



PARLIAMENT OF TASMANIA  
Legislative Council

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## **GOVERNMENT BUSINESSES SCRUTINY COMMITTEE 'B' 2019**

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### **Report with Minutes of Proceedings**

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

Hon Rosemary Armitage MLC  
Hon Robert Armstrong MLC  
Hon Ivan Dean MLC  
Hon Jane Howlett MLC  
Hon Tania Rattray MLC (Chair)  
Hon Jo Siejka MLC  
Hon Josh Willie MLC (Deputy Chair)

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

**MINUTES**

**Thursday, 5 and Friday 6 December 2019**

The Committee met on Thursday 5 December at 2.25 pm in Committee Room 3, Parliament House, Hobart.

**Present:**

*Mr Armstrong*

*Mr Dean*

*Ms Howlett*

*Ms Rattray* (Chair)

*Mr Willie* (Deputy Chair)

**Apologies:**

*Ms Siejka*

**In Attendance:**

Ms Natasha Exel (Secretary)

**The Minutes of the Meeting held** on Tuesday, 19 November 2019 were confirmed as a true and accurate record.

**Stakeholder Meetings**

At 2.30 pm the Committee commenced informal discussions with stakeholders.

*Ms Armitage* took her place at the table at 2.55 pm.

The meeting was suspended at 3.31 pm

The Committee resumed at 3.45 pm

The meeting was suspended at 4.51 pm until 9.00 am on Friday, 6 December 2019 in Committee Room No. 2, Parliament House, Hobart.

The Committee resumed 9.00 am on Friday, 6 December 2019 in Committee Room 2, Parliament House, Hobart.

**Present:**

*Ms Armitage*

*Mr Armstrong*

*Mr Dean*

*Ms Howlett*

*Ms Rattray* (Chair)

*Mr Willie*

**Apologies:**

Ms *Siejka*

**In Attendance:**

Ms Natasha Exel (Secretary)

**TASMANIAN PORTS CORPORATION PTY LTD**

At 9.00am the following witnesses appeared before the Committee:

Hon Michael Ferguson, MP  
Stephen Bradford, Chair  
Anthony Donald, Chief Executive Officer  
Geoff Duggan, Chief Financial Officer

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

**Questions on notice**

1. Provide figures on the number of cruise ships visiting Tasmania, by port, for the past two financial years. (RA)
2. Advise whether cruise ships discharge any type of waste in Tasmanian ports? (RA)

Mr *Armstrong* left his seat at 11.02 am  
Mr *Armstrong* took his place at the table at 11.08 am

The witnesses withdrew at 11.17 am.

The Committee suspended at 11.18 am.  
The Committee resumed at 11.30 am.

**PUBLIC TRUSTEE**

Hon Elise Archer, MP  
Mark Scanlon, Chair  
David Benbow, CEO  
Glen Lucas, CFO  
Tim Levis, Corporate Solicitor  
Gaylene Cunningham, General Manager Trustee Services  
Rod Clifford, Manager Risk and Compliance

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

Mr *Armstrong* left his seat at 11.52 am.  
Mr *Dean* left his seat at 12.38 pm.  
Mr *Dean* took his place at the table at 12.42 pm.

### **Questions on notice**

1. Provide the total cost of the refurbishment of the Public Trustee's Launceston office. (TR)

The witnesses withdrew at 12.57 pm.

The Committee suspended at 12.58 pm  
The Committee resumed at 2.00 pm

### **TT-LINE**

At 2.00 pm the following witnesses appeared before the Committee:

Hon Michael Ferguson, MP  
Michael Grainger, Chair  
Bernard Dwyer, Chief Executive Officer  
Kym Sayers, Chief Financial Officer  
Kevin Maynard, Company Secretary

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

*Ms Howlett* left the table at 3.02 pm  
*Ms Howlett* took her seat at 3.06 pm

### **Questions on notice**

1. Provide the total annual marketing budget for TT-Line. (TR)
2. When will the first payment be made to FSG? (JW)
3. Provide the construction and delivery date for the new vessels? (JW/ID)
4. Advise whether any Tasmanian consulting firms are capable of providing equivalent services to Hospitality Business Support, James C. Smith and Associates and BDA Market Planning. (RoseA)
5. Provide a breakdown of the twenty-one international trips taken by TT-Line employees by business or economy class. (RA)
6. Provide the reasons for deferred tax asset and deferred tax liability losses incurred through the shipping tax exemption. (JW)

The witnesses withdrew at 4.12pm

### **Next Meeting**

Thursday 12 December 2019 at 10.30 am.

### **Adjournment**

At 4.16 pm the Committee adjourned.

**DATE:** 16 December 2019

**CONFIRMED**



**CHAIR**

# UNCORRECTED PROOF ISSUE

**Friday 6 December 2019 - Legislative Council - Government Businesses Scrutiny Committee B - Tasmanian Ports Corporation Pty Ltd**

## LEGISLATIVE COUNCIL

### GOVERNMENT BUSINESSES SCRUTINY COMMITTEE B

**Friday 6 December 2019**

#### MEMBERS

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

#### IN ATTENDANCE

**Hon. Michael Ferguson MP**, Minister for Infrastructure

**Ministerial Office**

**Daniel Gillie**, Chief of Staff  
**Adam Foster**, Adviser

**Tasmanian Ports Corporation Pty Ltd**

**Mr Stephen Bradford**, Chairman  
**Mr Anthony Donald**, Chief Executive Officer  
**Mr Geoff Duggan**, Chief Financial Officer

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

**CHAIR** (Ms Rattray) - Good morning, minister. We very much appreciate your attendance at these government business scrutiny committee hearings for today; as you are aware, we are going to start with TasPorts.

I remind people sitting at the table that this is a committee hearing of parliament; of course, privilege is allowed here, but once you leave this hearing, parliamentary privilege no longer applies to anything you say. That is just part of the committee process.

**Mr FERGUSON** - Good morning Chair and members of the committee. I would like to introduce our Chair of the board, Mr Stephen Bradford; Anthony Donald, Chief Executive Officer; and Geoff Duggan, Chief Financial Officer.

TasPorts proudly connects people, products and solutions for the benefit of all Tasmanians. Being an island maritime state, TasPorts plays a vital role and is responsible for 99 per cent of Tasmania's freight task.

In 2018-19 TasPorts delivered a consolidated net profit of \$12 million. This result represents the best financial performance in the company's history since its amalgamation in 2006. It is also the company's fourth consecutive year of profitability. A key driver of this financial success was continued growth in freight volumes, with TasPorts facilitating the movement of more than 15 million tonnes of freight through Tasmanian ports during that year. This is the highest freight volume experienced since the 2008 financial crisis and reflects a 3 per cent growth from the previous financial year.

In August 2018, TasPorts officially unveiled its port master plan which will guide more than \$200 million-worth of port investment infrastructure improvements over the next 15 years and it is designed to futureproof Tasmania's ports. As part of the TasPorts Port Master Plan, work progressed on three projects at the state's major ports of Burnie, Devonport and Hobart. TasPorts completed the first port master plan project at the Port of Burnie, working collaboratively with Toll to complete significant dredging works at Burnie Berth 4, along with associated ramp upgrades and landside construction to support the arrival of Toll's new vessels in early 2019. Ongoing work at Burnie is being undertaken to assess port configuration for improvement to logistics and supply chain activities.

Moving to Devonport, this year TasPorts announced it is extending berthing facilities for passengers and container freight at the Port of Devonport to enhance trade activities. TasPorts worked closely with customers, TT-Line and SeaRoad to enable the infrastructure needs both companies will require for the arrival of their larger vessels.

In Hobart, TasPorts has committed to developing a new Antarctic logistics facility to assist the Tasmanian Antarctic Gateway Strategy and attract further international programs. Through the year TasPorts worked closely with the Australian Antarctic Division to support its infrastructure requirements for the arrival of its new Antarctic icebreaker. Investments in Hobart will also see upgrades to the cruise terminal and berthing infrastructure as a response to continued sector growth.

In line with the ongoing growth of TasPorts, the new purpose-built head office in Launceston's historic Willis Street was officially opened in February 2019 and is part of larger developments to revitalise the Launceston Gasworks precinct. The new office houses the state's critical 24/7 TasPorts Security Operations Centre, and later this month the Vessel Traffic Services Operations Centre will commence operations at that site.

Cruise ship visits to Tasmania continued to be a positive news story for the ports and the economy. TasPorts is a strong and active supporter of the cruise ship industry and the benefits it brings to our state. Over the last five years Tasmania has seen a 68 per cent increase in the number of cruise ship visits to the state.

During the 2018-19 season, 106 cruise ships carrying more than 278 000 passengers and crew called at ports around Tasmania. TasPorts has taken steps in recent years to encourage regional dispersal of vessels and to encourage sustainable growth of the industry. Alongside the company's vision for growth, TasPorts continued its work on infrastructure remediation and maintenance, investing \$31 million on infrastructure and maintenance projects around the state during the 2018-19 financial year.

As part of its diverse portfolio, TasPorts also manages Devonport Airport. During the year, more than 146 000 passengers travelled through Devonport Airport on 2600 QantasLink flights. Work also continued throughout the year on the Devonport Airport draft master plan. That work is expected to be finalised in early 2020 and will guide strategic developments over the next 15 years, ensuring further growth.

TasPorts also operates the Bass Island Line, an essential shipping service linking the King Island community and economy with mainland Tasmania and Victoria.

TasPorts continues to deliver pilotage services on a 24/7 basis at all primary ports around Tasmania, following minor delays to shipping. Due to pilot availability, TasPorts proactively conducted a review of its pilotage services to ensure a reliable and compliant provision. In line with this review, TasPorts has employed two additional marine pilots to continue to meet its obligations under the deed of agreement with Marine and Safety Tasmania - MAST - and the shipping requirements of their customers.

In September 2018, TasPorts' previous CEO, Mr Paul Weedon, retired. We thank him for his work and service. Following his retirement, the board appointed Mr Anthony Donald to the position of Acting Chief Executive Officer on an interim basis pending a formal recruitment process.

As the TasPorts chairman states in his annual report message, the appointment of an appropriately qualified CEO to take the organisation forward was a critical decision. I am pleased to reaffirm the fact that Mr Donald was officially appointed in June 2019. I believe everyone would agree he has made a significant and positive contribution to TasPorts in this key leadership role. We wish to convey our thanks, my thanks, and the Government's thanks and congratulations to TasPorts for its efforts in achieving such a strong result for our state.

**CHAIR** - Thank you very much, minister. After that overview, minister, I will invite Mr Dean to ask the first line of questioning.

**Mr DEAN** - Thanks, Madam Chairman, a good place to start is the master plan. We've heard a lot about the master plan. We've heard that it includes further development at all ports. That is, increasing the capacity and capabilities at Bell Bay, Burnie, Devonport and Hobart. Can we be given more information and detail on just what the plans are for all those ports in the future? I am particularly interested in Bell Bay - it is right in my area. Can we understand exactly where it is at and the time frame for it?

**Mr FERGUSON** - Our committee is more than happy to speak to that work, Mr Dean. I'll ask the CEO to provide you with that detail, particularly around Bell Bay.

**CHAIR** - Thank you, Mr Donald, and congratulations on your appointment.



**Mr DONALD** - Thank you very much.

I will start by explaining the rationale behind the port master plan. It's a 15-year planning horizon. There was an extensive amount of work conducted in review of -

**Mr DEAN** - Could you tell us who sits on that board and how the master plan was put together?

**Mr DONALD** - The plan has been prepared for the organisation within the governance structure of the TasPorts Board, so it's not an independent board as such. A team of consultants worked collaboratively with our staff to review the opportunities and potential for growth and the ongoing management of infrastructure in all our port locations across the state.

It was an extensive piece of work off the back of a document prepared some four or five years earlier, regarded as the 20/43 strategy. The 20/43 strategy was all about reviewing the possibilities of amalgamating some of the port activities and whether that would lead to closure or rationalisation of some of the ports around the state. There was, as I understand it, some debate and speculation as to whether a multi-port system was the right outcome for the State of Tasmania or, equally, whether maintenance of the 11 ports we have across the state should continue.

That work landed on that very outcome - the reality of the situation was that maintaining the multi-port system was the best outcome for the state. That informed the progression of detailed port master plans for all our four main ports across the state, in Hobart, Burnie, Bell Bay and Devonport.

An extensive amount of work was conducted in terms of consultation and economic analysis with respect to each port. It took considerable time and a lot of involvement with TasPort staff and interactions with senior leadership of the organisation and equally, with our board.

A very important final stage of the process was consideration of how the network of ports performs, so when you are looking at a port master plan in isolation, there is a risk you may double count trade or growth opportunities. A multi-port system is quite unique in its operation and really important work was done to ensure we had regard to the multi-port system.

That culminated in a series of reports and presentations provided to our board and ultimately landed on the 15-year plan we presented to our stakeholders.

**Mr DEAN** - Are you able to cover the works done in each port? That was a part of the question.

**Mr DONALD** - I may start with Bell Bay, if you like, and do the tour.

**CHAIR** - Do the tour.

**Mr WILLIE** - Can you explain some of the function of each port and why it is appropriate they operate in that manner at their locations?

**Mr DONALD** - Yes, I can, certainly. We might start with the Port of Bell Bay, which is an industrial port and a large piece of infrastructure. It has some challenges in terms of utilisation

and infrastructure - when I talk about utilisation, many ports around the world have berth utilisation in the high percentages of visitation of ships.

In Tasmania, in Bell Bay in particular, some berths had some low visitation and part of the considerations was whether there was an opportunity to rationalise one of the berths to gain some better economies of scale.

The outcome of the study was that we were not able to and, equally, we have continued to see growth opportunities and optimism within the industry around the state, leading to Bell Bay. We have essentially landed on a plan for Bell Bay that is centred around the growth of forestry and some minerals, equally. The opportunity arises for the rationalisation of fuel infrastructure at Bell Bay.

Regarding Devonport and Burnie: we now have fuel infrastructure on berths across three locations in the state, and one of the things we are contemplating and seeking to understand with our fuel customers is the opportunity to rationalise fuel infrastructure into one port location, and that would be at Bell Bay.

One of the other advantages of Bell Bay is that it is a relatively deep-water berth, which has very good access for heavy vehicles. It previously had rail access directly to the terminal's areas and the berth. Now we are currently challenged by a landslip that has prevented the ongoing connection of that rail to the port, but there are alternatives to relocate the rail in the future, and we have been working very collegially with TasRail to understand those opportunities. I have some previous experience with respect to landslips and I appreciate you need to learn to live with them as opposed to the opposite. The landslips around Bell Bay predate the port with, records of them dating back to the early 1900s. A large area of land we refer to as a business park is at the topside of the port and provides ample opportunity for future warehousing, tank farms and logistics facilities for an expansion of the forestry sector. Bell Bay is a really important part of our network and we continue to see growth opportunities there.

**Mr WILLIE** - Just on the rationalisation of the fuel infrastructure, if you rationalise the fuel infrastructure at Bell Bay, will all ships be able to access because it is tidal, isn't it?

**Mr DONALD** - It is tidal, but up to a particular vessel dimension, it can. It is not the largest port in the country by any means in terms of vessel dimensions, but we firmly believe the vessel sizes the port and the river support is sufficient within Bell Bay.

**Mr WILLIE** - Why was Bell Bay chosen over Devonport or Burnie?

**Mr DONALD** - More because of the land available for expanded tank farms. It is an industrial area.

**Mr WILLIE** - Devonport and Burnie are quite constrained in land, aren't they?

**Mr DONALD** - There is community encroachment, and with fuel farms in particular there is a requirement to have exclusion zones, and Bell Bay appears to be ideal for that. We need to work closely with our fuel customers to understand their perspectives because we are a part of an important logistics supply chain and our role is to facilitate, trade and achieve great benefits for the State of Tasmania. We would not like to think we implement something with the best intentions but it has a negative impact.

**CHAIR** - Do you think that will be well received by the customers who deal with fuel? Is that a concern?

**Mr DONALD** - I believe so; no, I am certainly not concerned. It is just really important we take the time to understand their perspectives. They all have infrastructure in those other locations and it is important to appreciate their commercial interests. The supply chain is not only the port and the shipping side of things, it equally contains the road transport legs; all those things contribute to what our community pays at the bowser at the end of the day. It is important. One of the things we have been doing progressively and very proactively in the organisation is looking outside the port gate and to ensure we understand all the risks, implications and opportunities that exist. As an organisation, we have many levers we can pull, but each of those levers has an impact and we need to be respectful and informed of those impacts and work across industry and with government to make sure we make the right decisions.

**Mr BRADFORD** - Chair, I would declare a conflict on that topic but I would add that if you look at fuel development in Australia, it has all broadly been done in conjunction with those who currently or wish to handle fuel. The industry is heavily involved; it is not done independently.

**CHAIR** - Right, okay.

**Mr DEAN** - The master plan obviously sets out time frames for certain things to take place. Members will probably ask regarding the other areas, but when are the works at Bell Bay programmed to be completed? There are many changes in relation to fuel types with grades and so on, so there would be some change as to what is required and the securities. What is the position of those people in and around the port area?

**Mr DONALD** - I will start by explaining the rationale behind the plan is that it is a plan - it is designed to guide discussions, considerations and investment, but it is not a detailed plan that has a Gantt chart and a discrete budget associated with it. If we could, we'd like to click our fingers and have everything implemented in year 2 or year 3 because the commercial benefits that flow to TasPorts and to the state would be dramatic.

Our challenge is that we have a multi-port system, ageing infrastructure, low utilisation of berths relatively speaking to our infrastructure provisions, and an economic climate that I would describe as highly optimistic and conservatively buoyant. We have a lot of engagement with customers about growing their existing businesses and about establishing new businesses. Our role is to balance all those and to find a way to achieve growth in all commodities across the state for the state. One of our challenges as an organisation and as a leadership group, and equally that of the board, is to help us prioritise what those investments should be.

**Mr BRADFORD** - Broadly, how as an organisation do we encourage trade and economic growth to and from Tasmania? Therefore you have to have a vision of what it looks like. You may not get it exactly right on products or timing, so the master plan is highly flexible on timing but works with those who produce - those who have products to export or import. How does that fit within our asset infrastructure? It sounds complex but most people in the shipping industry understand the concept and work with ports to achieve it.

