On both occasions I was not surprised. I was delighted to see the way this very well oiled machine of the TT-Line swung into action toward safety and immediate planning to restore the business back to service levels.

The event of the afternoon of 13 January at Station Pier, where the *Spirit II* broke free of the wharf, with an extraordinary wind event witnessed by hundreds of people who were seeking to flee the beach due to this sudden storm. A million more witnessed it on the news for the next 24 hours. I think, from memory, the chairman of the board was on an international visit and he must have had conniptions when he saw on international news his ship was sideways in the port. Damage was sustained to shore infrastructure and to the vessel, but fortunately no passengers, crew or others were injured. The incident has been fully investigated by the Australian Transport Safety Bureau and Transport Safety Victoria. The TSV report has been finalised. The vessel was repaired in situ at Station Pier. After comprehensive checks and sign-off, *Spirit II* recommenced trading four days later on 17 January.

In the meantime, *Spirit I* was deployed on a double sailing schedule to assist with the backlog. The sky bridge, which was damaged in the incident, was reinstalled in June. This was a relief because it was causing delays in unloading and loading of the ship. Altogether the TT-Line responded magnificently.

The second major incident was on our side of Bass Strait on 6 June where the Mersey River was closed to commercial shipping due to the extraordinary flood event. North and south sailings were cancelled and the river remained closed until 10 June, a period of four days. The cancelled sailings were rescheduled to the weekend of 11 and 12 June. An additional sailing on the Saturday and two additional sailings on the Sunday were scheduled to mop up the backlog. All passengers were refunded their fares and travelled on the rescheduled sailings at no cost.

These unexpected events carry a risk of reputation damage, but it is a measure of the company's performance throughout these crises no such damage was sustained. I believe the reputation of the company was enhanced by its performance at all levels. It is important I place on record the congratulations of the Government to Bernard and his entire TT-Line workforce who rose magnificently to the task.

While two shocking events, essentially, nobody would forget the footage people standing on the marine in the Mersey, going past the *Spirits* and boats everywhere. The *Spirit*, even though it appeared it might have been able to sail it wasn't able to. They didn't know what was under water. A raft of work had to be done to ensure it was good to go. They went as soon as they possibly could when it was safe. I think it was a magnificent effort.

Mr GREEN - According to the front page of *The Advocate* you were going to cut fares on the *Spirits* by 20 per cent. Can you give us an update?

Mr HIDDING - We went to the election knowing we had a policy plan for Tasmania to grow visitation to the state through the TT-Line in order to deliver our vision to grow our tourism industry to 1.5 million visitors per year by 2020.

Mr GREEN - You were going to cut fares on the *Spirits* to achieve it.

Mr HIDDING - The policy went on to say 'our expectation is the average fare will be able to be reduced by up to 20 per cent'. We had a vision for this company including a much higher number of day sailings, which is precisely what has transpired. You can put more people on day sailings because there are daytime rules and there is, basically, no freight.

Mr GREEN - You are saying it is an average. The total amount of fares charged for the *Spirits* day sailings, evenings, cabins, all of that is averaged by the number of passengers?

Mr HIDDING - Our expectation is that the average fare will be reduced by up to 20 per cent. Currently, yield is showing a 13 per cent reduction per person. We are moving toward 20 per cent. The vessels are full now. Until we have more day sailings, and we continue to look at that, the 13 per cent will continue to motor upwards as we reach an even higher shift between day and night sailings.

Mr GREEN - I accept day sailings are cheaper for people. I think you are being tricky and shifty. Can you explain to me how a fare reduction might work? What does it cost to bring a Toyota four-wheel drive towing a five-metre caravan to Tasmania, wanting to stay in a porthole cabin to start their tour of the state? What reduction has there been in that fare?

Mr HIDDING - The average fare -

Mr GREEN - No, I am not asking about the average, I am asking a specific question.

Mr HIDDING - That is precisely what we said, the average fare will be reduced by up to 20 per cent. I will hand over to the CEO.

Mr GREEN - Given many people come to Tasmania with a four-wheel drive with a caravan and if they pick up the paper they would think there is going to be 20 per cent less for their fare, or 13 per cent.

Mr HIDDING - Let us look at a day sailing for -

Mr GREEN - No, on a normal sailing.

Mr HIDDING - That is the point, day sailings are normal and they can be considerably cheaper than night sailings so it is what people are doing. I know you have not been to see these new vessels but you need to. On a recent Saturday, you would have seen five lanes of campervans and caravans coming into Tasmania because there was no freight on board. Completely full of people and vehicles coming here, with our policy in full swing, having paid substantially less than they otherwise would.

Mr GREEN - My question was about someone with a porthole cabin making a trip across Bass Strait on the *Spirits* in what was considered the normal way in the past.

Mr HIDDING - On a night sailing.

Mr GREEN - I am not being political, I accept day sailings are cheaper. I want to know what it costs for that person and their partner to sail across on a normal arrangement and whether there has been a cut to their fares?

Mr HIDDING - I am not accepting what you consider to be normal. A night sailing is a decision for someone to make and it is a night's accommodation in a nice cabin or you can have a day sailing.

UNCORRECTED PROOF ISSUE

Mr GREEN - When they picked up the front page of *The Advocate*, this is not what you led them to believe.

Mr DWYER - It is a hard question to answer. We set prices in a similar way to airlines, Mr Green. It depends upon the day of the week and the deals we have in the market at the time.

Mr GREEN - That is why it is almost impossible to say you are going to cut fares by 20 per cent, isn't it?

Mr DWYER - We have always talked about the average fare.

Mr GREEN - Now you have. That is not the impression they gave.

Mr HIDDING - Our expectation is the average fare will be reduced by 20 per cent. That is exactly what their policy said. You might recall the front of the document, you wove it around during the campaign?

Mr DWYER - It almost impossible because of the way the booking system and the way our fare structure works. We have five tiers of fares, depending upon occupancy of the vessel, day of week, day sailing and night sailing.

Mr GREEN - For the uninitiated, the fare reduction boils down to is the additional day sailings and additional people in the equation, which brings down the overall cost to everyone coming across Bass Strait, from an accounting standard perspective.

Mr DWYER - As well, we have a lot of promotional marketing deals in the market at the time to encourage people to book as early as they can. We need to do that so we can look at the demand over a 12-month period, to understand when we need to and if we can put more sailings on. The earlier we know the demand, and the latent demand we are not meeting, that helps us -

Mr GREEN - Aside from being hard to work out, what would your gut feeling be? Within the parameters of deals and all the rest of it, has the fare come down for a person bringing a four-wheel drive and a caravan and wanting a porthole cabin on a night sailing across Bass Strait?