**Mr DEAN** - You said that the cost of the master plan and the consultants was expensive - I think that is the word used. What was the actual cost and who were the consultants?

**Mr DONALD** - I would have to take that question on notice. We can provide that information to the committee shortly. The consultants we utilised were GHD and KPMG, and it followed a competitive bidding process.

**Mr BRADFORD** - The committee could have confidence that the costs of that were expensed at the time so the annual account reflects all the costs over the last couple of years, so there is no capital asset value attributed.

**Mr DONALD** - I might also say that it was an expensive exercise, but I firmly believe that the value we will derive as a state from that exercise will pay for it many times over. It is also important to understand that our organisation had never undertaken port master plans in any of these locations previously. Our role is to ensure that the plan remains live and that we update it regularly now. I expect that our level of investment every three to five years to ensure that the plans remain up to date will be nowhere near the level of investment we made to establish them in the first place.

**Mr DEAN** - I think 15 years is the time the master plan looks at. We're living in very changeable times as to whether that master plan will be adhered to and will deliver what it says it will. That's the big question at the end of the day, and we'll be watching that closely.

**Mr ARMSTRONG** - My question relates to the fuel part of it. Selfs Point comes under TasPorts. What's the future of Selfs Point if we are going to go to Bell Bay with the bulk of our fuel?

**Mr DONALD** - That's an excellent question. Our plans for Selfs Point include that we are about to upgrade some of the fire protection infrastructure. Within the Port of Hobart, Selfs Point remains an important infrastructure element for fuel. There are absolute benefits in having northern and southern entry points for fuel for the state. It's an important redundancy that, from a security perspective and from a resilience perspective, I suggest is vital for the state. We are not planning to rationalise all the fuel for the state to one port.

**CHAIR** - We have started on a Cook's tour but I think we have only got to Bell Bay. I think members appreciate that we need to look at Devonport and Burnie.

**Mr FERGUSON** - We'll take the earlier question on notice. If we are able to provide the answer to the committee during the day, we'll do so.

**Mr DONALD** - The Port of Devonport is where we're predominantly focused on the expansion projects associated with the new vessels for TT-Line and for SeaRoad, and also our existing customers in the export of cement and the importation of grain. Really, the jewel in the crown with respect to the port master plan is the reconfiguration of our berthing infrastructure to support the new vessels for TT-Line and SeaRoad.

**Mr WILLIE** - How much is that upgrade going to cost?

**Mr DONALD** - We're still in discussions with both TT-Line and SeaRoad. We have considered a long list of options and we are yet to land on a full agreement as to the scope of the works, which would then inform the costs.

**Mr WILLIE** - The master plan says about \$50 million or \$60 million. Who's going to pay for that? Is that going to be TasPorts or is it the state Government?

**Mr DONALD** - No, that will be TasPorts.

**Mr WILLIE** - TasPorts will fund the full infrastructure?

**Mr DONALD** - Yes.

**CHAIR** - On a cost recovery basis?

**Mr DONALD** - Yes, that's the plan. It's important to understand very important commercial negotiations are afoot between our organisation and our customers, TT-Line and SeaRoad. We hope those discussions will yield an outcome early in the new year on the scope and the commercial arrangements for our future arrangements.

**Mr WILLIE** - How long is it expected those works will be undertaken for, given the new ships are supposed to arrive in 2021? Have you started that work?

**Mr DONALD** - No, we haven't started the physical work, but we understand the range of possible outcomes and the staging scenarios. As a port operator, it's important we reflect the needs of our customers, and there are multiple opportunities to ensure we can berth existing and new vessels in the future at either Devonport or other locations around the state.

I am highly confident we won't need to use other locations around the state for our existing customers in Devonport, but the finalisation and agreement between the parties on the scope will subsequently inform a number of things - the cost estimates, the staging discussions and, equally, the time frames.

Another important activity will be engagement with the construction contractor market. We're quietly optimistic that it's a good time to go to market on a large-scale infrastructure project in the north of the state and we'd like to be in a position to be in that space early in the new year.

All of those activities will help us to inform our understanding of berthing provisions and the alignment to the ship delivery schedules of our customers.

**Mr WILLIE** - You are still working to a 2021 timeline and you're expected to have all those upgrades completed by then?

**Mr DONALD** - We're working to a 2021 timeline and our commitment is to work with our customers to ensure the provision of berthing infrastructure. We are still in discussion with both customers on the scope of the infrastructure we'll ultimately deliver.

**Mr WILLIE** - The berthing infrastructure will take place first; there may be other works that take place after 2021 at the Devonport port as part of that plan?

**Mr DONALD** - Yes, quite possibly.

**Mr BRADFORD** - The broad principle of ports, Chair, is that currently we have a very strong balance sheet. Infrastructure providers like TasPort typically raise debt to fund long-term

infrastructure. We're providing the hardware for others to use, and Devonport East is a good example. We will increase our debt levels and that will be refunded by the users using the berths through appropriate charging. We haven't landed on that yet because we don't have the final design. After all, if you're building two facilities for two entities that will be very long-term tenants, you want their total engagement.

**Mr WILLIE** - The Devonport port is in the Mersey River and the new ships will be much larger. Are there going to be ongoing dredging costs for those berthing arrangements? What's the expected cost to continue that work while they're operating?

**Mr DONALD** - Some dredging will be required as part of the construction project. We do not know exactly how much because we are still working through a number of options. Our team is well advanced in understanding the volume of material and our cost exposure.

Regarding the ongoing dredging liability, we do not anticipate it will be anything greater than what we have today. The Mersey River is highly sedimentary. There are tidal flows and it experiences storm events. It has a significant catchment area. We constantly remind ourselves of the unfortunate events that occurred in June 2016 when the Mersey River flooded. We have a 15-year dredging strategy across the state in which we continue to understand the movement of sand, silt and other material in our channels and berth pockets. It is a plan designed to be changed. Weather conditions change, sea states change, and sand and silt move in different manners. Part of our role is to monitor dredge depths.

**Mr WILLIE** - Talking about the *Spirits*, can we go to Melbourne? The infrastructure costs there are significant. Who is going to pay for that? Will the Port of Melbourne have to pay for that infrastructure, or will TT-Line or TasPorts?

**Mr DONALD** - That is a question for the Port of Melbourne.

**Mr BRADFORD** - Port of Melbourne and TT-Line. We are busy enough with Tasmania. It is not our role to look at the other end of the journey.

**Mr WILLIE** - I will ask TT-Line this afternoon.

**CHAIR** - We are very keen to get to Burnie.

**Mr DONALD** - At the Port of Burnie we are working closely with Toll on the infrastructure we helped them deliver to support their new vessels earlier this year. We continue to work with Toll on refinements to their operations. We are working very closely with TasRail on their concentrates loader at berth 5 within the Port of Burnie. It is ageing infrastructure and there is a sense of urgency in replacing that infrastructure. We understand the importance for those customers that it supports. We remain committed to an international container terminal at the Port of Burnie. We have indicated in the plan that could be at berth 6. We are also contemplating the opportunity to export bulk minerals out of berth 6, and whether that supports further investment in dredging which will encourage larger ships to call at the Port of Burnie.

We are currently in a tender process with our forestry customers for our facility management agreements for the Burnie Chip Export Terminal. We have invested heavily over the past four to five years in that infrastructure and that operation. The performance of that facility is excellent

and continues to improve. We continue to work with our forestry customers on growth opportunities.

One of the important aspects of the Port of Burnie, but equally all our ports, is our role to facilitate trade. In the past there have been instances where our ports have been used as storage facilities. Our role is to encourage the movement of freight. There may be other and better-placed areas for some of our customers to store materials for long periods. Our role is to facilitate trade, and to encourage ship visitation and the movement of freight.

**CHAIR** - Can I take it from what you have said that companies are holding containers too long at the port and it is clogging up the port? Is that what you are saying?

**Mr DONALD** - No, not containers. Part of our role is to encourage the movement of freight, so there have been times where some commodities, and it is not necessarily containers, sit in our terminal areas, or on our berths, for long periods. There are good commercial reasons our customers do that, one of which is the value of the Australian dollar.

**CHAIR** - Do they pay for that privilege?

**Mr DONALD** - Yes, they do today. It is fair to say that some of the commercial arrangements we have had in place for a long period have encouraged that behaviour. We are now starting to see growth and busy ports emerge, and we would not want to see that behaviour start to constrain our freight movement potential.

**CHAIR** - You are saying that TasPorts has some arrangements in place with its their customers that do not fit well with what the ports are trying to achieve?

**Mr DONALD** - I think they have served us well up until this point, but we continue to see optimism and growth in all commodities across the state. It is timely that we reflect a more contemporary commercial arrangement with our customers.

**Mr BRADFORD** - Chair, I should add that we project further strengthening of the cruise industry and its visits to Tasmania, particularly Burnie. It is very popular with guests.

**CHAIR** - Tell us how the significant commercial operations at Burnie are going to mix with the cruise ship growth?

**Mr DONALD** - We have a dedicated berth in Burnie -

**CHAIR** - And that does not interfere at all?

**Mr DONALD** - We are very confident we can continue to grow berth utilisation in cruise and all commodities across the port of Burnie.

Thank you, Chair, for reminding me about the importance of cruises. Burnie City Council, in particular, has been a huge supporter of the growth of cruises in that area. We appreciate the relationship we have with the council and the community.

As the Port of Burnie continues to grow, one of the things we are mindful of is not taking that relationship for granted, so we are putting a lot of effort into understanding the logistics supply

chain activity that feeds our ports, particularly the movement of trucks and the entry and exit points onto the highway in Burnie. We would hate to see a situation where we start to see success in the movement of freight within our ports, but it contributes to congestion at some of those intersections.

**Mr BRADFORD** - Cruise passengers take a different view on where they arrive. Seeing working ports, forest products and other products is popular. It is counterintuitive to many Tasmanians, but it is a holiday and people want to see things differently.

**Ms ARMITAGE** - You mentioned infrastructure, could you provide more detail on the Burnie infrastructure master plan that you have in place?

**Mr DONALD** - The first project referenced in the port master plan is the provision of infrastructure for Toll's new vessels, which is now complete. I am pleased we were able to do that collaboratively with Toll.

**CHAIR** - That's the Burnie terminal?

**Mr DONALD** - That's the Burnie terminal for Toll that supported the arrival of their new vessels.

**Mr DEAN** - Just on that point, you were saying that the position with Toll has been sorted out with their new vessels?

**Ms ARMITAGE** - It is the question I am asking. If you could continue, it would be good.

**Mr DONALD** - Our master plan talks about the provision of infrastructure to support their new vessels. That is different to ongoing discussions with Toll about the efficiency or ongoing improvements to their operation, which we continue to discuss with them, as we do with all our customers.

**Ms ARMITAGE** - They would be one of your major customers, I imagine?

**Mr DONALD** - Yes.

**Ms ARMITAGE** - Your major customers at Burnie would be -

**Mr DONALD** - Would be Toll, Forico and Sustainable Timber Tasmania -STT.

**Ms ARMITAGE** - Do you have any outstanding lease arrangements with any of them at the moment?

**Mr DONALD** - No. We are in a tender evaluation period at the moment for our forestry customers at the chip export terminal in Burnie. Those agreements expire, I think, on 30 June 2020, so we are well placed to have some new arrangements with a market in place well and truly before that.

**Ms ARMITAGE** - Each of those leases has been finalised?



**Mr DONALD** - No, they are terminal operating agreements that incorporate occupation of space. Those agreements expire at the end of June next year. We are currently in a tender evaluation period, where we have engaged with existing and possible other market participants. We are currently evaluating their submissions; I cannot share too much more than that because we have appropriate probity in place.

**Ms ARMITAGE** - Are leases 10-, 20- or 40-year leases? Obviously, no-one wants to put a lot of funding into infrastructure - regardless of which customer it is - if they do not have a long-term lease. Do you have a limit on your leases or are you looking at 40-year leases or 20-year leases?

**Mr DONALD** - We are looking at a combination; it really needs to be site-specific decisions for site-specific commodities. We understand the realities of the commerciality of the investments we need to make, but equally the investments our customers, tenants and operators need to make. The tenure can be a really important driver to the economics of a business case, both from our perspective and theirs.

**Ms ARMITAGE** - You do not have a limit?

**Mr DONALD** - No. We do not have a limit, but we have important governance arrangements in place with our board.

**Mr FERGUSON** - It would be worthwhile, if I might invite the CEO to elaborate in one respect because the longer the customer may be looking for access to a port may change the shape of what a commercial agreement might look like, including co-investment by that customer and your annual ongoing traditional lease-type cost. It might be worth half a minute on that.

**Mr BRADFORD** - Perhaps, minister, if you think of it in terms of the products crossing the berth. A coastal operator to Melbourne would typically look for 25 to 30 years and beyond because they are there for the long term. Forest products may be shorter. Cruise ships - probably, a season this summer - they do not want to commit to the following summer even though we suspect they will be there so it's a bit 'horses for courses'. It is also: what is the level of investment if we have to build berths and our commitment that the leases are longer? Leases are two-way - they are take or pay.

**Ms ARMITAGE** - Tha is fine, I just did not know whether you had a limit.

**Mr BRADFORD** - It is flexible, but connected with commercial viability, the request of a customer and what is common sense. The CEO and the team spend a lot of time thinking it through.

**Ms ARMITAGE** - Working together.

**Mr BRADFORD** - Absolutely.

**Ms ARMITAGE** - Obviously, the leases that fall due by next year will be done sooner rather than later so there is some certainty for these customers?

**Mr BRADFORD** - Absolutely.

**Ms ARMITAGE** - With regard to going back to the cruise ships - which berth is dedicated for the cruise ships? My understanding is that it is shared - is that right?

**Mr DONALD** - It has been, but it is berths 5 and 6.

**Ms ARMITAGE** - Will they still be shared or will they be dedicated?

**Mr DONALD** - Our plan and our intention is to ultimately have a dedicated berth at berth 5. One of the things we need to work through is what the ultimate design length will be. We have been talking to the cruise market about 325-metre long cruise vessels coming to the Port of Burnie. Currently, we cannot fit those into berth 5, but we have some scope and it is within our plan to scope out a particular area of our berth to enable that.

The mooring arrangements for those vessels are really important to understand. Berth 6, because of the configuration of the wharf structure, has been quite a complementary berth for the facilitation of cruise [ships], but up until recently we had some complications with the location of the old Portainer crane. We were unable to move the Portainer crane and it provided some complexities and challenges in respect of our mooring lines. Some of the bridges on cruise ships overhang the vessel structure and there was a risk our pilots were managing exceptionally well with respect to interactions between the bridge of a cruise ship and at the boom of the Portainer crane. It was really important milestone for our organisation and the industry a number of weeks ago, when we successfully demolished the crane at berth 6 in Burnie. It helps us to resolve a number of important safety considerations, but we equally see it as an enabler for further growth and opportunities.

**Ms ARMITAGE** - So, berth 5 will be for the cruise ship?

**Mr DONALD** - Yes, at times we will use berth 6.

**Ms ARMITAGE** - So you will still use berth 6 occasionally, but berth 5 will be the dedicated for the cruise ship?

**Mr DONALD** - It is important; our role is to facilitate trade and while we intend to have as best as possible dedicated berths for our customers, if there are opportunities to bring in multiple ships at times, we may need to move them around to facilitate everyone's movements. We have multiple customers.

**Mr ARMSTRONG** - How many berths do you have?

**Mr DONALD** - Across the state?

**Mr ARMSTRONG** - No, at Burnie.

**Mr DONALD** - We have berth 4, 5, 6 and 7. So, four.

**Ms HOWLETT** - What is the trajectory of the cruise industry and what does that actually mean for TasPorts?

**Mr DONALD** - We are optimistic that we will continue to see growth within the cruise sector. We understand its importance to the state.

**Ms HOWLETT** - It is a very easy way to travel.

**Mr DONALD** - Through our work with Tourism Tasmania, equally we understand there is a large percentage of return visitors who first arrive in Tasmania on a cruise ship, experience what we have to offer and then fly back at another time and spend a longer duration. There are multiple reasons why it is to our advantage we continue to grow the market and the sector. We remain optimistic - as the Chairman said, cruise lines, while they plan ahead, perhaps will not commit.

**Mr FERGUSON** - The signs are positive, Ms Howlett, 130 cruise ships are booked for this season.

**CHAIR** - There were only 106 in this past season, a bit down.

**Mr BRADFORD** - Predicting strong growth, the cruise lines appear to be getting more customers and doing more voyagers. Australian as a percentage of the population is at world level participation and Tasmania is heavily involved in the industry association for cruises based here in Hobart.

**Mr FERGUSON** - Last season was up by 4 per cent, which set a new record. This season those 130 forward bookings is an increase of 24 per cent over last season. There has been tremendous growth there, which is supported by the CEO faithfully recording that the Burnie City Council has been very strong on promoting cruise ship activity. The state Government has directly supported the installation now successfully of the new dolphin at Burnie, which allows the larger ships to berth. This was about a \$1.7 million investment two or three years ago and really hit the nail on the head and supported increased economic activity in Burnie. It is a great team effort which has led to that great result, long may it continue.

**Mr ARMSTRONG** - I was just looking in your report and you touched on the forest industry in Burnie having had a big growth in exports. Can you tell me a bit about that? Are they one of your major customers? Have you been in discussion with them on future growth of the industry?

**Mr DONALD** - Absolutely. We have multiple touchpoints with the forestry sector. They are one of our important customers. We continue to work with them to understand the growth potential and what I would describe as the resilience of the sector. As a port owner and operator, our objective is to see ongoing freight volumes.

**CHAIR** - My objective is to see downstream processing in Tasmania so we do not have to export, that is my objective comment.

**Mr DONALD** - We appreciate that. As I mentioned earlier, we are in a tender evaluation period for the Port of Burnie. Notwithstanding that we have a high degree of interaction with all our forestry customers across the state.

**Mr ARMSTRONG** - I am probably going back a little bit but where is your biggest export with forestry - Burnie or Bell Bay?

**Mr DONALD** - It is Burnie.

**Mr DEAN** - I want to go back to Burnie. Toll was one of the bigger users of that area and they now have larger ships either coming in or being developed, and larger ships will require a lot more space. I think there is much land reclamation to be considered. Burnie port is built on reclaimed land which I think causes a lot of problems. It did when I was stationed in that area.