Mr DWYER - Over 12 months, yes, it would have.

Mr GREEN - What is the reason for that?

Mr DWYER - We haven't increased our fares -

Mr GREEN - So it's come off the CPI?

Mr DWYER - Obviously that is taken into account as well.

Mr GREEN - So it has come off a percentage?

Mr DWYER - In addition to reductions we have in the market.

Mr GREEN - So their fare hasn't come down by 13 per cent?

Mr DWYER - The average fare has come down.

Mr GREEN - I know what the average is; that's why you're being tricky and cute. I am trying to get the bottom of whether someone booking a cabin and bringing their four-wheel drive and caravan on the boat is seeing a significant reduction in their fare?

Mr HIDDING - They certainly have. On the Saturday sailings they are paying about half of what they used to.

Mr GREEN - You can't get a straight answer here.

Mr GRAINGER - Mr Green, at certain times and in certain sailings, based on availability and season, someone could experience a fare of 20 per cent less than they might have paid two or three years ago.

Mr GREEN - But they could have always done that, couldn't they?

Mr GRAINGER - Not necessarily, not to the same extent.

Mr GREEN - Why, because you've been able to increase the passenger numbers by additional day sailings?

Mr GRAINGER - Correct.

Mr HIDDING - There were two years worth of indexation you didn't trigger and also you didn't pass on the carbon tax.

Mr GREEN - How much was that?

Mr DWYER - It was 3 per cent.

Mr GREEN - So that surcharge has gone?

Mr DWYER - That's reversed out, yes.

Mr GREEN - Was that part of your fare reduction?

Mr McCALL - Yes.

Mr GREEN - The surcharge went off as part of your fare reduction - the carbon surcharge?

Mr GRAINGER - It's still a reduction.

Mr BACON - Minister, you claim the dividend was first discussed at the November meeting, but was it specifically the fact there would be a special dividend that was discussed?

Mr HIDDING - I couldn't possibly recall the word 'special' or otherwise. Dividends are matters for the Treasurer. We have two shareholder ministers - one is a portfolio minister who works on business cases, plans, passenger numbers et cetera -

UNCORRECTED PROOF ISSUE

Mr GREEN - You were there together. You were the chair of the meeting.

Mr HIDDING - It was in November and dividends were discussed. It was hardly a surprise to the company. Then there was the standard exchange of letters which took place between the ministers and the company.

Mr BACON - You have claimed in the past that TT-Line had no problems with the special dividends at the time of the November meeting.

Mr HIDDING - I have never heard the chairman of the company express any concern about a dividend.

Mr BACON - Did anyone within the company express any concern about taking that \$80 million?

Mr HIDDING - That's not something I would discuss with anyone else in the company. My point of contact is this gentleman beside me.

Mr BACON - So there have been no discussions with the Government and the TT-Line about concerns with the \$80 million being taken?

Mr HIDDING - I am not aware of that. I speak to the chairman.

Mr BACON - The Treasurer hasn't had those discussions?

Mr HIDDING - I have no idea who the Treasurer would have discussions with. The Treasurer was with me when we talked to the chairman.

Mr GREEN - The meetings about dividends have always been between you, the Treasurer and the TT-Line?

Mr HIDDING - I would meet with the chairman a minimum of 12 times a year.

Mr GREEN - Most of the time the Treasurer is not involved?

Mr HIDDING - No, he's not involved, but the Treasurer is at all the AGMs.

Mr BACON - That was the November meeting, then you had the subcommittee of Cabinet in April. How many meetings of the subcommittee have there been?

Mr HIDDING - There has been a number - probably three since then.

Mr BACON - What happened between November and April? Did you have any conversations with the TT-Line about the special dividend before the decision was made in April to take that money, or was it only the brief discussion at the November meeting?

Mr HIDDING - When you say the decision made to take the money, there is a letter that travels from the shareholder minister's to the company, it goes to the board and they respond.

Mr BACON - That effectively informed the company about the decision you made in April.

Mr HIDDING - There was no decision made in April. There was a discussion about ship replacement.

Mr BACON - At the April meeting?

Mr HIDDING - The matter of dividends was first discussed at the TT-Line's annual general meeting on 20 November that year where we spoke about ship replacements, money and dividends because that is all a key part of ship replacement. The April meeting you are talking about was a subcommittee of cabinet and the full budget was considered by Cabinet later in April. The first meeting of the subcommittee was held in April 2016. The decision to establish a dedicated ship replacement fund and for dividends to be paid into the fund from TT-Line's substantial cash reserves was formalised at that meeting.

Mr BACON - What discussions were had with the company between November and that decision being made? The discussions at the November meeting were not on the agenda and did not make the minutes so they can't have been that extensive because you don't seem to recall them.

Mr HIDDING - They were about the headline issue of ship replacement which included funds. At those discussions I then advised that a cabinet subcommittee was to be set up which these people would be part of.

Mr GRAINGER - It is more general discussion we have from time to time.

Mr HIDDING - We meet monthly.

Mr GRAINGER - The overarching topic is the vessel replacement situation and from time to time that includes funding. We provide updates to the minister about the work Bernard and his team are doing in terms of funding and what could be expected and things like that, but it is more of a general discussion that we would have pretty much on a monthly basis. It is discussed at our board every month.

Mr BACON - The vessel replacements?

Mr GRAINGER - Yes.

Mr BACON - When did the Government first inform you that the special dividend would be \$80 million over two years?

Mr HIDDING - When they got the letter.

Mr GRAINGER - There has been general discussion about it. There were no surprises to us at all. It commenced at the discussions with the minister and the Treasurer at the meeting we had in Launceston. It has been an ongoing discussion and there has been mutual agreement and understanding of where we are heading. That discussion has been based on our cash situation, what it is today and what it might be in the future. All of those issues have been discussed.

Mr GREEN - Your cash position would be around \$210 million come 2020 with the \$80 million sitting there, knowing full well that we have to replace the ships at some stage.

UNCORRECTED PROOF ISSUE

Mr HIDDING - The corporate plan shows what it shows.

Mr GREEN - At the end of the day, do you have an expectation that there is going to be another dividend required?

Mr GRAINGER - We haven't discussed that.

Mr GREEN - So when Labor gets back into government, are we going to be allowed to get our hands on that \$130 million? Is that what you're suggesting?

Mr HIDDING - Of the \$80 million. If and when it goes through the upper House you will have to come to Parliament and explain why you are pillaging money out of there like you did with the superannuation.

Mr GREEN - What about the \$130 million in cash that is going to be sitting there?

Mr HIDDING - You'll pillage that as well - no question. Then you would go back to Labor's position and say to the TT-Line, 'Fund your own ships'.

Mr BACON - Why has your language around that changed?

Mr HIDDING - It is a fundamentally important part of the narrative.

Mr BACON - Why have you only started mentioning that today, your language around the Labor Party telling the TT-Line that they have to completely fund replacement ships?

Mr HIDDING - Because there was a certain business case, you might recall.

Mr GREEN - I remember it very well.

Mr HIDDING - If you dig that deal back out of your drawer you'll find that you were requiring TT-Line to fund their own ships.

Mr BACON - I want to know why your language around that has changed today. Why is this the first time you are going down this path?

Mr HIDDING - It is the first I have sat opposite you and you have wanted to look at the whole narrative.

Mr BACON - That is not right at all.

Mr HIDDING - Yes it is. We have not had a committee like this before.

Mr BACON - We have been through budget estimates, we have been through Parliamentary questions. You have never made these public statements before that the Labor Party directed TT-Line to completely fund their own ships.

Mr HIDDING - The business case says exactly that.

Mr BACON - The business case says that does it? You have read it?

Mr GREEN - The business case did not get up did it? We did not direct anyone in the end.

Mr HIDDING - It was a live business case when we came to office.

Mr GREEN - You have just confirmed exactly what I said, so you are lying about it.

Mr HIDDING - I beg your pardon. Why are you saying that?

CHAIR - Order.

Mr GREEN - You say we directed them. It was a business case. It was not finalised. We did not direct anyone. We did not write a letter to the TT-Line.

Mr HIDDING - Because your Cabinet was split on it. That is what was going on. It was split on it and from TT-Line's point of view it had a live business case that still required an answer from government.

Mr GREEN - So you are prepared to lie about that?

Mr HIDDING - I beg your pardon. Why are you saying that?

Mr GREEN - Because you have been less than truthful.

Mr HIDDING - About what?

Mr GREEN - You are saying that we had directed them to do it.

Mrs RYLAH - Point of order. The time for this has expired.

CHAIR - No, it goes to noon. However, Mr Green, if I could,

Mr GREEN - I withdraw the word 'lie'. The point is this that you are suggesting that we directed them to fund their own ships.

Mr HIDDING - You indicated to them that it was the only way they were going to get,

Mr GREEN - Now we indicated to them.

Mr HIDDING - You tell us it was not so. They were forced to come up with a business case.

Mr GREEN - You were misleading the House. Yes, there was a business case, it is clear and they did a very good job on the business case without any doubt. It is you that has vetoed,

Mr HIDDING - Were you for it in Cabinet or against it? What team were you on?

Mr GREEN - You worry about your side of the equation.

Mr BACON - It you that has been telling untruths. When did the Labor Party direct TT-Line to fund their own ships?

The committee suspended from 11.01 a.m. to 11.07 a.m.

Ms DAWKINS - Given the community voice on poker machine reforms representing 42 organisations in Tasmania at the moment, and poker machine use has been highlighted, we want to know how much does the Federal Group pay the TT-Line for the gaming contract?

Mr HIDDING - That's pretty easy, zero.

Mr DWYER - The Federal Group aren't involved in the gaming on the ships. It is another company that has that contract.

Ms DAWKINS - Which company is that?

Mr DWYER - Admiral Casinos.

Ms DAWKINS - You have a different arrangement; is that through Victoria? Through Victoria obviously because of the monopoly deed.

Mr DWYER - It's a separate act in relation to the *Spirits* and the gaming industry. It is still through the Tasmanian Government, but it's a different act in relation to those machines.

Ms DAWKINS - Do you have different regulations about how those machines are programmed? Do you have mandatory pre-commitment options, minimum bet limits that don't work in Tasmania on the ship?

Mr DWYER - The licence and the act is still managed by the Gaming Commission of Tasmania, so as far as I am aware we have the same limitations.

Ms DAWKINS - It's all of the same?

Mr DWYER - The same, but a totally different supplier, not the Federal Group.

Ms DAWKINS - Should a mandatory pre-commitment come in is that something you are willing to look at for those machines? I think most machines that are manufactured in Australia do have that capacity. That is something that you wouldn't have any issue with, obviously if it was mandated?

Mr DWYER - If it was mandated by the Gaming Commission we would have to.

Ms DAWKINS - The only other question is regarding the Edgewater Hotel. There are 30 poker machines in that establishment?

Mr DWYER - I think there are 25, but I may be wrong.

Ms DAWKINS - A 30-machine cap. Devonport is the third highest LGA as far as spends on poker machines in Tasmania. It is a serious issue for people who live in that community. What steps are you taking to make sure there is no conflict and that people in that community who do have issues with gambling are taken care of?

Mr DWYER - I might just clarify - the gaming machines on the ship are under a separate act. The Edgewater Hotel is part of Oasis, so part of the Federal Group network gaming. We comply with everything the Tasmanian Gaming Commission says we have to do in relation to the Edgewater Hotel.

Ms DAWKINS - Has the ACCC made representation to you? Obviously the detail of that is not something I would be privy to but I am aware there had been a complaint made to the ACCC that the Tasmanian Government was running a business which involved poker machines.

Mr DWYER - I will check with the company secretary but I am not aware of any ACCC communication with us. No.

Mrs RYLAH - Minister, I understand the *Spirits* passengers travelling with motor homes, campervans, camper trailers et cetera - the so-called grey nomads and not so grey nomads - tend to stay longer in Tasmania and spend more, particularly in regional areas. They are very valuable in regional areas. Is there increasing demand for the space on the *Spirits* for these passengers and their vehicles?

Mr HIDDING - Yes, there is. The good news is it is estimated that the average time spent on Tasmanian soil from a *Spirit* passenger is about 12 nights, which means if somebody is coming over just to bring a car over then somebody else is staying 24 nights. In many cases it is the grey nomads who spend months here. A trip on the *Spirits* is on the bucket list of almost every caravan owner in Australia. No matter where they are, Tasmanians who come back from caravan parks everywhere are saying people want to come to Tasmania. With all the day sailings now and the prices coming down they're looking forward to it.