**Ms ARMITAGE** - It's constant repairs.

**Mr DEAN** - I suspect it's still requiring a lot of maintenance works, with holes developing and water coming up through it. Where are we with that? I want to know whether, with Toll wanting more space, all their concerns are being considered and worked through at present. At what stage are negotiations with Toll at present? Are they on a good basis?

**Mr DONALD** - Yes, they are. We remain in heavy consultation with Toll.

**Mr DEAN** - What do you mean by 'heavy'?

**Mr DONALD** - It's quite intensive.

**Mr DEAN** - What's causing that?

**Mr DONALD** - It's not intensive in terms of the relationship. It's intensive in terms of our interactions with the organisation. There are multiple areas of their infrastructure. As you mentioned, it is a reclaimed area. Over time, reclaimed areas, if they not constructed for the current day loads we are seeing in the movement of containers, forklifts and trucks, they experience settlement and the movement of material. We are working really closely with them on what is required in order to rehabilitate some of those pavement areas. Some of the important considerations there are around staging to make sure they have a continuity of service. Equally, we are in discussions with them on opportunities for changing the access points to their terminal to create greater efficiencies for their operation, and we are in discussions with them about the opportunities for expansion, perhaps by reclaiming more land.

**Mr DEAN** - I ask these questions because I think it was about six years ago, and Madam Chair will correct me if I am wrong, we went down the similar path. At that stage a number of issues were raised about the relationship between TasPorts and some of the bigger users of that port. The relationship was poor, so I come from that angle. Has that improved? Are we seeing a better relationship developing between TasPorts and the major users of that terminal, Toll being one? There are others as well. What is that relationship now between TasPorts and these big users of the terminal?

**Mr DONALD** - I think we have a great relationship with Toll and with many of our customers. Notwithstanding that, it is an area of focus of our organisation, particularly over the last 12 months, to encourage a greater focus on relationships with our customers, to be more proactive and to be more engaged, and to listen and understand the risks and opportunities that exist within our business and equally our customers' businesses.

I am pleased to say - and I acknowledge I am biased - that I have often received some positive feedback from our customers about the change in culture and relationships they see and experience from our organisation and our team.

We are genuinely interested in growing freight volumes for the benefit of the state. At times that means telling some of our customers, no. It's important that we do that in a manner that's respectful and equally, sometimes we explain to them how they can grow and how we can support them to grow.

Coming back to Toll, I think we have a great relationship with Toll.

**Mr DEAN** - And it's all progressing very well for their extra terminal space that they need?

**Mr DONALD** - Yes, and it's to the state's advantage that we don't constrain any of our customers' opportunities for growth.

**Ms ARMITAGE** - A supplementary question with regards to Toll: I assume one of the leases you are negotiating would be with Toll - is that the one that falls due in 2029? How long has that been under negotiation?

**Mr DONALD** - Yes, that's correct. Around three months.

**Ms ARMITAGE** - Only three months?

**Mr DONALD** - Yes. Our focus in our engagement with Toll over the last 12 to 18 months, as you would perhaps expect, was the delivery of infrastructure to support their new vessels. Both organisations agreed that we wanted to have some discussions around a possible new lease. However, it was important to recognise that we needed to prioritise the provision of new infrastructure for the new vessels first, which we have done and we have done really well together. It's a healthy relationship. Our teams are now in intensive discussions, and I don't mean that with any negativity.

**Ms ARMITAGE** - Do you have any idea when that lease will be finalised, when they will have some certainty in going forward?

**Mr DONALD** - They have certainty today because their lease -

**Ms ARMITAGE** - They do, but if you are putting \$35 million and a lot of money you obviously want more certainty than 10 years.

**Mr DONALD** - Well, that's their commercial business decision.

**Ms ARMITAGE** - That's fine, but I am wondering if you have any idea when that lease will be finalised.

**Mr DONALD** - No, it's not to TasPort's advantage to drag out any negotiations, but I would like to make the point that there needs to be an improvement for TasPorts and the state in order to encourage us to move away from the existing lease.

**Mr FERGUSON** - I offer perhaps an obvious point. The Government, and not doubt this committee, would be expecting TasPorts to operate commercially in the interests of the state. It's also in TasPorts' interests and therefore the state's interest, which reflects your question Ms Armitage, that the longer the certainty of a lease, the better, but we also want good commercial outcomes and ones that are fair and reasonable to all concerned. I can also reflect to

each of the questions. I would describe the relationship between the two corporations as significantly improved than what it might have been in previous years.

**Mr DEAN** - On that, what is the customer focus of TasPorts, Minister? Is it working collegially with them? Do we have any KPIs that inform TasPorts how they should relate to their customers? What is the position there?

**Mr FERGUSON** - Clearly, TasPorts is a customer-focused commercial organisation. It's looking for strong results for the company; therefore, with profitability there are better outcomes for the people of Tasmania. Importantly, it is a key enabler for industry and the economy. Where you see success is when there is mutual success for our customers as well.

**Mr DEAN** - Minister, the focus is towards the customer and we'll refer to Toll as being one of the bigger companies using this terminal with their larger ships. Are you saying that the situation with TasPorts and Toll is absolutely an amicable position, there are no concerns and that everything is moving ahead as it ought to, quickly and no problems at all? I just want to get this clear.

**Mr DONALD** - I think every relationship has its bumps along the way, but I think we have a great relationship with Toll, as I said earlier.

**Mr DEAN** - Are you negotiating directly with Toll or who is negotiating with Toll?

**Mr DONALD** - A member of our executive team is leading the commercial interaction and my counterpart -

**Mr DEAN** - And who is that?

**Mr DONALD** - His name is Phil Hoggett. He is our Executive General Manager of Commercial and Trade and is leading our commercial -

**Mr DEAN** - And you are happy and satisfied that it is progressing as it ought to?

**Ms ARMITAGE** - And it only started three months ago, we were told.

**Mr FERGUSON** - The lease negotiations may well have started when the CEO said that they commenced, however the relationship itself is longstanding. I'm aware of significant engagement that's very positive. I bore witness to it when I recently attended a meeting between the parties.

**CHAIR** - That was the working group?

**Mr FERGUSON** - It was. I don't think we'd ever rule out that there are not issues. There are at times issues where a party might be looking to gain an advantage and that's reasonable that they do so. It's also important that this committee supports TasPorts in working amicably through that for a good outcome for our state. TasPorts operates entirely for the interest for our state with a customer focus that I believe is very important.

**Mr BROADFORD** - The starting point for us is not the current lease. That was a document created over two decades ago and reflected the port situation in Tasmania at that time. It does not

reflect the port situation today. Bringing a contemporary lease and KPIs for both parties is critically important. Fair commercial returns are critically important, so you have an efficient lease and the length going forward added on to or replacing the current 10 years.

**Mr DEAN** - Does TasPorts go to its customers? Do you do surveys to get feedback from customer about their relationship and the support of TasPorts? If it was, when was the last one or when will the next one be?

**Mr DONALD** - There was a customer survey but it is some time ago. We can provide you with the dates if the committee is interested. Geoffrey might be able to help me, but I would speculate that it was perhaps five to seven years ago. We are planning to re-engage with our customers, to conduct another survey. It was important from our cultural journey perspective but we already knew that we needed to change the way in which we were interacting with our customers. To be frank, we didn't need a survey to tell us that.

We fully appreciate that when we implement the survey in the future -

**Mr DEAN** - If you knew that, what have you done about it?

**Mr DONALD** - We've completely changed the way in which we engage with our customers. We're proactive; we listen; and we are seeking to understand their freight volumes and what drives their success. We're working with them proactively for mutual benefit.

It's important to recognise there have been customers in the past we have been reactive to. We haven't engaged with them with anywhere near the frequency and manner in which we could have or should have. That sounds a little negative but it's a reflection on the buoyancy of the economy and the optimism in the market and the fact that the organisation went through a really challenging time off the back of the GFC when there was a reduction in revenue.

When I started with TasPorts, the engagement with customers was very infrequent. That's because our customers and TasPorts were managing our challenging infrastructure with low freight volumes. Now we operate in a world and an environment within Tasmania where everyone wants to talk to TasPorts about growing their existing markets, growing their existing volumes and creating new volumes.

That puts tension and pressure on our organisation because we're managing business as usual activities, we're balancing the priorities and opportunities of new markets. There are complexities associated with that. We also have a schedule of meetings and touchpoints with all our customers across the state. We have a resource team that picks up the phone, that have scheduled meetings on a monthly, quarterly or biannual basis to talk about how things are travelling and to listen to each other.

**CHAIR** - We have delegations and trade missions heading out of Tasmania on a regular basis looking for increased trade so it's a bit of the horse and the cart, isn't it? We want people to use Tasmanian products more but we need the infrastructure in place to be able to deal with it. Are we hitting the mark, minister? Are we ready for this expansion in trade?

**Mr FERGUSON** - Yes. The Government, particularly through the Department of State Growth, has special interest and renewed activity, with the Premier taking on the Ministry of Trade. It is a special area of investment attraction which works hand-in-hand with the Office of

the Coordinator-General. It is an operational fact that the Office of Coordinator-General and the Department of State Growth are in close contact with TasPorts and other government businesses where required to ensure that there is a linked-up approach and that people are aware and supportive of those investment attraction opportunities. I have seen it work very well. At times engagement with a company like TasPorts has enabled the best possible chance for our state to land an investment. That has not always succeeded, but the point is giving the state the best possible opportunity for success.

I am more than happy for the CEO to add to that.

**CHAIR** - I think we have the picture. I am mindful that we cannot spend the entire time talking about the Burnie port. We have one final question and then we are moving to other ports.

**Ms ARMITAGE** - I have five questions for Burnie before I move onto Hobart and Launceston.

Regarding repairs, increasing the size of the terminal and dredging, do you put these works out for tender? Does TasPorts do the work? Do you allow customers, if the customers can do the work themselves, to do the work? For example, the dredging. I believe it had to be dredged to allow for larger ships to come in. Did that go out to tender to get the best price or did you allow the businesses that were there, I guess it would be Forico or Toll, to do the dredging?

**Mr DONALD** - In order to implement all our construction activity, we have appropriate procurement processes in place where we engage with the market competitively. For dredging, a public tender process was implemented.

To answer your original question, which was about who undertakes the work. We have discussions with our customers. We believe we are best placed to continue to implement work such as dredging and wharf infrastructure works. That is part of what we are very good at. We will continue to do that.

**Ms ARMITAGE** - Can your customers put a tender in for that if they are able to get the work done? Sometimes it might come in cheaper.

**Mr DONALD** - Yes, we certainly do not preclude -

**Ms ARMITAGE** - Because the cost is going back to the customer. For the dredging for example, did TasPorts bear the cost or was that given back to the customer that required the dredging?

**Mr DONALD** - That was borne by TasPorts and refunded by the customer. Geoff?

**Mr DUGGAN** - Through a throughput charge.

**Ms ARMITAGE** - In that case, you would want the customer to have some say. Obviously, it needs to be done properly but you want to be sure that if you are paying for it, refunding, you are getting the best value for money.



**Mr DONALD** - You can take some comfort that all our customers are commercially savvy and apply appropriate attention on our organisation to demonstrate we are delivering value for money.

**Mr BRADFORD** - It would highly unusual for a customer to wish to do their own dredging. It is a highly specialised field, dredging berths and berth pockets and disposing of the spoil. At the same time they expect us to warrant the work for 30 years.

**Ms ARMITAGE** - I just thought that they may have put out the tenders themselves and have the work done because often, obviously -

**CHAIR** - Unfortunately I am still at Burnie but I am mindful.

**Mr WILLIE** - Australian Bureau of Statistics - ABS - data released earlier this week revealed that Tasmanian mineral exports declined 7 per cent in the last quarter. They have dropped 23.1 per cent compared to last year. The Port of Burnie, where much of the minerals are exported from, declined by 3.2 per cent. Have you noticed that decline and what do you put it down to?

**Mr DONALD** - Yes, we have noticed the decline. We would be speculating as to what we would put it down to. We engage with our customers on a regular basis. I think it is fair to say that we get different reasons and different rationale for the decline. I think for every conversation we have had around the decline, we are probably having three conversations with minerals customers about growth and optimism. A lot of it in reality, I think, is a reflection on the value of the Australian dollar. It is an important consideration that TasPorts takes forward in our commercial dealings for growth. We are cautiously optimistic about growth in the minerals sector, but the reality is that if that sector does have success, it will be a substantial success for the State of Tasmania.

**Mr WILLIE** - In your dialogue with customers, are they talking about the sorts of investments required at the Burnie port to try to grow that industry? If so, what do they look like?

**Mr DONALD** - We have multiple discussions with different customers. It is fair to say that each customer has different requirements. If I can summarise them, I would probably put them into buckets. There are discussions around efficiency of existing infrastructure and the existing operations. That is all around the speed, I suppose, of loading, as an example, which is a reflection on the loader that TasRail owns and operates. And, equally, the amount of volume that can come into the port and how long it is stored for.

The other conversations are around bulk quantities and whether we can accommodate larger vessels. That is something we are seriously considering in conjunction with an international container terminal. We may find that supports some local investment for berth deepening. Berth deepening would be important to some of the large bulk mineral export customers because it enables them to bring in larger ships, which then equates to a reduction in the cost per tonne for them to export those materials overseas. We understand the economies of scale. There are challenges and complexities in terms of the commitments from customers with regard to what volumes they can commit to over what period of time, which gives us a corresponding confidence or otherwise about seeking support from our board to invest money.

**Mr FERGUSON** - We have seen significant uplifting in confidence in the minerals industry in the last five years, since the election of the Government. Obviously, there is an understanding that, as a customer-focused company, TasPorts responds to that, and has accommodated and seen significantly increased volumes move through the port.

Although it is outside the scope of this committee, I have to mention that there is a significant demand on the mineral concentrates' facility, which is in the domain of TasRail, with a major investment coming for a new shiploader that will allow for increased volumes, which is what customers are telling that business is required. That is going to be a significant boon to Burnie. It will also involve the expansion of the mineral concentrates' storage facility as well - it is also known as The Shed. There is a lot of positivity and activity here, noting though that individual customers will be responding to the dollar and international commodity prices.

**Mr WILLIE** - The \$40 million shiploader we are talking about is a federal government commitment. What support is the state Government offering, minister?

**Mr FERGUSON** - Although it is outside the scope of this business, it's a TasRail initiative, which was discussed in another committee. I am happy to say that the federal government's commitment fully funds that project, which is fantastic news for our state.

**Mr WILLIE** - My question, though, is: what is the state Government doing to support the industry and the investment in Burnie port?

**Mr FERGUSON** - We made the bid. We succeeded in the bid. It is fully funded, and it is a good thing that Tasmania does not have to contribute to it.

**Mr WILLIE** - There's no state Government money going into the Burnie port?

**Mr FERGUSON** - There is money; I wouldn't agree with that. Significant money is going in and has gone in, and we have discussed it already. But the dredging program, the new dolphin and the future work proposed in the master plan are all good things, but what I am saying is that the state is not having to contribute to a \$40 million project, which is really good for Tasmania

**Mr WILLIE** - What about the master plan, minister? There is no state Government money for that.

**Mr FERGUSON** - I am happy to discuss the master plan as we have been doing. When I get chided for why the state would not be putting any money into a project that has been fully funded by the federal government, I take a state-based approach on this and say it is very good news.

**Mr WILLIE** - If you want to talk about that, is it a reallocation of funds that Tasmania was entitled to elsewhere, say, the rail revitalisation package?

**Mr FERGUSON** - I am in the hands of the committee, but it is obviously clearly outside the scope of TasPorts. The question was around volumes moving across the port. We are not going to be taking lectures from the Labor Party, which still does not support that project. I think it is a vital one for our state and we are thrilled that the federal government is fully funding it.

**Mr WILLIE** - I am not lecturing you, minister, I am asking questions.

**CHAIR** - Thank you. I am moving on now.

I am interested in the net losses on controlled entities, particularly the Bass Island Line. I also represent one of the islands so I understand the need to support the islands to access freight. That is their highway. I am also interested in the long-term commitment to a Victorian port that BIL are doing.

**Mr FERGUSON** - I will give you some high-level responses. Please feel free to ask detailed questions of our Chair and CEO. Bass Island Line has been put in place as a decision of the Government and TasPorts to be the shipper of last resort in circumstances where the commercially provided private operator ceased operations and visits to King Island. It was obviously not acceptable to our Government that we should leave that gap in place so we have intervened in that respect. The Bass Island Line's vessel, *John Duigan*, has been now in service for more than a year. It is responsive to its customers in turn.

The Bass Island Line put in place a new weekly schedule in October to respond to a significant increase in cargo demand between King Island and Victoria. On 12 October 2019 Bass Island Line changed its schedule to complete an additional Melbourne voyage each fortnight. As a result Bass Island Line is currently completing calls to Devonport every two weeks to ensure the continuity of service to the King Island community. Bass Island Line has offered to provide assistance in transshipping cargo for a transition period of three months. From January, next month, the Tasmanian will move from Devonport to Bell Bay. This is due to the need to start preparing for construction of a major redevelopment project in the port of Devonport.

Bass Island Line has not carried any livestock between Grassy and Devonport since June 2019. JBS Meats in Longford has been transporting livestock on Eastern Line into the Port of Stanley. We continue to support that operation. We recognise it is not a profitable venture, but it is an important one. I thank Tas Ports for acknowledging that. King Island is a vital part of the Tasmanian economy and the community.

**CHAIR** - What about the lease arrangements, the long-term commitment with the Victorian ports. Where is that?

**Mr DONALD** - We remain in consultation and negotiation with the Port of Melbourne and the Port of Geelong over arrangements.

**CHAIR** - We know they play hardball over there, so how is it going?

**Mr DONALD** - Very well. The important consideration for us is the commitments we have with our customers. Their desires for either Geelong or Victoria influence in many ways our interactions with both ports in Victoria.