TT-Line works closely with the caravan and motorhome clubs and many of the members are also able to take advantage of pensioner discounts when travelling on vessels. I am advised that in 2015-16 alone there was a 7.7 per cent increase in the number of caravans carried and a further 9 per cent increase in the number of motorhomes. The doubling of day sailings between 2012 and 2015 - the year we are looking at now - has been of great benefit for this cohort of travellers. Day sailings tend to have a smaller proportional allocation of lane metres for freight. Furthermore, many grey nomads are less constrained by travel dates and times and are able to take advantage of the extra capacity and special price offerings.

It is fair to say we had last year or early this year many first-time visitors to the state who were somewhat perplexed to find when they rang or went online to book their return for, say, two or three weeks hence, they found there were no bookings. In spite of the fact TT-Line has been marketing strongly for people to book their return trips, they found they were stuck on the island. In fact I had a number of people write to me suggesting all sorts of terrible things would happen to them if they did not get off the island. In some ways it was a nice problem to have but we were concerned for those whose plans were disrupted and the word is out in that sector now to book early and secure yourself a slot.

Without question, there are a lot more of them on the roads now here in Tasmania. We are working on things to make their stay even better, such as turnout bays to let the cars pass on the Great Eastern Drive and those sorts of things. It is good business for Tasmania and it is great to see Australians in this sector getting a crack at coming to Tasmania.

UNCORRECTED PROOF ISSUE

Mr GREEN - In the correspondence back to the TT-Line board with respect to the dividend post-April, did you indicate there would be a change with respect to them having to fully fund the ships?

Mr HIDDING - No, that is not part of a discussion on dividends.

Mr GREEN - We will go back and have a look at the *Hansard* but at the beginning of today's discussions you told the committee there had been a change in policy, one that you accused the former government of effectively directing -

Mr HIDDING - You had no intention of helping TT-Line with the new vessels. They had to fund their own. That was the situation we found when we came to government.

Mr GREEN - Can I ask the chairman on that basis -

Mr HIDDING - No, ask me what you want to ask the chairman. I am not having you involved -

Mr BACON - Point of order, Chair. At the start of yesterday you said we were allowed to direct our questions to either the minister or the chairman and they can refer them on.

CHAIR - That is the case in GBE hearings. A question can be directed to the chairman.

Mr GREEN - I ask the chairman, did the former government ever direct TT-Line to fund its own ship replacement?

Mr HIDDING - Let me answer it this way.

Mr BACON - Point of order, Chair. Mr Green has just asked a question of the chairman and now the minister is trying to run interference.

CHAIR - The question can be put to the chairman but if the minister wishes to add something or make a statement before the chairman answers, I will allow that. The question has been directed to the chairman but the minister is also with us and he can have input when he wishes.

Mr HIDDING - The context here is we commenced this discussion today and as you said, this is the first time you have been able to explore these things directly with me -

Mr BACON - No, you said that.

Mr GREEN - I said we have an occasion where both of you are together so we can understand what happened with the \$80 million, but you have thrown this other part into the equation.

Mr HIDDING - We are looking at a detailed time line. I have given you all the pertinent facts of the time line. When we came to office, TT-Line had a business case before government that was undetermined. Your government was still considering that business case which we rejected in favour of our policy.

Mr BACON - That's not what you said. You said we directed TT-Line to fund their own ship replacement.

Mr HIDDING - TT-Line had no option except that business case to fund the replacements.

Mr JAENSCH - Point of order, Chair. Is this question strictly in order given that it refers to a year we weren't even in government - not the annual report?

CHAIR - As chair I am fairly flexible. We are here to discuss the outcomes of the financial report on the table at the moment, which is for the last financial year. There are policy issues that are put and the minister has input into them when the questions are about where the Government is heading et cetera, which are not strictly adhering to the GBE over the last 12 months. We are fairly flexible in that and questions can be put to the minister or the chairman. In that regard we are delving into history a long way in this discussion but if that is where members wish to go they may. However, we are almost down to the last half-hour and this line of questioning has been going for the last two-and-a-half hours. If that is where the questions go, I am of no mind to pull it up. The minister seems to be dealing with it.

Mr HIDDING - I will finish my context. When we came to office it was clear from the business case TT-Line had before government that they were required to fund their own ships replacement. Our discussions from there on were about the Liberal plan for the TT-Line, which is a very different plan to theirs. It has been a highly successful year we have just talked about, leading through to a successful vessel replacement strategy. When we came to office the plan was that the TT-Line had to fund their own ships.

Mr GREEN - I am asking the chairman if the Labor Party directed the TT-Line to fund its own ships.

Mr HIDDING - I am not at all sure that is appropriate at any level, but if you are telling me the question is directed to the chairman, I will allow it to happen, but for us to sit here and have you scrutinise your own chairman of the time is a bit bizarre.

Mr GRAINGER - Any direction that would have been provided to the board would have been in writing, I assume, from any government minister of the day. I don't recall receiving a written direction but it was three or four years ago. We were required to develop a business case for vessel replacement.

I think I have had two or maybe three premiers during the time I have been chairman. I can't recall ever being directed by a shareholder minister, or I don't recall seeing anything in writing from a shareholder minister, but I can't guarantee there wasn't something in writing. I can't recall it.

Mr GREEN - Did TT-Line actively participate in generation of that business case?

Mr HIDDING - It's theirs.

Mr GREEN - So it was TT-Line's business case?

Mr HIDDING - Absolutely. The aim of the business case was to fund the replacement of two vessels. That is what it was.

Mr GREEN - Mr Bacon is completely right; you have put this into the arena of the committee today to say the former government directed TT-Line to fund its own ships in future.

Mr HIDDING - TT-Line had no other option.

Mr GREEN - We have heard from the chair he cannot recall being directed. The business case, as you said, was still alive. It goes to show how tricky and shifty you are and this whole \$80 million is a sham to prop up your budget. You know it, and the rest of Tasmania knows it.

Ms DAWKINS - Are there any limitations on the amount of EGMs that can be on the TT-Line vessels? Have you reached your cap?

Mr DWYER - I cannot recall in detail but I don't think there is a limit. There is a physical limit at the moment on the ships.

Ms DAWKINS - As far as physical proximity - there are regulations in hotels, they cannot be too close to an ATM, there has to be daylight, clocks and various things so that problem gamblers are aware of their surroundings. Is it the same?

Mr DWYER - It is in relation to ATMs, it is the same. We are governed by the Tasmanian Gaming Commission, so I am assuming those rules apply - I know we comply.

Ms DAWKINS - So people can't take food and drinks - those types of things - into the poker machine areas?

Mr DWYER - Not that I am aware of but I would need to clarify that.

Ms DAWKINS - Can you tell me how much is lost on their machines on an annual basis?

Mr DWYER - I don't know that, that is the operating component.

Mr JAENSCH - Given the success of the day sailing strategy, the special fare offers and the doubling of day sailings, is TT-Line likely to increase day sailing schedules again? Is there more to gain from this?

Mr HIDDING - I will ask the CEO - we are continuing to look at schedules.

Mr DWYER - The major change in relation to day sailings this year is the implementation of day sailings every Saturday since the middle of September. This is to assist with the motorhome/campervan issue - they couldn't get out of the state. We have implemented Saturday day sailings to give us more capacity from now until after Easter next year.

Mr JAENSCH - Previously, day sailings haven't been kicking in until Christmas time.

Mr DWYER - Day sailings are not normally until Christmas time, but we kicked those off in the September/October school holidays. We are pushing the limit on what we can effectively turn around in those but we are taking special cases for day sailings as well. It is something I don't think the company has ever done before. If there are major events we need to bring equipment in and out for, we are looking at gaps to fulfil those. For example, we put a day sailing on purely to facilitate Targa earlier this year. We are pushing the limit. There would not be another step-up as we had in the last two years.

UNCORRECTED PROOF ISSUE

Mr JAENSCH - I don't know what the discussions have been, but if there was an event such as the Masters Games coming up next October, you might consider something assisting?

Mr DWYER - We are in discussion with Scott Wade in relation to putting a sailing on to facilitate the event coming to the state.

Mr JAENSCH - What has the response been to recent special fare offers?

Mr DWYER - We're extremely full southbound at the moment, especially on those a.m. sailings on Saturdays into the state.

Mr JAENSCH - Are they targeting those with RVs?

Mr DWYER - That's right. There have been special offers out, and we have fully booked these, to February/March next year.

Mr JAENSCH - I heard through travel agents on the north-west coast. They make a lot of bookings for people travelling north from our region. I was surprised they are making bookings on the *Spirits* because you can do that yourself. They don't charge a commission, but they're booking people through for holidays. Those people are going because it is cheaper for them to travel on your ships than for them to travel on planes, particularly pensioners. How do you compete with planes? You offer products and price points that planes don't these days, whereas it used to be we would think planes and ships didn't play in each other's market. Is that changing?

Mr DWYER - It is changing. We compare ourselves in the market. There is no other shipper of tourists across Bass Strait so we compare ourselves to airlines and car hire out of Hobart or Launceston. By making those comparisons we are consistently cheaper, if you bunk in car hire and campervan hire.

CHAIR - For clarification, under procedures of Government Business Scrutiny Committee, point (2) is that questions may be directed to the responsible minister and the chairperson of the board. The reality is officers of the GBE are here to be asked operational questions, not political questions.

Mr GREEN - Minister, I will give you the opportunity to correct the record from what you said at the beginning of the hearing today. You misled the House with respect to -

Mr HIDDING - What did I say?

Mr GREEN - You said we directed the TT-Line to pay for its own ships.

Mr HIDDING - Have you seen the *Hansard* of that?

Mr GREEN - Do you want to correct the record?

Mr HIDDING - I will tell it every different way you like, but it is the same story. Under a Labor government, the TT-Line had to fund its own ship replacement. They had an aggressive private freight industry business case in order to do that. Your government had not determined it. You had not torn it up. You had not said no, you were still considering it when you went to the election.

Mr GREEN - Minister, you told this committee the previous government had directed the TT-Line -

Mr HIDDING - The TT-Line had no option but to fund its own ship replacement -

Mr GREEN - So you are not prepared to correct the record.

Mr HIDDING - That's what the business case showed.

Mr GREEN - You are effectively allowing the Tasmanian people -

Mr HIDDING - I never indicated your government ever wrote anything; how would I know that? Under the Westminster system I cannot get -

Mr GREEN - What does 'direct' mean then?

Mr HIDDING - I cannot get my hands on any documentation.

Mr GREEN - It's a ministerial responsibility -

Mr HIDDING - I cannot get my hands on any documentation -

Mr GREEN - Under ministerial responsibility -

CHAIR - Order.

Mr HIDDING - It was clear to us when we came to office the TT-Line was required to fund its own ship replacement. It is a very different situation now. We're on a program now with a wholly different company, a different performance looking at new ships in 2022.

Mr GREEN - I will give you the opportunity once again to correct the record. Will you correct the record from the statement you made to this committee earlier on today, which was the previous government had made a decision to direct the TT-Line to pay for its own vessels?

Mr HIDDING - In the absence of any other direction it was the only direction they could take. Their business case was entirely about them funding the entire thing.

Mr GREEN - I am asking you to correct the record. You are justifying your position.

Mr HIDDING - I'm maintaining my position your government required the TT-Line to fund its own new ship replacement.

Mr GREEN - The chairman effectively said that wasn't the case, so is he lying?

Mr HIDDING - He never received anything in writing.

Mr GREEN - He's lying?

Mr HIDDING - I am not able to look at any correspondence from back then.

Mr GREEN - Well, he told you; for God's sakes, he is sitting right beside you.

Mr GRAINGER - I said, 'I don't recall'. I didn't say -

Mr GREEN - Look, I am not having a go at you here - you are being verballed by him and that is the point.

Mr HIDDING - No.

Mr GREEN - Yes, you were.

CHAIR - Order.

Mr GREEN - You expect him to sit there and take it. I can see all of them moving around in their chair because they know it is not true. You have been given the opportunity to correct the record.

Mr HIDDING - The direction they had from your government was to fund your own ships.

Mr GREEN - Is there a business case being established at the moment, chair, to replace the ships? Is that based on a business case?

Mr HIDDING - Of course it is.

Mr GRAINGER - Yes.

Mr GREEN - That business case is being developed now?

Mr GRAINGER - Yes.

Mr HIDDING - With the Cabinet subcommittee.

Mr GREEN - Does that business case include the TT-Line providing funds from profits into the future to fund ships?

Mr GRAINGER - Yes.

Mr HIDDING - Of course it does.

Mr GREEN - Of course it does. What is the difference between a company working towards replacing its ships through potentially -

Mr HIDDING - Very big difference.

Mr GREEN - You have already indicated in a throwaway line you are looking potentially to lease another ship, is that right?