Our objective is to achieve a sustainable service for King Island on behalf of the state. That is a challenge. If it were easy, the private sector would have jumped in and grabbed the opportunity on our behalf. The Government and TasPorts has attempted to engage with the private sector to seek their interest and it is very clear to us TasPorts is the best place for organisation to take it forward. We have a number of initiatives under development to improve our efficiency, reduce our cost structure and continue to grow freight volumes but it is very hard work.

**CHAIR** - The important factor is the cost to those who live on the island; that is the key. Minister, are we working in a cooperative manner with our Victorian counterparts with regard to making it reasonable for freight cost - that is the issue, isn't it?

**Mr DONALD** - Yes. It is important to recognise Bass Island Line is a wholly owned subsidiary of TasPorts and has its own board. We are operating the service with the objective of being sustainable, but running a shipping line is different to running a port and it requires a different set of skills, set of activities and mindset. Being a port owner and operator, we equally understand the objectives of our counterparts on the other side of Bass Strait and the impact those commercial arrangements will have on our customers. Again, the overarching objective is to achieve a sustainable outcome for the King Islanders, which means a sustainable service for us.

As an organisation we are unhappy about the losses. It is fair to say the losses are decreasing but a big challenge.

**CHAIR** - We also need to service our island communities.

**Mr BRADFORD** - The issue of a suitable berth in Victoria, or specifically Melbourne, is not the issue of the availability of berths, it is availability of berth with a roll-on, roll-off ramp which lowers our operating cost. That is a big consideration and what we are trying to finesse because that reduces the losses dramatically.

**CHAIR** - We might be fortunate - we have someone as part of the TasPorts organisation who has intimate knowledge about how we might be able to use those contacts in the right place.

**Mr FERGUSON** - We have the right people in the right positions, Chair.

**Mr BRADFORD** - A generation ago.

**CHAIR** - Networks hang around for a long time, believe me.

**Mr FERGUSON** - We have the right people in the right places.

**CHAIR** - Yes. It is obviously an important piece of what TasPorts does.

**Mr BRADFORD** - I should say, the board is also encouraged by the positive responses to our advisory committee on King Island. The introduction of the *John Duigan* as predecessor was controversial and unpopular, and we understood why, but the active committee on the island and the performance of the vessel seems to have mitigated the complaints. I agree with you - effective shipping scheduling and pricing are critical.

**Mr DONALD** - If I may add, we expect there will always be an expectation and a desire from members of the King Island community to change the vessel and to increase its size and/or sea-state capability.

The important balancing factor to that equation is the freight rates. Our objective is to achieve a sustainable service for King Island. We could go out and procure the greatest vessel for the conditions, but the affordability of freight movements for the benefits of the island would be dramatically impacted and would be a disaster.

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**Mr BRADFORD** - We continue to support fairly the other operator in their live cattle transports as a stevedore and port owner. They are a popular service with the two receivers of the product and so we support them.

**CHAIR** - Obviously, I could not leave the islands without commenting about Flinders Island. In the past, I have sat here with a very heavy heart about some of the issues my Flinders Island community, and yours, too, minister, has faced. I want to be assured we have everything in place we need. I know there has been some significant upgrades to the Lady Barron Port, so just an update on where we are there would be appreciated.

**Mr FERGUSON** - The state Government has made direct investments there, but I will ask the CEO to address the improvements and project itself.

**CHAIR** - You probably go over to Lady Barron once a month.

**Mr DONALD** - I am going to be there next Tuesday. But as with all of our ports, we continue to look to ways to improve the quality of our infrastructure and services provision. Flinders Island is not different to any of our other regional port or out of port locations in terms of ageing infrastructure and the exposure to the environment. It is challenging.

Our role as an organisation is to ensure we maintain a consistent level of service of infrastructure and services across the state - irrespective of the location - but that is a challenge. That requires a level of investment that at times we do not currently have funds for.

**CHAIR** - Again, it is that price point that makes it a real challenge for our island communities; fuel is one raised with me as a local member, and possibly the minister too when he's talking to our constituents on the island.

**Mr DONALD** - If I may, I might talk about fuel. Fuel delivery and the provision of appropriate volumes of fuel on both islands is a really important service we provide both islands. Our teams regularly monitor the volumes of fuel on each island to ensure neither islands runs the risk of running out of fuel.

We recently invested in new fuel trucks for Flinders Island and King Island. This is really important from a safety and functionality perspective, but it is a vital service we provide as part of the Bass Island service, but equally as part of the TasPorts service to both islands.

**Ms ARMITAGE** - With regard to cruise ships, in 2017-18, we had 125 cruise ships, but looking to 130 that have already booked for 2019-20, only 106. Is there any reason for the drop in this last financial year?

**Mr DONALD** - I think the figures may relate to a port over another.

**Ms ARMITAGE** - It is not overall?

**Mr DONALD** - No, overall year-on-year for the last four to five years we have seen growth in cruise across the state. We have not seen a reduction in cruise visits. It is consistent growth.

**Ms ARMITAGE** - Do you have numbers?

**Mr DONALD** - Yes.

**Mr FERGUSON** - If we take it on notice; I have given some numbers for the last two years but would you like me to obtain further history?

**Ms ARMITAGE** - And for the ports, yes.

**Mr FERGUSON** - Of course. Why don't we do that and break it down by port over the last four or five years?

**Ms ARMITAGE** - It would be interesting to see by port. It would be great to see the trend.

**Mr FERGUSON** - We will take it on notice. I am sure we can bring it back today.

**Mr DEAN** - What is the revenue return to TasPorts of the cruise ships? What is the average that one cruise ship brings in when it is docked and what is that return to TasPorts?

**Mr DONALD** - I might ask Geoff to provide a general response, but there is an element of commercial-in-confidence information so we cannot be overly specific with respect to the answer.

**CHAIR** - Does that mean that some cruise companies are treated differently from others?

**Mr DONALD** - No, every cruise customer gets treated the same. It is important as all of our customers across the state - customers have different requirements and those different requirements inform the tariffs we apply. I might ask Geoff to talk generally about cruises.

**Ms ARMITAGE** - The ABC has made comment of \$15 million in port fees last financial year from cruise ships.

**Mr DUGGAN** - The tariff structure is consistent across the different cruise companies. It is highly variable depending on the size of the ship. The length of stay and the services that it requires when it is in port, depending whether it is in Hobart or Burnie. We are seeing increasing visitation of smaller cruise vessels into Inspection Head as well.

**CHAIR** - Does that answer your question, honourable member?

**Mr DEAN** - No, it doesn't. The minister said you are going to provide where they are berthing in Burnie and Hobart. I suppose TasPorts goes to these cruise companies and tries to get their visitation. I am not sure where commercial-in-confidence would come in relation to an average return from a cruise ship coming into the state.

**Mr BRADFORD** - It sounds simple but it can be complex. Do you base it on the size of the ship or the number of passengers? This is a pricing structure. We currently have a fee for a vessel based on sizes. They engage a pilot, which they pay us for, to arrive and park. They do not always use tugs because they have their own bow thrusters. In Wynyard they need them. So, it is thinking about the overall picture. How long they are in port; if they are there for two days, should they pay more than one day? The contemporary world thinking on cruise from a port's perspective is to encourage the visitation to the ports, but recover that with a per passenger charge. We have not gone to that yet but it is something in the future we will contemplate.

**Mr FERGUSON** - I need to double check but I recall the Premier speaking about the value of cruise ships to the Tasmanian economy. You referred to that in your question, and it is very significant. It is in the range of \$1 million per day when you get the very large ones in port. It is a real enabler for local retail and other subsections of the economy. It is a valuable industry for our state. It is the reason we have been prosecuting it so strongly. We haven't answered the question about how we market that product to cruise ship operators.

**Mr DEAN** - My other question from that, minister, is that because of the return to the state from cruise ships, is TasPorts position one of cost recovery only or is it making a reasonable profit? It seems to me it is more important to have the people coming here rather than TasPorts making a reasonable profit out of the visit of those cruise ships.

**Mr BRADFORD** - That's a valuable consideration for whole of government. That is why, I think, and I am not an expert in it, Tourism Tasmania spends a lot of effort encouraging the vessels to come, as do we. We also look at the costs of providing the assets. Historically, cruise ships arrived on assets abandoned by the freight industry. That is how it developed. The world has matured and berths have been developed for them. Therefore, the cost per visit will rise in terms of paying for a port visit. We see it both ways. The economic benefits to the state are through broader government. We want a sensible commercial return so that our export freight industry is not subsidising these industries. That is how we think about it. Anthony, you might want to talk about the marketing side.

**Mr DONALD** - We engage with all our cruise customers on a regular basis, a number of times during the year. Equally we engage with the industry both in a national perspective and a global perspective. There are a number of touchpoints the industry has where they come together to examine opportunities for growth and advancement. We are really engaged in those processes and work closely with Tourism Tasmania in that. We understand the opportunities but also the expectations of our customers. Their objectives are to grow as well. It is how we can achieve growth together. As the Chairman said, history suggests that cruise ships have historically visited on berths designed for freight. Port organisations have been established with the objectives around freight movements. Our role as an organisation is to facilitate trade. That equates to both freight and passenger movements. Across the state TasPorts is involved in the movement of several hundred thousand, almost a million, passengers per annum, when you take into account our cruise customers and passengers, the Devonport Airport, the TT-Line and our Strahan cruise customers. An emerging and important part of our business is how we assist our customers in the movement of passengers and pedestrians. That equates to how we provide infrastructure that supports the movement of the public in and out of those facilities where at times they are commercial working ports.

**Ms ARMITAGE** - This is an ABC article from 10 September 2019. To you, minister, as there is a steady increase in cruise ships locked in until 2022 the Tourism Industry Council said -

... leadership from the State Government was badly needed to shape the sector going forward.

'We don't want to be alarmist,' chief executive Luke Martin said, 'but the reality is, if we don't control this market it will control us, and there are destinations around the world that have lost control of their cruise sector'.

Mr Martin said the Government needed to put pressure on TasPorts to introduce more sustainable scheduling.

'You're [TasPorts] essentially the client that hosts and attracts those cruise ships, you're the biggest financial beneficiary from them from port landing fees, ultimately it's the responsibility of government to send that message,' he said.

Would you comment on that? I know you work hand-in-glove with Tourism Tasmania, but do you also work with the Tourism Industry Council?

**Mr FERGUSON** - The Tourism Industry Council is intimately involved with the Premier's Visitor Economy Strategy that is in development. It has been a strong supporter of the Government's policy agenda to drive visitation. It has been very successful with the increase in visitation to the state through a variety of modes of travel, including air and sea and cruises.

As I have stated a number of times, TasPorts is and should be a customer-focused organisation that operates commercially and looks for an appropriate commercial return. Not just to be profitable and return a dividend to taxpayers so that we can fund essential services, but also to ensure that the reinvestments can be made into infrastructure to deal with the underinvestment that has been happening for decades, and set up the state for future success.

The Government, while not walking away from increased visitation, is increasingly looking now for yield over volume and for the kinds of visitation that can lead to the betterment of the Tasmanian economy more generally. That is something the Premier has responsibility for and is driving, together with his industry participants that are helping to fashion the future strategy.

**Ms ARMITAGE** - Are you concerned with the comment or do you agree with the comments of Luke Martin that we could lose control of the cruise sector?

**Mr FERGUSON** - We accept and welcome advice from wherever it comes. The Tourism Industry Council is a credible and important voice in this space and is working constructively with the Government, particularly in the Premier's portfolio. It is somewhat out of TasPorts' space and my direct responsibilities, but I look to TasPorts to deal fairly, appropriately and commercially with cruise ship operators so they can have the access they require while TasPorts, on behalf of the taxpayers, gets a good return.

**Ms ARMITAGE** - You believe there is sustainable scheduling currently?

**Mr FERGUSON** - I do. From a portfolio space, in the tourism sector, the way we market our product as a destination to interstate and overseas, we are increasingly moving to a yield strategy so that we can get the best outcome for the Tasmanian public per visitor.

**Mr BRADFORD** - One of the issues Mr Martin was referring to was the odd occasion in Hobart where there were three vessels on one day. Thinking of that holistically I tend to agree with him, so we have now restricted the number of vessels to two per day.

**Ms ARMITAGE** - You have looked at your scheduling, when they come in?

**Mr BRADFORD** - Yes, we have said to the industry in Hobart that two is enough. As well as berths, our responsibility is to also support their ground handlers and the coach industry in



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servicing the guests on the ship. It is not just a 'take your hands off you'. Three vessels in Hobart stretches the resources of the industry in Hobart. You cannot expect people to put in resources for two days a year. Overseas examples are far in excess of that.

**Ms ARMITAGE** - Obviously, when the ships come in, they fill up with water. Do they dump their waste when they come into the port? Do they empty waste at our ports?

**Mr DONALD** - That is a matter for them.

**Ms ARMITAGE** - It is not really because it is a matter for us if they are dumping all their waste into Tasmanian water.

**Mr DONALD** - We can take it on notice, but I do not believe that they do.

**Ms ARMITAGE** - If you could take it on notice.

**Mr DONALD** - A majority of cruise ships are quite self-sustainable.

**Ms ARMITAGE** - They are, but they still have waste that has to be dumped. I wonder whether they dump it at sea or do they empty it in dump stations at the ports. Do you have dump stations at the ports? What do you call those things, Ivan?

**Mr DEAN** - Dump stations.

**Ms ARMITAGE** - I am talking about sewage.

**Mr DONALD** - No, that is not within the port waters.

**Ms ARMITAGE** - So you do not have tanks.

**Mr DONALD** - No, not for cruise ships.

**Ms ARMITAGE** - So, they would simply fill up with water. I am looking at the cost. When they come in, they come in to replenish supplies but I was not sure whether where they would dump their waste.

**Mr DONALD** - Not within the port. I might just add to the comments of the minister and the Chair, if I may. Our considerations are really about the number of passengers on vessels. We are working with government and the tourism bodies to encourage dispersal of passengers across the state. Sometimes that means into the local communities or municipalities where the ships arrive but equally that means moving them out of the centres of Burnie and Hobart so that the impact of their visit can be felt by others. That helps to mitigate risks and concerns of overcrowding or over-saturation. We do not believe that is occurring. We do not believe that it is a problem, but equally we need to continue to work well as we do today with the tourism service providers, with government and with Tourism Tasmania to ensure we achieve the right balance.

**Ms ARMITAGE** - If our President were here, I am sure he would say that buses up to the Derwent Valley railway from cruise ships might be a lovely way to start again. I think that happened in the past, didn't it?

**CHAIR** - I am sure the minister agrees.

**Mr FERGUSON** - I have been given some other advice in respect of the work on this. It is with the Premier's portfolio of Tourism. The Sustainable Cruise Blueprint was released in August this year. The advice I have to hand is that on a 2018 figure, the value of visiting of cruise ships to our state is about \$30.5 million. That is consistent with my earlier statements about the yield the aim of that blueprint is to grow that to \$50 million by 2022. As part of that strategy Tourism Tasmania worked with TasPorts to achieve the policy outcome that there should be no more than two at a time in Hobart. I hope that is extra helpful.

**Mr WILLIE** - If we could move to one of the more spectacular places in Tasmania, and that is Stanley. The Stanley Wharf residents and fishers are concerned about the wharf being progressively fenced off. Does TasPorts have plans for upgrades there?

**Mr DONALD** - In short, yes, we do.

**Mr FERGUSON** - I think what you should do is give an outline of the situation at Stanley and the engagement with the community and what the future could look like.

**Mr DONALD** - Thank you, minister.

We are in the final stages of a detailed precinct plan for the Port of Stanley. The Port of Stanley is predominantly a combination of a community port with really important community access but also there are working port elements to it. We see livestock movements coming in and we know that is a large supporter of the fishing industry. The exposure of the Port of Stanley to weather and sea states is extreme. We see that there is a large change in a range of tides and sea state conditions which makes the infrastructure we provide really vital to ensure that the ongoing protection of the port, both from a working port perspective and a community port perspective.

Over time, the use of our infrastructure at Stanley has been relatively low in comparison to our other ports, but nonetheless we understand our obligation to ensure an appropriate level of service. We observed some deteriorating conditions of some of our wharf infrastructure in the Port of Stanley and have taken measures to protect public safety by fencing off sections. We observed some behaviour from members of the community which was perhaps putting them at risk. We did not believe we could stand by and allow that to continue. Nonetheless, our commitment is to reinstate all our infrastructure at the Port of Stanley.

We have actively engaged with the community and have recently joined the chamber of commerce as a member of the committee. I think it is fair to say we have done a lot more listening in the last three to six months than perhaps we did in the past. We continue to work with that community to improve the service offering. One of the challenges is to continue to provide the access for the community that they have come to experience over generations and to balance the safety obligations that we have.

**Mr WILLIE** - You are committed to maintaining public access to the wharf?

**Mr DONALD** - We have not made any decision or any statements around permanent closures but we acknowledge our responsibility to ensure that we provide proactive information to the community, such that people do not feel the gaps, so to speak.

Our plan is to reinstate all infrastructure in the Port of Stanley. It's how we go about that which is really important. Our engagement with the community and the chamber has dramatically increased over the last number of months.

**Mr WILLIE** - You mentioned a precinct plan. Do you have some time frames of when that will be released, and also some time frames of when the infrastructure will be upgraded?

**Mr DONALD** - The precinct plan will be ready in around March 2020. In order to complete that, there is some important community engagement that will take place, particularly with members of the chamber of commerce and, equally, the customers who use the facility.

It is easy for us to commit to infrastructure timing associated with some of the infrastructure. Some of it is more challenging. The challenging bits are within the working port, part of the Port of Stanley. The community infrastructure elements are such that we are working through promptly.

**Mr WILLIE** - So, time frames?

**Mr DONALD** - Within the next six to 12 months.

**Mr WILLIE** - What about the working port side?

**Mr DONALD** - That requires some further careful investigation and thought. I might just use as an example. One of the elements under review is the breakwater. The breakwater is a large structure that protects the port from some very challenging sea states. I have stood on the top of that breakwater myself and looked down at the ocean on a beautiful day. It is some seven or eight metres below the top of the breakwater. My team then showed me photographs of waves crashing over the top of the breakwater. That breakwater is in a state of deterioration and requires some further investigation and some infrastructure investment. I am not expecting that will be a small amount of money. It will be something that our organisation will need to contemplate in terms of how we can ensure that this really important piece of infrastructure remains intact at a standard that does not diminish the accessibility for that port.

**Mr WILLIE** - We are not going to see any upgrades to the breakwater or the working port in the short term?

**Mr DONALD** - We will progressively maintain the breakwater such that it remains intact, but it is going to be a challenge for our organisation. It is a large piece of infrastructure in a highly exposed part of our state. It's a beautiful location, but it's equally and dramatically challenging so the engineering and infrastructure required to rehabilitate and/or remediate that will need some careful consideration. We need to understand that before we can commit to any time frames. Our absolute commitment is that we will ensure that it remains in place.

**CHAIR** - I have a supplementary question so unless the minister has something very important to add, we need to ask questions.

**Ms HOWLETT** - Minister, in relation to repairs and maintenance across Tasmania, can you outline what work has been undertaken in the 2018-19 financial year as far as the community asset programs that have been undertaken across the state?

**Mr FERGUSON** - I can go into some detail, but I'm mindful of time.

**CHAIR** - The detail time has gone. We need sharp answers.

**Mr FERGUSON** - I'm in the committee's hands and it's a legitimate question, of course.

I'd like to canvass that quickly. We are well aware of the community's reactions to the safety decisions that have been made by TasPorts around Stanley. I note that on the basis of safety alone, Stanley's old wharf jetty was changed to restricted access. To try to do the right thing by our community, the company has responded to the request to remediate that asset - Mr Willie, you were asking about this - and develop those plans to make the structure safe and fit for purpose, while acknowledging that not everybody agrees that it was not safe - if I can put it that way.

To the question from Ms Howlett, we often focus on the larger ports. This discussion today has highlighted that a range of other ports also need to be maintained and invested in. Frankly, in recent decades we have seen significant underinvestment. The ports in those areas are important to regional industries and businesses. Also - and Stanley's a good example - they're community assets that are highly valued by the people who use them for recreation as well. Included in those are Inspection Head at Beauty Point, Lady Barron, Currie, Grassy, Stanley and Strahan.

TasPorts completed the final year of its first five-year community asset program in 2018. The focus of that program was on renewing port infrastructure at those key community sites of Sullivans Cove in Hobart, Strahan, Inspection Head and Stanley. That project was jointly funded by TasPorts and the state Government.

There was a total project cost, which was quite significant, of \$27.3 million. TasPorts contributed \$9.8 million and the Government \$17.5 million. Priority was given on a risk-based approach of dealing with those assets that were in the poorest condition.

Again, I don't want to make too fine a point about it, but it has to be said we are dealing with legacy issues of underinvestment in the most appropriate and sensible way. The program saw the successful completion of over 80 projects through that five-year period. I'm advised the program met its project aims on time and on budget.

The community asset program's biggest individual project was the Strahan Main Wharf rebuild, which was completed in 2017-18, and more than \$6.5 million has been invested in projects in Strahan, which provides the Strahan community with fit-for-purpose infrastructure for the next 50 years.

Other projects carried out during the program include -

- at Inspection Head, upgrading services and improving the safety and reliability of infrastructure at the wharf;
- at Stanley, the refurbishment of finger piers, the removal of the roro tower and the rebuild of the retaining wall wharf;
- at Hobart, as I mentioned, the Murray Street pier remediation bearing replacement and associated works undertaken at Victoria Dock and bridge, and the Franklin Wharf rebuild.

I reiterate: while the company has a charter to operate commercially, we are more than aware of the importance of these facilities to an island community - for example, the fishers who want to use our facilities in certain places. That's to be applauded and supported, and we'll always keep a firm eye on how we can support those community aspirations and ensure that in examples like at Stanley we're responsive to the community in the best way we can be.

**Mr ARMSTRONG** - My question is to do with the capture of methyl bromide and the compliance with that. You've gone above the necessary regulations, it says. Can you tell me a bit about that, please?

**CHAIR** - We're interested in the impact of pricing on that.

**Mr DONALD** - Our first priority in fumigation and the use of methyl bromide was the safety of people - first, second and third. In discussions with our board, we decided to ensure that methyl bromide was only used when it could be recaptured and that we worked with industry to implement that change. The importance of safety - of both the public and the working persons around the port - is everything. We weren't prepared to compromise on that in any way, shape or form. We acknowledge that it changes the commercial landscape for some of our customers, but we've been working with them such that they can understand the options they have. There are multiple options for them. It's important they make their own informed decisions and commercial decisions as they move forward. If I look at our port locations, the exposure to people is of our primary concern.

**CHAIR** - The cost impact?

**Mr DONALD** - To TasPorts? We invested several hundred thousand dollars in equipment infrastructure and services in a manner to support the industry to make the change.

**Mr BRADFORD** - I should briefly add, Chair, that we feel obliged, with 100 years of experience and understanding of the maritime and environmental issues affecting ports and our users, to take a very strong view on safety. The issues of Stanley, methyl bromide and general conditions of Bass Strait say to us that we have to consider that first. On a fine day it works perfectly, but it's not always fine. Safety is so critical. Methyl bromide is potentially a carcinogenic. If it costs more to fumigate - it's black and white.

**CHAIR** - I'm not complaining, it's just a question about the cost impact.

**Mr BRADFORD** - I suspect in the future you'll see in the press criticisms of us in many areas, but think about human life, think about the safety of the asset - that's how I look at it.

**Mr WILLIE** - Back to Stanley Wharf - it's a great place. With the works that will take place over the next six to 12 months, does that mean that some of the fences will be removed?

**Mr DONALD** - Yes, absolutely. Our desire is to reinstate public access to all the areas that they've experienced access to in the past, notwithstanding the fact that there's an important protection for the public in the working parts of the port. There will always be parts of the port where access is restricted. We've worked well with the community, perhaps more recently than in the past, to understand the history of families attending Stanley to fish and where they've liked to fish, how the fishing fleets have liked to operate and some of those practices, and the need to

continue to move to contemporary arrangements that are consistently compliant with current regulations. That's part of our role: to ensure that all our customers comply with regulations.

Coming back to the original point, there is a longstanding history of generations attending Stanley, as tourists and also as locals, to fish. It's a beautiful part of Tasmania.

**Mr WILLIE** - I am advised that TasPorts lost the contract to operate tugs at Grange's Port Latta operations and the new contractor isn't able to tie the tugs up at the Stanley Wharf. Do you have some comment on that or an explanation of that? Was TasPorts using the wharf prior to that when you held the contract?

**Mr DONALD** - No, we were servicing Port Latta with our towage fleet out of Burnie. Now there's a new towage service provider servicing Port Latta and Stanley and we have been working with them to provide them with options for a permanent berth in Stanley.

**Mr WILLIE** - Are there some time frames on when they will be able to use that?

**Mr DONALD** - That is currently part of a commercial negotiation and discussion with them. They have been provided with a proposal and we are still in discussion. The outcomes of those discussions I expect will lead to a commitment that would enable us to commit on a time frame. Safety is our primary concern.

If I may, I have a correction to a statement I made earlier with respect to the Burnie dredging. I said we implemented a public tender. It was actually a select tender, which is slightly different, but an important matter for the committee.

**CHAIR** - Fairly different.

**Mr FERGUSON** - For the benefit of the committee, would you elaborate?

**Mr DONALD** - A select tender really comes about after a market analysis of who the participants are. We then essentially determine the parties we will provide the tender opportunity and documents to. It is still a competitive process, but we do not put it out to a thousand people across the world.

**Mr DEAN** - I am going to an even more beautiful area of the state, Launceston. Rosemary would support me.

To look at the head office of TasPorts. What are the staff levels in the head office in Willis Street? What is the cost of all of that?

**Mr DONALD** - We currently have around 40 staff in the Willis Street office.

**Mr DEAN** - Forty staff there at Launceston?

**Mr DONALD** - Yes, and we continue to grow. As the minister said in his opening statement, within the coming month we will see the Vessel Traffic Services facility established within Willis Street. Having a 24/7 operations facility that co-locates our security monitoring and vessel traffic service is an incredible achievement. Having those teams collocated with the main office enables a strong connection of staff, management and interactions of teams. It is certainly

really important from a cultural perspective. We are incredibly pleased with the new facility and the changes we are making to culture in that regard.

**Mr DEAN** - You are domiciled in Launceston, are you?

**Mr DONALD** - Yes I am.

**Ms HOWLETT** - Being southern-based, what have been the benefits of moving the office to Launceston.

**Mr FERGUSON** - We can tag team on this. It has been a real boon for Launceston in the respect that it is not a parochial decision, but a good decision to consolidate in the way it has been done. I have visited the facility and I invite any MLCs who would care to, to visit it - you would be welcome so we would be happy, wouldn't we?

**CHAIR** - There was no official opening?

**Ms ARMITAGE** - Obviously not. The member for Launceston was not invited, if there was.

**Mr FERGUSON** - I think the minister, Mr Rockliff, may have presided.

**CHAIR** - And he just forgot to invite MLCs.

**Mr FERGUSON** - I cannot answer that. I do not know; I am happy to take it on notice.

**Mr DONALD** - I am very happy to host a visit.

**Mr FERGUSON** - You are most welcome and there would be a cup of tea. It is something for our state to be proud of. With the majority of TasPorts' business taking place in the northern part of the state, it is appropriate that head office is located at the corridor of the operations, with complete support continuing for the southern operations. The new head office will eventually house TasPorts' most critical 24/7 operations centre, the Vessel Traffic Service Operations Centre. The TasPorts Security Operations Centre is already alongside the actual corporate office and has already been answered in respect of the staff numbers. It is significant having all of those services collocated; being mutually interlinked is vital for safety, security and, indeed, the smooth operation of the flow of work happening across the ports. Quite an IT effort is being invested at the facility, which will be of particular interest when you visit. That has been up and running since -

**Mr DEAN** - Is it leased or owned by the state?

**Mr DONALD** - It is leased.

**Mr FERGUSON** - We have been there for the calendar year 2019; it was opened in February. In April this year, it relocated the security operations centre from Hobart. There has been an investment of \$1.1 million in a range of IT improvements in field equipment upgrades. Following consultation with impacted Vessel Traffic Service Centre employees, the relocation of that service from Bell Bay to the head office in Launceston was confirmed and is scheduled to occur early next year. Do you have a month on that?

**Mr DONALD** - It will be very early in the new year, it may even be this year. We have commenced our transition. We have the facilities up and running and they are essentially, today, running a mirror operation from Bell Bay and Launceston.

**Mr FERGUSON** - Before I conclude, I ask you to comment very briefly on the accreditation with Australian Maritime Safety Authority for the VTS.

**Mr DONALD** - A very important element of the VTS relocation is moving to an accredited AMSA VTS operation which will continue to demonstrate our capabilities, but also ensure ongoing safety of marine traffic around the State of Tasmania. We do not take that responsibility lightly or for granted and is one of the absolute imperatives of our business. I would welcome hosting you at the facility and proudly showing you around; it is excellent.

**Ms ARMITAGE** - I notice you have 40 staff.

**Mr FERGUSON** - That is in Launceston.

**Ms ARMITAGE** - Were they relocated or did they have to be relocated? In the past we have had issues with departments moving to areas. Was it a smooth move or have there been any unexpected issues?

**Mr DONALD** - No, it has been a smooth move.

**Ms ARMITAGE** - Were the staff relocated or employed locally?

**Mr DONALD** - It is a combination of both.

**Ms ARMITAGE** - There were no problems there?

**Mr DONALD** - No. It is a change, the biggest change was the move from Hobart for security to Launceston for security and had only one staff member, who is essentially our supervising manager, who has done an incredible job and chose to relocate. The other staff chose to select to move on to other career opportunities.

**Ms ARMITAGE** - It is not always easy to relocate when you have families and schools.

**Mr DONALD** - I may add an important note is our formal legal head office prior to the relocation to Launceston was Devonport. That was a legal head office established in the formation of the TasPorts organisation some 12 years ago and really reflected the location of the original chief executive officer. We saw it was a really important aspect of our business to relocate the formal head office to the location of the corporate office and the chief executive officer. I should also add that does not mean we are planning to diminish or relocate the Devonport office; we do have an important team operating the office in Devonport.

**Mr DEAN** - You have given some answers in relation to security. Where are you with the security of the ports around the state? If we look at Bell Bay, during my last visit there, issues were raised with me involving security in securing the premises, Burnie in particular. Can you tell me, minister, what is happening in the area of terminal security and security of ships coming in?



**Mr FERGUSON** - It is a vital area of importance and you are quite proper to raise it, but I will ask the expert on this to respond. We are meeting all our obligations here and TasPorts is part of the national effort to protect critical infrastructure. We are not in a position to talk about it very much, but we are a vital part of that effort.

**Mr DONALD** - We have port secure zones which are really vital in terms of maintaining the security of our terminals.

**Mr DEAN** - My question is: have there been any breaches of security around the state with any of your facilities?

**Mr DONALD** - We have had a number of breaches, I suppose. I would describe them as relatively minor in nature.

I am pleased and proud to say that we maintain the highest levels of security across the state in all our infrastructure. One of the services we provide is the provision of security cards that enable access. There are some 3600 security cards within Tasmania, which indicates the number of people entering and exiting our ports on any one day. We monitor every movement whether it is a pedestrian gate moving into a port with a swipe card access or a vehicle or a truck movement; we monitor anything and everything. We are regularly audited; we have a great relationship with both state and Commonwealth regulators and authorities in that regard. We regularly get excellent feedback from those organisations about what we do and how we go about things.

**Ms ARMITAGE** - My question is to do with the Port of Hobart and the Sydney to Hobart race. I do not have a conflict, but I have an interest as I am the patron of one of tall ships that operates out of there. I am often contacted at the Christmas period when the tall ships are asked to move out for the Sydney to Hobart and we try to find the spot for them. We have two tall ships, *Windeward Bound* and *Rohna H*, that operate in the tourist season. They provide a very good service for people coming down for the Sydney to Hobart and other places.

What do we plan to do? Obviously, we have to make enough space for the Sydney to Hobart yachts, but it is a very difficult situation around the Christmas period when the tall ships are asked to find another spot. I think *Windeward Bound* generally has a fairly good spot; she is generally well catered for. but the *Rohna H* often not so well. So, obviously, that is an important service to provide. They are not-for-profit. They are there, so what is TasPorts planning to do to make sure that they are given some spots to cater for the tourists trade so they are not all of a sudden told to find another spot because the floating pontoon is not there this year?

**Mr DONALD** - We certainly do not adopt that approach. It is about working with all our tenants and customers to make sure that if we are relocating them, it is to a viable location.

**Ms ARMITAGE** - So this year, I will not have to write and plead and beg that the ships have somewhere to be to cater for the tourists - that these are not-for-profit and provide a service?

**Mr DONALD** - You can simply pick up the phone and give me a call if you have any queries. This year is a unique year; it is the 175th year of the race. We understand that there are almost double, if not more than double, the participants.

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**Ms ARMITAGE** - I accept that. But when you have these ships, particularly in *Rohna H's* case - for several years running they have been finalists in the tourism awards - to have to try to find a new spot and all of a sudden ask where they are going to go -

**Ms HOWLETT** - I think they manage it well though, don't they? I have friends who have boats there that have to move.

**Ms ARMITAGE** - I am talking about people who cater for the tourist trade. Thank you; if I could get a phone number, that would be great.

**CHAIR** - It sounds like that will all be sorted. The final question is about Hobart and the Macquarie Point Development Corporation and its relationship with the Antarctic Division and CSIRO. Briefly, not much is happening at Macquarie Point.

**Mr DONALD** - We have a great working relationship with the Macquarie Point Development Corporation. We understand and recognise we need to work together. It is a precinct. We apply that approach. Working together on how we manage traffic in the future is one example of a really important part of that relationship. We continue to work really closely with AAD on the provision of infrastructure to support to arrival of its new vessel. Those discussions are continuing really positively.

**Mr FERGUSON** - I think the key point to emphasise is that the relationship is as good as it has ever been. That means it is better than it has been before. The engagement is very positive because of the arrival of the new icebreaker.

**CHAIR** - That is wharf 6?

**Mr DONALD** - Yes.

**Mr FERGUSON** - Having the icebreaker, RSV *Nuyina*, is a very exciting moment for our state and our country. It will place a lot of status on Hobart as Australia's Antarctic gateway. People are now saying that Hobart is not just a gateway to the Antarctic, they are now saying it is the gateway to the Antarctic. TasPorts has an essential role in that and the negotiations are progressing well.

**CHAIR** - The joint venture with the Southern Export Terminals, 200 000 tonnes of export logs and new wood.

**Mr DONALD** - We would certainly like to see more volume moving through that facility. We are optimistic about ongoing growth.

**CHAIR** - And no issues with that?

**Mr DONALD** - No, it is just we would like to see more volume.

**Mr DEAN** - There are no issues in storage and conservation issues?

**Mr DONALD** - We have a small footprint of land available. We have designed that facility closely with our joint venture partner, Qube Ports, to be a highly efficient throughput facility. We

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have not yet seen the throughput through the facility that we designed it for, so logs are sitting on the wharf longer than they could be, but it is more of a reflection on the frequency of ship visits.

**CHAIR** - I think the take-home message is that TasPorts is listening to its customers. That engagement is certainly something the committee looks for when we go to stakeholder meetings. We will continue to monitor that. The committee can always have an inquiry outside this process, so we will probably have a look at the feedback we receive today and continue to watch. We wish you all the best -

**Ms ARMITAGE** - We look forward to going and touring the new head office -

**CHAIR** - - in Launceston. We thank you very much, minister and your team at the table for today.

**Mr FERGUSON** - I would just like to respond in kind and say thank you for the opportunity. I have had minimum sparks and lots of great discussion about some key issues that really do matter in our city and regional areas and they affect Tasmanian's lives. We appreciate the opportunity in the way the committee has conducted the hearing today, plus we will provide some further answers to the questions taken on notice.

Without wishing to reflect negatively on the past, I would like to say that the universal feedback I receive as the shareholder minister is that the culture has significantly improved at TasPorts under the new leadership. That is a great credit to Anthony. I would like to praise him in your company, but also we are looking to advance Tasmania's interests in the conduct of this company going forward and we will be more than happy to respond to any further questions you might care to write to me about, as minister.

**CHAIR** - Thank you. We also acknowledge the importance of TasPorts and the infrastructure around the state. We would not function in the positive way we do without it; we rely so heavily on it.