Mr HIDDING - No.

UNCORRECTED PROOF ISSUE

Mr GREEN - You are not thinking about any other opportunities on Bass Strait at all?

Mr HIDDING - No. I do not know what you are talking about.

Mr GREEN - You do not know what I am talking about?

Mr HIDDING - No.

Mr GREEN - There has been no discussion at all with the TT-Line about a business case on freight?

Mr HIDDING - None whatsoever. This is a ship-replacement process to replace the two vessels.

Mr GREEN - Off their existing arrangements, freight and passenger, with two ships in the future?

Mr HIDDING - Yes. The business case development that TT-Line has under way is to replace the two ships. We have a very successful business plan at the moment they are working to. A new business case was developed after we were required to say to TT-Line, we are not going on with your project Bass Strait.

Mr GREEN - Who is 'your'?

Mr HIDDING - TT-Line. It was TT-Line's case to your government that your government refused to determine, but did not knock it on the head either because you had no other way of funding ships. You told them they had to fund their own ships. There is no question in my mind -

Mr GREEN - We told them that? When?

Mr HIDDING - Yes. Your previous government made it very clear to this company they had to fund their own -

Mr GREEN - Chair, this minister is deliberately misleading the committee. He is lying to the committee.

Mr HIDDING - I am not.

CHAIR - Order.

Mr GREEN - He is completely misleading the Tasmania people through this Parliament. It is not true. He said it again. We told them that is not true.

CHAIR - You have put a question to the minister. The minister has answered it.

Mr GREEN - The minister is misleading the House.

CHAIR - I do not know on what basis individuals ask questions or answer them. I know the responsibility of this side of the table is to ask the minister questions and the minister answers them

and I deal with everything else in between. You are saying the minister is misleading. The minister seems to be sticking to the words he has been using all day.

Mr HIDDING - These are things we learned when we came to Government. We looked at the business case that you had not said no to. That was still alive under your government. We looked at the business case and the entire presumption of that business case was that TT-Line had to fund their own vessels. That is why the business case was as aggressive as it was, to move into the private sector freight business to come up with the money somehow to fund two new vessels. We stopped that process. We said, 'No more, that project Bass Strait is over. Now please develop another business case based on the Liberal model.' It is highly successful and we indicated to them at the time they should not assume they had to fund the entire cost of new vessels. That was the key to the business case.

Mr GREEN - What proportion will the Government fund?

Mr HIDDING - That was the first question from Ms O'Connor and we want the business to be in as good a shape as possible to fund as much of it that it can commercially.

Mr GREEN - We know by 2020 they are going to have \$205 million in the kick, plus the ships. Who is going to fund the rest?

Mr HIDDING - We want this company to be in a strong commercial position, knowing this will be a joint consideration by the Government and the company to acquire two vessels.

Mr GREEN - Are the ships full from a freight point of view at the moment?

Mr DWYER - Yes.

Mr GREEN - Are there any bookings on the ships being rejected for freight at the moment?

Mr DWYER - With our bookings for freight, sometimes we need to move freight to the next day, especially if they are empty trailers that need to go to the mainland. We hold those off with the proviso of the shipper. We can put priority freight on for them.

Mr GREEN - Are you expecting this year, given it is a bumper season, that Bass Strait, including the TT-Line, will be able to handle its freight task? Will there be anything left on the wharf in other words?

Mr DWYER - I do not expect so, especially with the new SeaRoad vessel.

Mr GRAINGER - More capacity. We have to be careful how we define it. We can say, 'Yes we are rejecting freight but we are not rejecting it outright'. We will just say, 'We cannot take your freight today but we can take it tomorrow or we can do it on a Saturday sailing'. It is pretty much at capacity.

Mr GREEN - It is at capacity? There is no scope to increase freight opportunities under the current sailing?

Mr GRAINGER - Only with additional sailings. We work hard to try to encourage our freight customers to travel on the day sailings, but that is proving to be difficult.

Mr GREEN - Can I ask what the expectation is of the ship replacement?

Mr HIDDING - In terms of?

Mr GREEN - When is the company's expectation that you will have new ships in Tasmania?

Mr GRAINGER - In 2022-23. That is what we are working towards.

Mr GREEN - You are working towards that. And the capacity of those ships from a freight perspective?

Mr GRAINGER - Still to be determined. We are governed to a certain extent by the Port of Devonport in terms of length. There is a maximum length that we can work with. That length will determine what capacity we can have and the mix between passengers and freight. We are looking at all options. The business case will consider high speed vessels, for example, high speed freight vessels. Every option that is presented to us will be considered carefully.

Mr HIDDING - You now have the issue of the fuel style and commissions and stuff like that. It all changes again.

Mr GRAINGER - As I said earlier it is a complex business. It is not something that you can just answer directly. It is difficult to do that just by the very nature of what we are dealing with.

Mr GREEN - That has been built into your business case?

Mr GRAINGER - Absolutely.

Mr GREEN - The length, the style et cetera.

Mr GRAINGER - That is what it is all about, Mr Green.

Mr GREEN - As Mr Hidding, the minister, put it, if you are smart enough to look at the various brokers and what not, would you be able to provide the committee with a reasonable expectation, given that you are building a business case, of what the replacement value of the ships might be?

Mr GRAINGER - Eventually?

Mr HIDDING - The value of the new ships? That is not a number he can even provide the Government now.

Mr GREEN - I am asking you as a person involved in the industry to provide advice to the committee and therefore the Parliament as to what you believe the ball park figure would be for the vessels. I do not expect you to bring it down to the last dollar but you must have some idea.

Mr GRAINGER - I think what the minister referred to early on is in the ball park, but as I said earlier that will really depend on the market at the time, the country where the vessels could be built, the style of the vessels, the suitability for Bass Strait.

Mr GREEN - You would prefer new vessels?

Mr GRAINGER - That would be the company's preference, yes. The vessels that we have now were, I think, four or six years old when we purchased them and they have been absolutely fit for purpose and still regarded as the best of their kind of class in the world. If we could improve on that and we will do in terms of emissions and performance. As you know we are the niche operator on Bass Strait. We are the fastest, last to leave, first to arrive. We want to build on that to attract that higher yielding freight component.

Mr HIDDING - None of those decisions have been made or can be made because of the emissions and cost of,

Mr GREEN - Will they be made before the 2018 election?

Mr HIDDING - I do not know. We will see.

Mr GRAINGER - Management have a plan going forward to 2022 as part of our business plan. That is a work in progress because occasionally we will have situations where international regulations will come into the fray. We have to consider those very carefully. We are only going to get one shot at this and we have to make sure that that shot is accurate for the next 25-30 years. It is a seriously important issue and that is why we are leaving no stone unturned. We are looking at all the options available. We have gone through port options and various ship designs. We are still discussing with naval architects, Incat, all of that. That is all being considered very carefully. None of this is ad hoc. When we come back to the government of the day, like the project Bass Strait, we know we have done all we can do for the government of the day to make an informed decision that will stand Tasmania in good stead well into the future.

Mrs RYLAH - Minister, what port options are being looked at on both sides of Bass Strait?

Mr HIDDING - There are no options on this side of the run. Devonport is the home of the TT-Line as far as we are concerned. Our current vessels are 189 metres long. The new vessel about to arrive into the port on Monday is about 187 metres so the port is starting to fill up with big vessels but there is a swing issue here with size so it can't get much bigger. Devonport is the home of the TT-Line. It works beautifully. It is in the middle of the top of the state and is an excellent entry point. That is our position.

On the other side is Station Pier. The three options on the face of it are Geelong, Hastings on the other side and Station Pier in the middle. Station Pier is ideal for a number of things but it has challenges, particularly if we are talking more freight. Freight needs land and we are in the centre of Melbourne here essentially and there is not much space so there is an ongoing discussion between the company and the Victorian Government. The Victorian Government is still the owner/operator of Station Pier. It was not part of their ports sale. The good news is that we can talk to the Victorian Government. Luke Donnellan, the minister there, is a good man and absolutely appreciates the Tasmanian business the *Spirits* bring to that area. It is complex and there would likely be some changes needed and some reconsideration of things with Station Pier if that is where, in the end, the decision is made. The decision is not made, but Station Pier is still very ideal.

Mrs RYLAH - So the limitations here on this side are the amount of wharf space in the Mersey?

UNCORRECTED PROOF ISSUE

Mr HIDDING - No, there is enough wharf space. Wharf no. 3 is the emergency wharf if required, if something happened to the other one, so there is plenty of that, but it is the swing circle of the vessel turning around.

Mr GRAINGER - We have done modelling with naval architects and bathymetric surveys and things like that. This is the detail we are getting into with this. The suggestion is that 200 metres is about the maximum length we could go to navigate the water safely. That is the swing length the minister mentioned.

Mr HIDDING - Two lengths of this table is the difference in length.

Mrs RYLAH - Articulated ships?

Ms DAWKINS - Continuing with the line on poker machines, are you aware of the self-exclusion and venue exclusion programs that run for problem gamblers in poker machine venues? If you are a problem gambler you can either sign up to it or if you are operating that venue and you can see that someone has an issue there are ways that information can be conveyed.

Mr DWYER - Are you talking about the regulations in Tasmania?

Ms DAWKINS - Yes.

Mr DWYER - I am very aware of those because I used to work for the Federal Group. I was the general manager of Wrest Point. The operator on the ships would be aware and they are controlled by the Gaming Commission in Tasmania and the way that is regulated. Certainly from an Edgewater point of view, we are totally in the legislation and in the operational aspects that Network Gaming insists on to be part of that network.

Ms DAWKINS - Can you let me know how many people have self-excluded either in the hotel or on the ship?

Mr DWYER - I could not answer that off the top of my head.

Ms DAWKINS - Is that something we could get information on at some point in the future?

Mr DWYER - We could find it.

Ms DAWKINS - The Greens would also be interested in how staff are trained to convey the information to gamblers.

Mr DWYER - You mean the responsible service of gaming?

Ms DAWKINS - Yes, exactly.

Mr DWYER - We are totally complaint with all that.

Mr GREEN - I want to clarify one point on the record seeing you wouldn't correct the record about what you said earlier on, minister. You have indicated to the committee you have allowed TT-Line to understand, either by exchange of letters or through the committee process you have

established - your cabinet subcommittee - that the Government will fund a proportion of the replacement ships.

Mr HIDDING - The Government has indicated directly to this company that they shouldn't assume they will be 100 per cent responsible for the funding for the ships, as they were under the Labor government.

Mr GREEN - They 'shouldn't assume'?

Mr HIDDING - They shouldn't assume they will be responsible for the full funding of the replacement vessels, as they had been under the previous arrangements.

Mr GREEN - The extension to that statement is therefore that the Government -

Mr HIDDING - We are not talking 50:50 or 75:25. We are in a partnership with one of our companies as shareholders in working through the ship replacement process with the company not being fettered.

Mr GREEN - But you are fettering them.

Mr HIDDING - No, not at all. They were fettered before where they had to have a business case that fully funded the replacement of the vessels. Now they don't.

Mr GREEN - It wasn't a business case they put forward themselves?

Mr HIDDING - Yes, they had to because they had a ship replacement task they couldn't address without that business case. The circumstances are very different for this company now. They are working with government on the replacement of vessels.

Mr GREEN - Minister, as a minister of the Crown, you are not prepared to allow the Tasmanian people to understand in any formal way what you have committed to with the TT-Line off the back of the dividend coming over into stakeholders.

Mr HIDDING - The commitment made to the company is that we will work together. We are using the Cabinet subcommittee process to do that. The company has been told it shouldn't assume it is 100 per cent responsible for the funding of these replacement vessels.

Mr GREEN - I asked the chairman to give us a ballpark figure based on his expertise. We are thinking about - as you stated - €300 million per vessel, which equates to something in the order of \$800 million, or just under, that would be required to purchase two new vessels. Weighed against the amount of money we know TT-Line has in equity in the ships - and we don't really know that because we are talking about five or six years away in the value of the ships overall and I have not in recent times seen new vessels come down in price, unless you have them made in a cheaper jurisdiction but most of them are made in Europe - if it was 25 per cent of that, as you have just indicated, the state is potentially going to be responsible for around \$300 million on its books associated with the purchase of the new vessels.

Mr HIDDING - I don't accept any of your numbers because you're just pulling them out of the air.

Mr GREEN - I am responding to the language you are providing to the committee. It is as if this is just a game of tiddlywinks here. You say, 'We've given them the impression; we've allowed them to understand' - what does that mean?

Mr HIDDING - In the business case they are putting forward, when it gets to the pointy end of what these things cost and what year the funds need to be available, they do not have to assume they are 100 per cent responsible for the funding of that, as they were under a Labor government. That is the difference and it is a substantial one.

Mr GREEN - In the end the business case wasn't accepted.