**Mr FERGUSON** - And we look forward to welcoming you to our new facility in Launceston.

**CHAIR** - Thank you.

**The Committee suspended at 11.18 a.m.**

# UNCORRECTED PROOF ISSUE

Friday 6 December 2019 - Legislative Council - Government Businesses Scrutiny Committee B - Public Trustee

## LEGISLATIVE COUNCIL

### GOVERNMENT BUSINESSES SCRUTINY COMMITTEE B

**Friday 6 December 2019**

#### MEMBERS

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

#### IN ATTENDANCE

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

#### Ministerial Office

**Mr Patrick Clancy**, Chief of Staff  
**Mr Sean Hollick**, Senior Adviser

#### The Public Trustee

**Mr Mark Scanlon**, Chairperson, Board of the Public Trustee  
**Mr David Benbow**, CEO, Public Trustee  
**Ms Gaylene Cunningham**, General Manager, Trustee Services  
**Mr Glenn Lucas**, Chief Financial Officer and Company Secretary  
**Mr Tim Levis**, Corporate Solicitor  
**Mr Rodney Clifford**, Manager of Risk and Compliance

The Committee resumed at 11.30 a.m.

**CHAIR** - Attorney-General, thank you for joining us this morning. It's our opportunity to provide some scrutiny of the Public Trustee, a really important part of our community.

**Ms ARCHER** - Thank you. It doesn't feel like two years since we were last before the Legislative Council for the Public Trustee.

**CHAIR** - Do you have a brief overview?

**Ms ARCHER** - I have an opening statement I would like to make, Madam Chair.

I am very pleased to provide what I hope will be a brief statement. There's been another strong year of activity for the Public Trustee. It continues to implement its strategic plan and undertake its principal commercial activities. This includes providing the Tasmanian Community access to professional advice and services such as the preparation of wills, the state administration, trust management and powers of attorney and protection of the financial interests of individuals where the Public Trustee's appointed to act on their behalf.

The Public Trustee continues its focus on its core strategic themes, to continue to grow the business by attracting new clients, by developing new products, identifying appropriate segments of the market and developing partnerships with businesses and organisations suitable to an identified market.

It continues to improve and innovate its business by transforming it towards more contemporary business systems and practises and being a sustainable business by managing for improved profit through continual improvement, in particular client service delivery.

This year the Public Trustee paid a dividend for the financial year ending June 2019 of \$36 000.45, after the community service obligation. This can only be achieved through strong financial performance. I again congratulate the board and the staff at the Public Trustee for strong management during the reporting period.

The organisation achieved a profit after tax for the financial year of \$657 000. Total comprehensive income for the year ending 30 June 2019 amounted to \$313 000. An important service provided by the Public Trustee is the financial management of the affairs for clients appointed to the Public Trustee by order of the Guardianship and Administration Board. As at 30 June 2019 the Public Trustee managed the affairs of 842 community service obligation represented persons - an increase of 58 clients in comparison with the same period last year.

The Public Trustee also has an extensive program of work centred on product development, process improvement and training and development of their staff.

During this year I was pleased to open their new premises in Launceston, which I know members at the table also attended. Thank you for doing so. You will recall, the office has been refurbished in a contemporary design based on the refurbishment of the Hobart office. The design provides not only an improved environment to staff but also attracts new clients.

I'm pleased to report to the committee that the Public Trustee is also focused on improving its locations at both Burnie and Devonport with further support staff through a proactive approach to employee wellbeing.

The Public Trustee continues to roll out a strong marketing strategy and investment in technology, which is essential for the distribution of its products and ensuring its broader reach across Tasmania.

**CHAIR** - Thank you very much, minister. I will invite Ms Armitage to ask the first questions.

**Ms ARMITAGE** - My first question is about the Auditor-General's report that we received in November.

I note in his report the underlying profit-loss went from \$1 337 000 in 2017-18 to \$838 000 in 2018-19. It is a reasonably significant difference when read in context. It was on page 49 of the report.

Could you advise the reason for such a significant drop in one financial year?

**Ms ARCHER** - I think Mr Lucas is probably best placed to answer that, as CFO.

**Mr LUCAS** - The main reason was our investment income distribution. It might be better if I refer you to Note 5, Other Income. You can see, Dividends Received or Receivable from Other Persons, that's our investment income. In the financial year 2019, it was \$822 000 and in the prior financial year, it was \$1.4 million, so it was a big drop. In the financial year 2018 the main source of the income distribution we received was from a return of capital from fund managers. It was the way the market was in that year. We can't really control what fund managers do other than the decision to invest in them. It is then up to them how good they go. In the financial year 2018, they did quite well, compared with financial year 2019.

**Ms ARMITAGE** - Because 2016-17 wasn't bad, then 2017-18. There seemed to be considerable difference in 2018-19.

**Mr LUCAS** - Yes. We had a nice windfall in financial year 2018. The return in financial year 2019 was acceptable in terms of our investment objectives.

**Ms ARMITAGE** - Another question with regard to the creation of the specialist Launceston-based team. How many people are employed in the new office?

**Ms ARCHER** - We currently have five. David can state what they are and what the future plans are with that office.

**Mr BENBOW** - I am happy to have that conversation.

In Launceston, we were based in the MAIB Building, around the side in carpark. Part of our distribution strategy was about how to become non-Hobart centric. We employ 52 people so we are not a huge business.

How do we change a business that over the past 30, 40, 50 or 60 years is concentrated in Hobart?

First, we need to have contemporary premises. We need to have something so the people in Launceston acknowledge that we exist. We weren't allowed to have signage on the building so it's very difficult for people to work out that we're there. I think Senator Stephen Parry moved out. We had been looking in Launceston for a site that put us in a space where, from a branding perspective, it would work, but also we'd get some passing traffic. We worked out that with the

new developments going on in Launceston, particularly with the university moving down into Invermay and we have CS Jones coming in. The demographic of the city was moving so we were quite happy to stay in that space so we took that space and we've refurbished it. We had, I think, five people in there originally and they were simply doing a cross-section of various of pieces of work that you do in a trustee company.

The strategy was: we need to actually increase scale, so what we need to do is move business from Hobart to Launceston. The Launceston office is now managing all of our absolute estates. That team has gone from five to six to seven.

The northern regional manager has been promoted, through the normal processes, from a band 6 position to a band 7 position, and now sits on the Public Trustee Executive, to give us that focus in the north. We will be looking for opportunities between Launceston, Devonport and Burnie to continue that opportunity to grow our business, remembering that in a business of 52 people, we have to be very careful not to open centres that are bound to fail. If you have three people in an office it doesn't work if someone is sick and someone is on holidays, so you have to have scale.

Launceston will fundamentally be the first piece creating significant scale. That might mean in the future we will have more of our legal team based in the north. We currently have one, soon we will have two. We have, I think, four in the south and that would work for us, so more an estate planning presence in the north. Probably over time, as our business grows, we will see Launceston grow. We are now turning to our mind to what happens on the north-west coast. Currently, we have a serviced office in Burnie; it is in a very poor position, on the terrace in the old - way out, sitting in an internal building. Our view is that we are now looking for sites, either in Devonport or Burnie for the -

**CHAIR** - You'll just have one north-west office?

**Mr BENBOW** - We currently have two -

**CHAIR** - Why would you need two?

**Mr BENBOW** -We don't need two, but we need the opportunity for people to come and meet with us. In other words, the distribution strategy is not around administration, it's around how we deal with our customers. It's multifaceted. For example, we need the opportunity for beneficiaries living in Burnie to meet with us, so how do we do that? We can do all of that by appointment. We don't need people sitting and administering estates, to be able to do that. We need people to be able to meet with us to do their estate plan and at the moment we do that face to face. We have strategies on: how do we improve that ability to meet with clients? How do we allow people to meet with us in Rosebery when they want to versus us having to get in a car and driving to Rosebery? The distribution strategy is quite comprehensive and involves new products, but it is very much focused on how we deliver services to the smaller centres versus the larger ones.

**Ms ARCHER** - Also, it is important to note that a whole portion of the Public Trustee has been moved to Launceston, if you could cover that as well.

**Mr BENBOW** - In terms of the deceased estates, the previous model in the Public Trustee was that we'd have people administering estates in Burnie, we would have people administering

estates in Launceston, and people administering estates in Hobart. We had our represented persons client service strategy, which was that we had people in Hobart, Burnie and Launceston, but it didn't provide scale, particularly in the back office.

The strategy is that we will break administration away from service delivery - build your scale in administration and start working on: how do you actually improve that part of the business through taking it from a very manual process to start incorporating some very clever technologies?

**Mr DEAN** - Maybe Ulverstone is your best spot - right in the middle.

**Mr BENBOW** - In a previous life, I have done that, from an administrative viewpoint. I grew up in Devonport so I understand how the place works. You can work in Burnie, Ulverstone, Devonport, it actually doesn't matter because people working in Burnie live in Ulverstone or Devonport - it doesn't matter.

**CHAIR** - That is why I asked: why do you need two offices on the north-west coast?

**Mr BENBOW** - We only need one administrative office and the office would be a serviced office like we have in Devonport.

**Ms ARMITAGE** - Like a satellite office.

**Mr BENBOW** - Yes, it is just a serviced office. It is branded Public Trustee and you are in Devonport and you want to meet with someone. It might be every second Thursday we are Devonport and have a full book of appointments.

**Ms ARCHER** - It is important to note what we had in Launceston was something similar to what is now on the north-west. Splitting things from Hobart and Launceston and moving a portion of the Public Trustee permanently to Launceston provides delivery across the state. Then having satellite offices in the north-west, until something more permanent shows commitment to the northern part of the state. The fact there is economic growth in the north and north-west of our state, which is certainly what we want to see from a government perspective, it is very pleasing from a strategic perspective that is the direction the board has decided to take with the Public Trustee.

**CHAIR** - Having a satellite office in Burnie or Devonport just serviced once every two weeks, wouldn't it be more efficient just to hire some space?

**Mr BENBOW** - That is what we do.

**CHAIR** - You do not have a building?

**Mr BENBOW** - It is serviced offices.

**Ms ARCHER** - This is the difference between what is operating now in Launceston and what we have on the north-west.

**CHAIR** - In regard to the investment strategy, was there too much reliance on the cash investment and why the return was so small?



**Ms ARCHER** - That is a question for Mr Lucas in terms of finances.

**Mr WILLIE** - Also with that, who determines the make up of the investments? Is that handed over to somebody else or is it the board?

**Mr LUCAS** - How long would you like me to speak for?

**Ms ARCHER** - Perhaps if we address the first question. The second one might be more strategic for the Chair.

**CHAIR** - Just in regard to that investment strategy.

**Mr LUCAS** - We have a board-approved investment policy that sets out our objectives for investing. From a corporate perspective, we are looking to achieve 2 per cent income growth. That is reflected in the distribution I mentioned earlier in the questioning. Sorry, 5 per cent income growth and 2 per cent capital growth. That is how we budget and reflected in our policy.

How we invest is based on our appetite for risk, which is quite low. As a trustee it is quite low, balancing that out with making a return to government. How we do that is, we have taken advice in the past and is where our investment policy has been developed. We have two fund managers. We outsource our investment portfolio to investment managers Macquarie Bank and Black Rock International. Macquarie looks after Australia-based investments so, it is made up of cash, fixed interest, Australian property and Australian equities. Black Rock has an international exposure so, investing in things like Coca Cola, Amazon, those sorts of big, well-known companies.

Within our investment portfolio, which is about \$13 million at the end of year, we have what is called a strategic asset allocation. Across those fund managers, the board has made a decision we are going to invest a certain percentage across those fund managers. We push and pull funds. As the market moves up and down, we push and pull funds between those funds to make sure we are within our strategic asset allocation.

It is a diversified portfolio. We manage the risk in terms of investment risk because we are investing, we are taking on risk, but we manage that through our strategic asset allocation process. We also review our managers every year and have just completed a review which will go through our investment committee next week in terms of the performance of fund managers. If they do not perform, we have the opportunity to remove them and replace them with something else.

**CHAIR** - Are you likely to do that?

**Mr LUCAS** - If they underperform we would, yes. That is normal practice. We have not had a need to in the six years I have been in the chair.

**CHAIR** - You do not consider there is too much reliance of cash investment, it is just the fact that the strategy -

**Mr LUCAS** - Everyone is impacted by low interest environment and probably will be for a long time.

**CHAIR** - I am not a retiree yet, but apparently it's pretty ordinary.

**Mr LUCAS** - Here is a good example I heard on the radio during the week, someone was talking about having a million dollars' worth of cash as a retiree. Five or six years ago I was probably earning \$50 000 and that was comfortable; now that is less than \$25 000. So that is almost Centrelink benefit in terms of that dollar value. Your million dollars in terms of investment return has just plummeted, which is an impact for people who rely on that source of income. There is nothing we can do about that, it's just the way it is. We have no control over the Reserve Bank and what they are doing with interest rates.

The Government's clear policy is they want you to spend the money which is a bit of a trick for us when we are trying to keep the money and get a return on it.

**CHAIR** - My next question is that the paid dividends for the next three years but the future agreement expires on June 2020. So, what do you have in place for a new arrangement? How are the negotiations progressing, minister?

**Mr BENBOW** - Excuse me, this is the CSR agreement with government.

**Ms ARCHER** - That is a separate matter again.

**Mr BENBOW** - Would you like me to deal with that, minister?

**Ms ARCHER** - You can start.

**CHAIR** - And 2020 is not far away.

**Mr BENBOW** - We have a standard process with government around dealing with our CSR agreement so we have started the process of working out our position in relation to the proposal we put to government. Effectively, we run a product-costing model; we understand what the cost is to deliver that service on behalf of government. We go to Treasury with our proposal on the funding and then we go through a negotiation. That will kick off in its most serious piece around January with a view to complete the contract in March 2020.

**CHAIR** - There is no progress at this stage? You have your position and then you will see what the Government's -

**Ms ARCHER** - There is a ministerial charter that governs all this and its usual process. The Public Trustee is quite unique in the sense that as at 30 June this year, 54 per cent of its work was part of the community service obligation - CSO. It is quite a significant amount and that is taken into account in terms of the dividend as well.

**Ms ARMITAGE** - My question is about caveats that the Public Trustee puts on properties. If the caveat's over the title to protect the rights of a person prior to death, my understanding is that, in most instances, once the person has died, the caveat needs to come off. But the Public Trustee then says they cannot do anything about withdrawing the caveat after the person has died. As the caveat was lodged in the name of the Public Trustee, the withdrawal of the caveat needs to be made by the Public Trustee but then the Public Trustee claims because the person is deceased, it no longer had any role in the deceased person's affairs and can do nothing. This obviously

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delays any dealings with the property and makes matters more complex. Can you advise me with regard to caveats?

**Ms ARCHER** - Obviously, we can only talk generally about the issue. I know you are not talking about a specific case.

**Ms ARMITAGE** - I am talking generally. And there was more than one case.

**Ms ARCHER** - If I could invite Mr Tim Levis up to the table; he is the corporate solicitor who deals with these matters.

**Ms ARMITAGE** - I believe it is an issue many practitioners have.

**Ms ARCHER** - I am very happy to provide details on the process through Mr Levis.

**Ms ARMITAGE** - Thank you; with regards to caveats over properties?

**Mr LEVIS** - Caveats are a sensitive area for legal practitioners because if they put a caveat over a property -

**Ms ARMITAGE** - And there is a cost, obviously, just putting it on and taking it off.

**Mr LEVIS** - It is a small cost.

But if they put a caveat over a property and they do not have a right to put a caveat over the property, the legal practitioner is in trouble. So we are very careful about the way we put caveats over property. I suspect what you are referring to is caveats over properties for represented persons, so people that are under Guardian and Administrative Board orders.

**Ms ARMITAGE** - Over titles to the properties, yes.

**Mr LEVIS** - There are various ways and means that will put caveats over properties. There is a distinction between the way we manage money - when somebody is under a guardianship order, we'll be managing that money as an administrator. The money and the property will belong to them; it doesn't change hands. When we become a trustee, the property becomes ours. The property passes to the name of the trustee. When we are acting as an administrator, we put the caveat over the property to protect the individual themselves - we've got the power to do that under -

**Ms ARMITAGE** - That's fine, but when they die?

**Mr LEVIS** - Hold on, I'll get to that; I am just drawing a continuum here so you understand.

**Ms ARMITAGE** - I understand caveats quite well, having been in real estate..

**Mr LEVIS** - When the caveat is placed over the property, it is to protect the individual from selling the property or being exposed to a misappropriation, signing the property over - those sorts of things. The caveat will protect that, it will prevent that. When the person dies, our administration order expires. We no longer have control over that person's financial affairs. That

task passes to the executor of the estate. The property remains in the name of the person; it doesn't pass to the public trustee. The caveat is put in the name of the represented person.

**Ms ARMITAGE** - So it's transferred?

**Mr LEVIS** - No, it doesn't transfer. It remains in the name of the represented person. When they die, the executor steps in and becomes the deceased person, becomes their personal representative, and they then liaise with the Land Titles Office to remove that caveat. We don't have the power to remove that caveat because -

**Ms ARMITAGE** - Even though it was lodged in the name of the Public Trustee?

**Mr LEVIS** - No, it's lodged in the name of the individual because the property remains the property of the represented person. If the Public Trustee took on the role of or was the trustee, then the title to the property and the ownership of that property becomes a trustee asset - the trustee owns it and it's a trust asset. That's not what happens with an administration order. We simply step in and administer their affairs according to the statutory powers under section 56.

**CHAIR** - There may be some confusion.

**Ms ARMITAGE** - There may need to be more discussion with the Law Society of Tasmania.

**Mr LEVIS** - It is not a simple area, and on a weekly basis a lot of lawyers have trouble understanding the distinction between administrator and trustee. They think trustees are administrators and administrators are trustees. They often assume that a trustee is a code of conduct - it's not. It's a bundle of rights and it's a bundle of obligations.

**Ms ARMITAGE** - It's never lodged though in the name of the Public Trustee?

**Mr LEVIS** - It would be lodged in the name of Public Trustee if we owned the property.

**Ms ARMITAGE** - So it's only if you own the property?

**Mr LEVIS** - Only if we own the property, but we don't have the power to put the caveat over the property - well, we do have the power: because we are acting for the represented person, we could grant the Public Trustee the right to put it in our name.