Mr HIDDING - No, but you wouldn't reject it either; it was still live when we came to office. You didn't reject it.

Mr GREEN - That is why I asked you whether it will be finalised by 2018. You're building a business case now. When we take government after 2018 we are going to have a live proposal.

Mr HIDDING - You will go back to your old one, won't you? David O'Byrne will be back again.

Mr GREEN - How pathetic it is you run that argument and then try to suggest -

CHAIR - Order, we are moving on.

Mr JAENSCH - Minister, there has been some commentary in recent days about the experiment of the former government with Sydney sailings for TT-Line. Can you comment on how that went?

Mr GREEN - You talk about history.

Mr JAENSCH - Could it be revived, which brings it into the present?

Mr HIDDING - It is in *The Advocate* today. We were asked about it and we provided some commentary.

The business case the TT-Line has developed was accepted by the Government and has now triggered this wonderful year we are talking about and the great results. The business case, as to quantum in markets and so on, is writing itself for the replacement vessels. It is based on a shortest possible route and high rotation of service.

A proposition to re-establish the Sydney service is in all ways completely opposite to that. I do not want to decry anybody suggesting we consider the Sydney service because there are a lot of lovely things about it. The people who came down from Sydney generally stayed longer because they had come on a longer trip and they would stay for three or four weeks. I remember you would meet a lot of people from Sydney around the Lyons electorate, you would see their registration plates. It would be wonderful if we could. I know the government of the day was sad to have to stop the service. It was going to cost in the order of \$50 million a year. It was losing a fortune, without question.

Somebody was saying in *The Advocate* today a lot of people in Sydney did not even know the boat existed. It was right there on Sydney Harbour directly opposite Bennelong Point, the big red ship. In marketing terms it looked fantastic. It would have been great if it had worked. They could not sell freight on it for love nor money, opposed to a good rail system down to and out of Melbourne. They could not bring any freight to it. The mix was and still would be antithetical to the current business case, which is proving such a success. It is a nice idea. People often say, if you did this, why wouldn't you bring it into Hobart? I think it would be terrific too, but it would be a longer trip again.

Ms DAWKINS - I have a question on the survey you were speaking about. Is it to ascertain the kind of trip people have had on the ship? Do you gather other tourist information? Are you aware of the Sense-T data?

Mr DWYER - I am on the advisory board for Sense-T.

Ms DAWKINS - I think it is an amazing data set and any way we can use or enhance it is going to be good for tourist operators.

Mr DWYER - We use three sets of data now. There is a lot of information in our own internal survey and the information gathered by the Tasmania Visitor Survey. Anybody who says they have travelled to the state by vessel means they have come on the *Spirit of Tasmania*, so we have a great set of data sitting in there. We are very excited about Sense-T as well. That shows some great information for our future planning. I am happy to distribute our passengers and their spend through the regional areas of Tasmania. It is a great initiative.

Ms DAWKINS - As far as the negative feedback you have been receiving on TripAdvisor, apart from engaging with the people who have posted those comments, what else do you do with that? Do you go back to the operators on the ship and say we are not hitting the mark food, service or whatever it is?

Mr DWYER - Other than gaming we have talked about, we operate everything on the ship ourselves. We have changed menus within one of the restaurants, based on feedback. We are doing a lot of refurbishment and changes to the recliner lounges on the *Spirits*. That is being changed and will be done before the major double series happens.

We now open the vessels at 5 p.m. rather than 6 p.m. so we have listened to the feedback about people having to stay in cars too long. We have changed the way they load vessels. At the moment we have a project looking at signage on the vessels, there is a lot of feedback. We take it very seriously. There are some great suggestions coming from our passengers that give us clarity on some of those issues.

Mr HIDDING - I can expand on that. What has fallen off the list of the top six issues in complaints and feedback: fare price complaints have dropped out of the top six, with a massive reduction in volume from 57 in the year before to 15 in the current year; in the same time, cinema complaints have dropped from 47 to 25; availability complaints have decreased from 37 in 2014-15 to 27 in 2015-16. The majority of availability complaints relate to the lack of pension fares. That is an ongoing thing. There are only so many of them and people become grumpy when they miss out.

UNCORRECTED PROOF ISSUE

Car and caravan combinations over 2.1 metres in height create an issue for the ship. This is not so much at day sailings because the elevated level can be put up. The introduction of the single-double concept, commenced in 2016, reduced complaints regarding availability for passengers with vehicles over 2.1 metres in height.

There has been one increase - pet and kennel complaints. They increased from 12 the year before to 18 during 2015-16. That is something the company has to work on.

Mr GREEN - In any of your deliberations, minister, has there been any consideration of privatisation of the TT-Line?

Mr HIDDING - No.

Mr GREEN - None whatsoever. You think the direction you are providing TT-Line in funding, washing its own face and potentially funding a proportion of the new vessels is intact?

Mr HIDDING - The last time there was any consideration of TT-Line being available to be sold privately was your business plan, which would have seen them go into the private freight sector.

Mr GREEN - They're in the private freight sector now, what are you on about?

Mr HIDDING - Taking over and knocking private freight operators out of Bass Strait. This Government believes the TT-Line to be in its best possible home, being owned by the people of Tasmania.

Mr GREEN - So you are suggesting -

CHAIR - Order, allow the minister to finish his answer.

Mr HIDDING - No discussion whatsoever of privatisation.

Mr GREEN - You are suggesting to the Tasmanian people the business model and the business case built by the TT-Line will be a business case that can sustain the purchase of two new vessels without any problem whatsoever?

Mr HIDDING - I'm not sure how you managed to twist that out of all of the discussions. The TT-Line is aware they no longer have to proceed on the assumption they need to fund the vessels at 100 per cent. They no longer have to do that. Their business case has been developed to get them to the best possible outcome in terms of the type of vessels and they will do their very best to fund what they can of them. The Government is involved in those discussions, having relieved them of the assumption they might have to fund them in their entirety.

Mr GREEN - You keep talking about assumptions and all of the rest of it. I think the business case was developed by the TT-Line from a business model perspective, to give itself the best opportunity and put it to the Government.

Mr HIDDING - I read that business case three or four times from front to back. What was clear is the TT-Line was required to fund their own vessels.

UNCORRECTED PROOF ISSUE

I thank the chairman, the CEO and the CFO at the table, and the other officers in attendance who weren't required.

CHAIR - The deliberation of the TT-Line is now concluded.

The committee suspended at 12 p.m.