**Ms ARMITAGE** - When would you own the properties?

**Mr LEVIS** - When we are a trustee.

**Ms ARMITAGE** - So, in that case -

**Ms ARCHER** - As opposed to an administrator.

**Ms ARMITAGE** - That's what I mean. In that case, you could lodge caveats in the name of the Public Trustee. When that happens -

**Mr LEVIS** - But we don't.

**Ms ARMITAGE** - I will have to write to the minister of the future. But if you did -

**Mr LEVIS** - If we did, we'd remove the caveat.

**Ms ARMITAGE** - When someone passes?

**Mr LEVIS** - Because we could.

**Mr BENBOW** - Don't we actually put the caveat - and it relates probably to trusts more often than not - where we manage a trust, we buy a property for someone in a trust, so therefore if there is a caveat over the property, you would be as a trustee for them.

**Mr LEVIS** - We don't need the caveat when we are the trustee because the caveat acts as a protective mechanism to stop elder abuse - and I suspect we may get onto this at a later stage. It's to stop people coming in and signing contracts. It's a difficult area of law. If you've got a document, somebody signed over the title to their property, we have to then start dealing with purchasers who are inconvenienced.

**Ms ARMITAGE** - You do not know if the Public Trustee says they will not remove caveats because the person is deceased and they no longer have an interest in a property.

**Mr LEVIS** - We will remove a caveat. If we have the power to remove it, we remove it. There is no reason why we would keep it there.

**Ms ARMITAGE** - Perhaps, I will follow this up and write to you separately with regard to that matter, thank you.

**CHAIR** - It highlights the fact not only does the public need educating, but so do people who work within the law itself.

**Ms ARCHER** - We have continuing legal education.

**CHAIR** - As you said, it is complex and when practitioners with this do not understand it, it makes it pretty difficult for the layperson to understand.

**Ms ARMITAGE** - It does delay the dealings with the properties and makes them more complex.

**Mr LEVIS** - I have been exclusively working in this area now for over 10 years and I learn something new every day.

**CHAIR** - Same as we do.

**Mr WILLIE** - You mentioned elder abuse so we may as well follow on then, if the member for Launceston is finished.

**Ms ARMITAGE** - I can always come back to something else after; that is fine.

**Mr WILLIE** - Some of these questions are probably Guardianship and Administration Board questions, but how does the Public Trustee ensure abuse is not financial abuse and prevent things like that occurring? Do you audit assets and accounts for irregular behaviour? What sort of oversight do you provide as an administrator of assets?

**Mr LEVIS** - When we become an administrator, I will talk about the represented person to start off with. It also goes to deceased estates because we will look back through somebody's affairs prior to their death, because there may be an interest there.

Where we have represented persons, we closely manage and become intimately involved in their financial affairs. This is an issue raised regularly and the member here has asked me a question a couple of years ago about this and we have come back to him with some -

**Mr DEAN** - I had it down again so do not worry; Josh is doing it.

**Mr WILLIE** - I was also asking questions two years ago.

**Mr LEVIS** - The first thing I am happy to report is a good news story in that the amount of elder abuse matters coming through to my desk to my office is decreasing for this financial year. I could probably say it would be somewhere between four and 15. I have done a bit of a thumbnail calculation.

**Mr WILLIE** - How are you measuring that number four to 15. Is that referrals to police?

**Mr LEVIS** - If there is a suspicion of misappropriation, we will report it to the police and we will try to get it reported at the earliest convenience.

**Mr WILLIE** - How many reports for the last financial year?

**Mr LEVIS** - Three. First, we have to substantiate it is a misappropriation. A sister might say one of the sisters took money out of Mum's bank account, and we check it up and it did not happen at all.

We cannot start reporting things to police and you have to be careful with these sorts of things because you are dealing with people's lives. We would investigate. We will look at bank accounts, follow up the family members, talk to carers, those sorts of things to try to substantiate. If we get to the point where we have a reasonable suspicion and substantiation, it will be reported to the police who will follow up on it.

I think the reason we have had a decrease is attributable in a large part to the awareness campaigns. We have the College Policy and Advocacy Committee and Gaylene might talk about that in a moment. We have TV ads, seminars we have participated in and people like Legal Aid, Advocacy Tasmania, Relationships Australia. We have Sarah Bolt at the Equal Opportunity Tasmania. They are doing great work.

**Ms ARCHER** - I can address that strategic part if you like.

**Mr LEVIS** - I have taken part in those seminars. We have gone around Tasmania and the interest in those seminars has been really high and quite intense. People are very interested in it.

It's quite clear that they've greatly appreciated the campaigns and the education. It generates a lot of questions and a lot of interest. That decrease in the numbers is a good news story.

This awareness campaign has also enabled early reporting because people are understanding what elder abuse is. It comes back to the point where perhaps people don't understand their role as a trustee, or if they have a fiduciary duty over somebody else's affairs what they can and can't get involved in. We hear things like, 'Mum or dad would have wanted me to have the money'. That's not the case when you're an attorney or you're managing somebody's affairs.

It's heartening, but I don't think we're going to get rid of dishonesty. I don't think any amount of education is going to get rid of dishonesty, but with the other aspects, it seems to have had an effect.

**Ms ARCHER** - I think it is really important to note that elder abuse takes many shapes and forms. What the Public Trustee can see and do and report about is when it impacts on financial elder abuse. The broader reach of the campaign is identifying when there are other forms of elder abuse. A lot of it is linked. It might be physical, it might be emotional and, of course, financial elder abuse. That type of awareness is similar to raising awareness with family violence matters - something that's been behind closed doors for many years. Elder abuse has been brought into the open. Our strategic plan has been released. In this year's state Budget there was \$850 000 for a number of different aspects of that awareness campaign and to bring it in line with the national plan. There is a lot of work going on in relation to this.

As Attorney-General, it's important to note it crosses a number of different departments in terms of service delivery. Communities Tasmania is heavily involved in this area, as is my department in terms of legislative framework. There's no one silver bullet, unfortunately. If there were, we'd take it. It is something we are making progress on at a state and national level. At the recent Council of Attorneys-General, we had an item on our agenda in relation to consistency for powers of attorney, which is a separate issue in itself, but one that's interlinked to how we manage the affairs of older Tasmanians and Australians.

**Ms HOWLETT** - Minister, the Public Trustee holds a very important role in providing a range of services. Examples are wills, estate planning and trustee services for all of Tasmania. Could you please update the committee on how the Public Trustee is providing these services in rural areas and remote Tasmania?

**Ms ARCHER** - Earlier in the committee we mentioned the service is now statewide. It's important to note the broader strategic plan is to ensure access to services of the Public Trustee for all Tasmanians. That includes a regional service delivery focus as well as having the built offices. In 2018-19 the Public Trustee held planning days in Beaconsfield, Sorrel, Ulverstone, Wynyard, the Derwent Valley, the Huon Valley, Longford, Kingston and St Helens. This financial year, the Public Trustee will hold additional planning days in Queenstown, Rosny and Glenorchy.

In addition to these visits, the Public Trustee holds seminars and provides numerous information videos on its website to assist Tasmanians to better understand the importance of their estate planning. It is obviously in a more simple and easy way to understand. In total, 25 seminars were held in the 2018-19 financial year, with 327 people attending. That is in person as opposed to the web. Will preparation and estate planning can be challenging and daunting for any of us. I am sure the Public Trustee officials around the table would agree, we'd encourage Tasmanians to look at the Public Trustee's website to do that planning at an early stage,

particularly as they can get assistance with navigating that through the Public Trustee. That service provides people with that planning. All too often we leave it until it is too late. I have done so myself with a recent death in the family. It gets you thinking about your own estate planning. I encourage all Tasmanians to take up that offer.

**Mr DEAN** - I will go to my perennial question on security. Minister, where are we with the position of security? When we were last talking to the Public Trustee in this format, they were engaging security staff to come to the building in Hobart to look at the area of security. Where is that now at? What is happening with security in these serviced offices where these arranged meetings are occurring? Have there been any breaches say in the last 12 months or two years? Are there areas of concern?

**Mr BENBOW** - It is a very good question. It is one that the board and management take very seriously. The safety of our people is paramount, as is the safety of our clients.

A couple of years ago we were talking about how we had engaged a security consultant to review our security arrangements. One of the issues I have is there is a security designated person outsourced from MSS in our Hobart office.

**Mr DEAN** - That is still occurring?

**Mr BENBOW** - Still occurring. We changed the service from being purely a security guard to someone who comes into our business and acts as a receptionist. They take phone calls. They are sitting there as a security person but they are effectively also an employee. It is an arrangement we have with the security providers.

The key issue around security is who comes into your building and who doesn't? When people come in to your buildings, how do you manage the security? In our newly refurbished Hobart office a security expert has talked to us about how to lay out the offices, where we place duress alarms, how we deal with the direction of different clients. The more behaviourally challenged of our clients are some of our represented person clients who are having exceptionally difficult times in their lives. That is why they are with us. Things are not always going terribly well and we are sometimes just not able to assist in the areas that they would like us to assist.

The way we structure our offices is that they are within a space and we can get assistance from the Tasmania Police to help us with those who are quite difficult. We do not send our people out to people's homes any more. I found that is an uncontrolled workspace. We don't know the people terribly well, and we don't know their homes and we don't know what's in their homes.

Our Launceston office doesn't have a security guard because the occurrences are almost non-existent.

**Mr DEAN** - Surely you wouldn't want to be waiting for one before you do something about it though?

**Mr BENBOW** - No, but the situation, and the way we have designed the offices, is basically that if there is disruption, you simply move away. There is no way a person can access the site. We have a duress alarm, you hit that button and normally you will get assistance within - not even - a few minutes.



**Ms ARCHER** - There is an entry area before you get into the office in Launceston.

**Mr BENBOW** - That's right. They have all been assessed on that. For example, if you are in an office with a person and the person becomes agitated, you can actually leave the office without the person; you can get out. There is a back entrance.

The bottom line is we deal with people. I'd hate to think we'd get to the point where we only talk to people through a pane of glass. I think we need to understand that bad behaviour is the minority. The majority of our clients are beautiful people - it's not an issue - but the safety of our people is paramount.

**Mr DEAN** - Have there been any security breaches in the last two-year period?

**Mr BENBOW** - Not breaches, but we have incidents. We report to our board every month. From a work health and safety perspective, we have a rigorous program where we have what we call 'security incidents'. If someone fires off - we had someone a couple of years ago trying to insert the Christmas tree through the reception area. That's an incident. What was the outcome? Was anyone injured? I couldn't give you the exact number in the last year, but I'd say, on average, we would probably have one or two incidents a month.

**Ms ARCHER** - You certainly get verbal abuse, phone calls and things like that as well.

**Mr DEAN** - Has there been a need to call the police in that period?

**Mr BENBOW** - Yes, last week we had the police in.

**Mr DEAN** - For verbal abuse or physical abuse?

**Mr BENBOW** - It's all of the above. People become very agitated - and this is not everybody, but some of our clients are really challenged. They are dealing with addiction or they are dealing with the consequences of coming off addiction; a lot of our clients are dealing with mental illness. People who are in that situation, when they also have the consequence of having no money, for example, and we are not a bank, we can't give people money where we have no money, and to some people that's a response they can't deal with.

**CHAIR** - I don't think the bank gives you money if you haven't got any money, either.

**Ms ARCHER** - Sometimes people who have no legal right can get very agitated as well when they say they represent the person when they obviously don't, and they get agitated when they are told by the Public Trustee that 'No, we can't release that information to you'. I'm not suggesting that is a security breach, but you do get some nastiness when people don't like being told the legal situation.

**Mr DEAN** - Have any staff had to take leave or workers compensation as a result of any of these security issues?

**Mr BENBOW** - I would say we have instances where our staff end up taking leave as a result of stress. Let's not beat around the bush, it's not an easy job. One of the things we are doing to improve the ability for our staff to be resilient is providing training, counselling support,

that sort of thing. Probably the most important thing we are starting to do now is, when we employ people, undertaking psychometric testing of their capacity to deal with those types of situations so that we are creating a front office environment of people who are, first, inherently resilient, and then we are training them in how to deal with de-escalation. Rather than having to manage everybody's mental wellbeing in the situation, let's try to get a front office environment where we have almost specialists dealing in this space.

**Mr DEAN** - Are there any workers currently off on workers compensation?

**Mr LUCAS** - We have one and she is on a return to work plan. There have been other claims put through, but they have been passed or haven't proceeded. There is one on at the moment.

**Ms ARCHER** - It is worth noting across businesses these days in particular, our government business enterprises, mental health focus is really at the forefront now of not only employment, but also continuing education and training and making sure everybody's workplace health and safety is taken care of to minimise these types of situations as best we can. It has certainly been a focus across government and it is pleasing to hear the Public Trustee is putting that at the forefront of all employment situations.

**Mr DEAN** - The tough job is recognised.

**CHAIR** - Before I move to Ms Armitage who has a question in regard to the CSO, can we have the cost of the refurbishment of the Launceston office?

**Ms ARCHER** - Mr Lucas might be able to inform you.

**Mr LUCAS** - I will take that one on notice and report back the exact figure, but it is about \$200 000 dollars.

**Ms ARMITAGE** - Regarding the community service obligation agreement, there is an increase of government funding each year to 2022-23. The 2018-19 Public Trust annual report states the CSO obligation with the Crown no longer requires the Public Trustee to report on specified performance indicators. I understand that the Public Trustee continues to monitor key performance indicators related to CSO delivery. What are the reasons behind the removal of the former performance indicators?

**Mr BENBOW** - Glenn is probably best to talk about our relationship with Treasury.

**Ms ARMITAGE** - I wonder why the Crown no longer requires the Public Trustee to report.

**Mr LUCAS** - Let's not get confused with the KPIs in our annual report. That is through our statement of corporate intent, the agreement we have with government in terms of what we are going to do and are the financial and non-financial performance indicators. That is an agreement we have with government. Our last agreement with Treasury had KPIs in it and they had been in there for quite a long time.

**Ms ARMITAGE** - It is government money.

**Mr LUCAS** - That is true; it is government money. So, the current agreement, which expires in 2020, was a new style of agreement. Treasury revamped the style of agreement in terms of the style of the document. They took out the KPI requirements, but put in a certification instead. Each year I have to certify - I am specifically named in it - that the funds are being used in accordance with how it has been given. It is actually on me in some respects.

**Mr BENBOW** - We effectively maintain the KPIs in the old agreement, so the CFO is able to certify to Treasury we have expended the funds in accordance with the agreement.

**Mr LUCAS** - There is a change in style of how the agreement is being struck and was driven by Treasury. We were quite happy to proceed with the KPIs and, as David mentioned, we still monitor those internally.

**Ms ARMITAGE** - The buck stops with you now.

**Mr LUCAS** - Well, yes, but I have protection so do not worry.

**CHAIR** - The chairman of the board should be the one who takes the heat.

**Mr LUCAS** - We still monitor those internally, it is just we do not have to report them to government.

**Ms ARMITAGE** - Looking also at the annual report, the 2018-19 actuals for the number of new wills written. The target was 549 in 2018-19, but the actual was 340. Is there any understanding of or reason for why people are not having new wills written with the Public Trustee? Do you have any reason? Obviously, if the trend continues, it is to the detriment of the Public Trustee?

**Mr BENBOW** - We probably need to take a little bit of a journey on will writing at the Public Trustee. Traditionally the Public Trustee offered free wills. So, you come to the Public Trustee -

**CHAIR** - Free at the front end, not the back end.

**Mr BENBOW** - The actual will writing is free. If you do not have money at the back end, it is also free.

**Ms ARMITAGE** - I thought I paid when I came to them, but anyway that is all right.

**Mr BENBOW** - I am about to move to that exact point. We went through a fairly significant marketing review as to how we actually could increase the value of wills written at the Public Trustee. In the past, it was more about how many wills we were writing but the bottom line was three-quarters of those wills were worthless. Where we have lawyers writing wills, it is quite expensive and we're never going to get the opportunity to administer those wills.

The strategy was that we needed to create a perception of value and expertise. That's the journey we've gone on. We are very good estate planners. We're experts in the field because that's what we do day in, day out. That's the proposition that we're putting to market. We also put a value to the product so we still offer concessional wills. People who hold a pension card or are Commonwealth government pensioner will receive a concessional will.

Those who have the capacity to pay, pay, but it creates the ability, particularly in the market we're looking to attract - which is the 34- to 49-year-old female group who are really the custodians of all things that get done in households -

**Ms ARCHER** - We spoke about this last time I think.

**Mr BENBOW** - It's a fact. They are the people we want to attract because it's right in the prime time when they should be dealing with their estate planning and powers of attorney. That group is very good at understanding value, and they don't understand value when something is free. It's not expensive but it allows us to attach value. I've seen in a previous life that the number of wills you write goes way down because, instead of having a rump of clients who come in every year to amend their will by a very small bit - 'Auntie Dot isn't going to get that towel rack anymore because she upset me. It's going to someone else.'

**CHAIR** - Because they fell out at Christmas time.

**Mr BENBOW** - That's it. She's out of the will. You only get that opportunity one in five years. You can come in once in every five years and revise your will, otherwise you pay for it.

**Ms ARMITAGE** - The revised wills is a different list you have here, isn't it? The revised wills as opposed to the new wills.

**Mr BENBOW** - In the new will space, we've deviated from a long-held tradition of not allowing external parties to be executors to a will. You always had to have the Public Trustee as the executor of your will. We now have the ability for people to nominate someone else as the executor. You might nominate us as the substitute. That then takes us into another, as Glenn would say, journey of discovery, which is how do we then attract those people who are going to be executors of wills to the Public Trustee? How can we provide services to them?

We are looking at concepts such as 'Executor Assist'. For example, if we were to establish a will bank for the state in the Public Trustee, which is one of our strategies, and we're storing a whole lot of wills for a whole lot of people, how do we deliver our services when those people come in to retrieve wills? They're the executor and have no skills in administering estates.

**Ms ARMITAGE** - How many live wills would you have?

**Mr BENBOW** - About 28 000, I think, is the number. They're live but who knows.

**Ms ARMITAGE** - I guess it's hard to know. I'm probably as guilty as anyone. I think I have a will with you that's been replaced so I really tell you that it is no longer relevant. People make a will quickly because it's easy and then take their time with a lawyer later on and forget to tell you or don't get around to telling you that the will's outdated.

**Mr BENBOW** - We have a marketing program where we periodically start working through the numbers of wills writing out to people every five years saying that we're still here, we still have your will. Is everything all right? Do you need to come in?

**Ms ARMITAGE** - Maybe you should email.

**Mr BENBOW** - I think we do. We're moving toward SMS as well.

**Mr DEAN** - When we covered the initiatives to grow the business, what opportunities are there to do this? I guess it's selling opportunities in relation to wills and so on. What other areas are there that the Public Trustee can move into? Are there any other areas?

**Ms ARCHER** - Did the Chair wish to talk about a strategic overview first? I can get the CEO.

**Mr SCANLON** - David touched a minute or so ago on a thing called 'Executor Assist'. This is a concept we are looking at putting in place where, if we are the executor and say, 'The minister is', she could come to us and say, 'Can you help me with this?'. A lot of people will go to solicitors for this service so what we see there is a market for us to offer a PAYG service helping people administer estates.

**Ms ARCHER** - I recently have been. It is not easy and I have legal experience too.

**Mr SCANLON** - That is one example. The other strategic issue was about presence in the market. We spent a lot of time talking about that earlier, about having a visible presence in the north - half the population live north of Hobart. It was important that we had, as David pointed out, a presence, that we were around the corner.

**CHAIR** - In the back bedroom.

**Mr SCANLON** - Yes, pretty much, whereas now we do have - yes, it was the carpark.

We now have a physical presence and we're rolling that out. David has been explaining that we are looking for better visibility on the north-west. It is one about product development but the other is about market presence. Those two things combined are what we see as being able to become a larger business.

**Ms ARCHER** - Using modern technology, which has been touched on, is critical in the current environment.

**Mr SCANLON** - That is flowing through; we are seeing the efficiencies from having much better use of technology.

**Mr DEAN** - That brings me to another question. It has been brought to our attention that delays in responding to executors or firms acting on behalf of executors can introduce complexities in what should be simple estate administration matters. There are concerns - we raised this before on previous GBE sessions - about the time it takes to action a lot of these matters, they seem to go on forever and a day. There seems to be no good reason for that to occur, but this has been brought to our attention again.

**Ms ARCHER** - I can say at the outset that the majority of matters get settled within six to twelve months.

**Mr BENBOW** - The standard is nine months.

**Ms ARCHER** - I think as members of parliament we hear about cases where there are other complications. Mr Levis is probably able to address the types of scenarios where there can be delays. They are actually a rare occurrence rather than a common one. We get the wrong impression because we get the complaints as members of parliament at that other critical stage.

**Mr BENBOW** - Just before Tim starts, I will put it in context. In 2018-19, we closed 223 action estates; of that 223, our standard is within nine months. We met that at 85 per cent and the balance, where there might be slight complications, are dealt with under 12 months. What we are talking about here are very much in the minority. Tim will talk about in terms of the complex nature of some of these matters.

**Mr LEVIS** - You used the words 'action matters'. Very quickly, what happens is there is a grant of probate and the executor takes on the administration of the estate. If the beneficiaries or parties who think they have an entitlement to the estate want to get involved, the role of the executor changes in some respects. If all the beneficiaries take a unanimous view that they do not want the executor to go down the path directed by the will, case law tells us we can't. On these longstanding estates there is one characteristic that seems to run across all the longstanding difficult estates to administer that I have on my desk. That is, these are wills that have not been prepared by the Public Trustee - we have inherited them.

I can think of three we have at the moment that are very big, longstanding estates mired in litigation. They are wills that were not prepared by the Public Trustee. I suspect they did not have good advice when they prepared their wills.

**Mr DEAN** - When the Public Trustee receives a will that has not been prepared by the Public Trustee and you can see the errors, wouldn't the Public Trustee go back to those people and explain they can see a lot of legal implications and issues and problems with it?

**Ms ARCHER** - I think that is sometimes impossible.

**Mr LEVIS** - We do, but if we get appointed by the court, we didn't create the problem, we're trying to fix it. We didn't volunteer for it. Sometimes we try to resist because we can see it is going to be a lawyers' picnic. I can tell you with my hand on my heart, I do my best to try to preserve these estates and prevent them from becoming lawyers' picnics and try to bring the beneficiaries together. I could bring dozens of beneficiaries along where we have had meetings. I had one a couple of weeks ago. It had gone on for years. I got the parties together and the response was, 'I like your style'. We resolved it on the spot.

**Ms ARCHER** - The ultimate aim is to fulfil the wishes of the deceased. The beneficiaries are disputing exactly what that is. Sometimes it is impossible to resolve that without a court order.

**Mr LEVIS** - Some of these cases, when they turn into testator family maintenance cases, as my dear old deceased dad said, the litigation just eats its head off and the estates get wasted. We do our best to prevent that. Sometimes the parties want to go on. We have to take on the role of Switzerland because we are bound by the beneficiaries. We have to let them fight it out. Until they settle it, or the court settles it for them, our role as executor is, like I said, one of Switzerland. We have to stand back and watch it.

**Ms ARMITAGE** - Regarding estates where the Public Trustee has been the administrator, is there an agreed communications protocol in these cases, that you include a summary, that you include a copy of the trust ledger? How does it work?

**Ms CUNNINGHAM** - I run the Trustee's client services delivery team. In relation to estate administration we generally have a first meeting with the beneficiaries. At that point the communication strategy is agreed with the beneficiaries.

**Ms ARMITAGE** - I have been told that the trust ledger is very difficult for a layperson to decipher.

**Ms CUNNINGHAM** - Are you talking about the statement of account at the end?

**Ms ARMITAGE** - Yes, that you would forward on. Even the legal advisers find it very difficult. You do not dispute that?

**Ms CUNNINGHAM** - That is new feedback to me.

**Ms ARMITAGE** - Maybe I need to give a fair bit of feedback to the minister.

**Mr BENBOW** - I think it is fair to say we use a system called TACT. It is a trust ledger system for deceased estates. It lists what the assets are, when they are bought, when they are sold, what the fees are, what are the charges. We have been using it since Adam was a boy and this is completely new feedback.

**Ms ARMITAGE** - I have been told trust ledgers can be difficult to follow and do not make matters simple.

**Mr BENBOW** - Everyone has an opinion.

**Ms ARMITAGE** - This is legal people; - I thought they'd have an understanding.

**Mr LEVIS** - Lawyers are not often good with numbers.

**Ms ARMITAGE** - I am not sure about that.

**CHAIR** - They are when they send their accounts.

**Ms ARCHER** - Always happy to follow up, if you or the body can write.

**Ms ARMITAGE** - Yes, I will. I just wondered whether there was a normal communication protocol that you would follow.

**Ms CUNNINGHAM** - That is agreed with the beneficiaries and each set of beneficiaries are different and each set of circumstances are different.

**Mr WILLIE** - I appreciate this might not concern the Public Trustee, but the Tasmanian Law Reform Institute was undertaking a review of the Guardianship and Administration Act. Has that review been completed and are there any implications in this for the Public Trustee in how it conducts its business?

**Ms ARCHER** - Yes. I cannot turn up my notes, but I can do it off my knowledge. They have completed that and it runs to something like 600 pages, and there are numerous recommendations in relation to Guardianship and Administration Board matters. We also need to examine what has been done in other states. Certainly, the determination of attorneys-general around the country is we have as much as consistency as possible in relation to how these sorts of things are dealt with.

I have been in regular conversations with both the Guardianship and Administration Board and the Public Guardian and we are considering the Tasmanian Law Reform Institute's recommendations, which are with my department for a thorough review as to how we would go about implementing those.

There are numerous recommendations, which require quite a significant amount of reform in the area to do with Guardianship and Administration Board matters. Obviously, we take it on board the very sensible suggestions.

In relation to how it might impact on the Public Trustee, some other jurisdictions have already started to amend some of their provisions without a proper cost assessment. They are now discovering it is a significant cost impact in the order of, we have worked out for the Public Trustee, around about an 80 per cent increase.

These things need to be taken into consideration, not only in the context of the reform and what that might look like in close consultation with stakeholders, of course. That is quite a significant amount of body of work that needs to be done, but we are committed to that process now underway. I can confirm the department is actively looking at that, but also to properly look at the impact it might have on an organisation like the Public Trustee.

I know Mr Benbow might wish to add further, but they are very happy for us to be undertaking this work thoroughly so that we know exactly what to expect in terms of the impact on the Public Trustee. There is definitely a connection with the Public Trustee.

**Mr BENBOW** - We are comfortable with the conversations we have had with the Attorney-General around how this legislation will evolve. As stated in other states, there have been impacts to the service delivery model of public trustees who tend to deliver the majority of this type of work. It really comes down to the human rights convention's view on wills and preference, and we are currently a substitute decision-maker, so if we take on a represented person, we make decisions on their behalf. We do consult, but we are not compelled.

Under a revised legislation of human rights agenda - which we fully support - it talks about will and preference. So, we have to - in a very formal way - attempt to understand what that person would want to do with their life, particularly regarding financials; the Public Guardian will be working very hard in the lifestyle area and the Guardianship and Administration Board sits over the top.

What it will mean is more contact with clients and that is a good thing, not a bad thing, but that is a layer of costs to your business.

**Ms ARCHER** - The general flavour is handing back to ensure the wishes of that represented person are at the forefront and involved more in the process. Ensuring they might lead to a



situation where they no longer need the assistance of the Public Trustee. Some people always will - for example, someone with dementia because they are not going to recover from the decline - but there may be situations where they do not require it long term, so the motivation for this to respond in a more modern way. The current Guardianship and Administration Act is over 20 years old, so it is timely to update and modernise how it operates, to reflect modern values as well. We want people to have autonomy as much as possible in the management of their affairs, but there are situations where they're just not capable of doing that. Having said that, even in those situations, I know the Public Trustee takes this approach already in trying to ensure that they do have as much say as possible, where possible.

**Mr BENBOW** - An important part of this proposed legislation is that the Public Trustee becomes a last resort. In other words, there'll be an onus on the Guardianship and Administration Board to search more widely for people to assist people in their lives rather than in an institution. That will add a layer of cost to the Guardianship and Administration Board because they will need more people to be able to undertake this sort of work.

We're confident the legislation in other states is good for the people that it's intended for, and we have assurance from the Attorney-General that hard work will be undertaken prior to amendment of the current legislation to ensure we understand likely impacts on various stakeholders.

**Ms ARCHER** - Yes. We don't want to rush it but we are prioritising it at the same time. It's quite a body of work to be looked at. It's not a small area of law.

**Mr WILLIE** - Will we expect a bill next year?

**Ms ARCHER** - I wouldn't like to set a time frame on a bill, but certainly we will go out for consultation on something first, as we would always do for something that's significant reform. We're certainly looking at it as a project for next year. The department is already looking at it. I'll be guided by them in terms of when they're ready to report in relation to the significant number of recommendations of that 600-page report, knowing that they have a lot of significant reform they're dealing with. We have a mini project team on this already.

**Mr WILLIE** - It sounds like this work will complement schemes like the NDIS where there's an emphasis on agency.

**Ms ARCHER** - Possibly, in that there's a lot of cross-agency work required in this space. As I said with respect to elder abuse, it's not just the Department of Justice, it's also the Department of Premier and Cabinet and Communities Tasmania. It's the same with family violence - it's so many different departments. When that occurs, we put working groups together to ensure that each department is consistent in the way it might deal with something, and that there's this oversight and overview of any legislation required, what funding is required, when education or other service provision is required, and in terms of budget requests as well. Quite a significant amount of work is required in these types of areas.

Guardianship and Administration in itself is a very big area of reform which we are determined to get right because increasingly it is impacting so many Tasmanians, either directly or indirectly through a family member, unfortunately, because of the increase in dementia and other terminal illnesses.

**Mr WILLIE** - By agency, I meant an individual agency is working to complement that.

**Ms ARCHER** - Yes, and certainly for the NDIS, now that it's rolled out and has entered into this area as well, it's essential that work is done in relation to what service provision they provide and if, for example, the Public Trustee is acting for a represented person, they know what's going on in that space.

**Mr DEAN** - I ask this question and I'll make sure I get it right; for accuracy I'll quote it -

It's common that in a response from the Public Trustee firms also receive a copy of the trust ledger. The trust ledgers can be difficult to follow and they're not making it -

**Ms ARMITAGE** - I've just asked that question.

**Mr DEAN** - Oh, you've asked it? Oh, sorry.

Minister, I don't know whether the area of complaints has been covered. I don't want to be negative about this, but have any common areas of complaints been raised with the Public Trustee Office? If there are, what has happened in relation to those issues and how far has that gone?

**Mr BENBOW** - Rod Clifford is our manager of risk and compliance.

**Mr CLIFFORD** - When it comes to complaints, we promote clients who make complaints to us. I am a little bit disappointed that some of the issues you are talking about have not been referred to us as complaints because I am sure we would have been able to settle them very quickly. We have a comprehensive complaint process, which is advertised through our internet site and brochures in our branches. At times of administration, we ensure we tell our clients that if they are not satisfied with the service provided, they can make an official complaint that will be investigated by the Public Trustee. We will provide a written response. We also advise the beneficiaries or clients that if they are not satisfied with our response, they have the option to then take it to the Ombudsman's Office or the Guardianship and Administration Board.

In the last financial year we had 14 complaints. Eight were substantiated and six were not substantiated. The most common area I see in the complaints coming through is communication and the expectation of communication in a reasonable time. Sometimes that communication is delayed because of internal issues. That might be staff shortages or absenteeism. The complaints process enables us to review the complaints, especially the substantiated ones, to see where the shortcomings are and then make the necessary improvements.

Communication is the primary one. It can be an issue of the experience of the person dealing with the estate. The expectation may be that communication is provided in a quicker period than expected. With Facebook and telephones, people expect responses almost immediately, where in fact there are times when responses will be in weeks rather than days. Our service standards available through the Estate Administration Service clearly identify that any telephone calls will be responded to within 48 hours, and written communication generally within five working days. The complaints will provoke a response within 15 working days. We will notify the complainant that we have received their complaint within 24 hours.

**Mr DEAN** - Are there any matters with the Ombudsman's Office?

**Mr CLIFFORD** - Not presently. We have had four to five referrals through to the Ombudsman's Office post our reports. Each of those had preliminary investigation by the Ombudsman's Office. We were exonerated on each occasion. So, the Ombudsman's Office has not been able to see any maladministration by the Public Trustee. In the last complaint that went to the Ombudsman's Office, we offered to sit down with the complainants; it was all based around communication. We offered them the opportunity to come in and sit down with the manager of personal services team, the client account manager, myself if necessary, and go through the entire process. The complainant decided they did not want to do that. We are very aware of complaints and answering them in an independent manner.

**Mr DEAN** - I realise that number of complaints is small when you look at the amount of work you do.

**Mr LEVIS** - And the type of work as well.

**Mr DEAN** - And the type of work. You are right, absolutely right.

**Ms ARMITAGE** - I'm assuming all those complaints are not to do with the community service obligation agreement, so why are they the only ones you list in your annual report?

**Mr BENBOW** - I think they are the only ones we are required to, aren't we, Glenn?

**Mr LUCAS** - You might recall we spoke about the CSO agreement and the KPIs specifically reporting against the CSO.

**Ms ARMITAGE** - I understand that, but in an annual report, it seems strange you wouldn't list the other complaints, that you only list the ones that you have to under the agreement. The heading is 'Complaints'. The heading isn't 'CSO complaints'.

**Mr LUCAS** - It is in the context of the CSO agreement in that section of the report. You are right; we do not report commercial complaints.

**Ms ARMITAGE** - Is there a reason you don't? Or you do not think it would be a good idea to report complaints overall to give a clearer picture, more transparency?

**Mr BENBOW** - I must admit in any organisation I have worked in in the private or public sector, it is unusual to include a section on complaints. The only reason we would include a section -

**Ms ARMITAGE** - It does give transparency, that's all.

**Mr BENBOW** - It gives transparency, but it does not give context.

We need to remember we are not in a position of being able to disclose the nature of a complaint. In fact, it is a criminal offence to disclose anything that relates to a represented person so our ability to defend ourselves is almost zero. The ability to attack is 100 per cent. So the bottom line is that we include what we were required to in terms of our CSO agreement. We believe our transparency is very much with our board and with our shareholder ministers.

## UNCORRECTED PROOF ISSUE

**Ms ARCHER** - They should be disclosed for the CSO because that is for the community service obligation part of it. I think we need to draw that distinction as to why that is disclosed and the other private matters are different.

**Ms ARMITAGE** - I thought you might have those as well. I noticed it was 22 in 2017 and I recall from *Hansard* from last year that the minister was -

**Ms ARCHER** - You would be listing raw data without being able to provide an explanation on what occurred on each occasion.

**CHAIR** - Thank you very much, minister. There are no further questions from the committee. I would like to thank you and thank everybody for their attendance today. We thank you for their time and we wish you all the best.

**Ms ARCHER** - Thank you for your interest. It is always a good discussion when we appear before the Legislative Council. I am sure all the members at the table agree.

**The Committee suspended at 12.57p.m.**

# UNCORRECTED PROOF ISSUE

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

## LEGISLATIVE COUNCIL

### GOVERNMENT BUSINESSES SCRUTINY COMMITTEE B

**Friday 6 December 2019**

#### MEMBERS

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

#### IN ATTENDANCE

**Hon. Michael Ferguson MP**, Minister for Infrastructure

#### Ministerial Office

**Daniel Gillie**, Chief of Staff  
**Jodi De Cesare**, Adviser

#### TT-Line Company Pty Ltd

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

**The Committee resumed at 2 p.m.**

**CHAIR** (Ms Rattray) - Good afternoon, Minister.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Mr WILLIE** - You're saying it is unacceptable.

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

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

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



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

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

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

**Mr GRAINGER** - Ultimately.

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

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

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

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

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

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

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

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

passenger vehicles from freight. That gives us much more efficient loading and discharge, and a better passenger experience.

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

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

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

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

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

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

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

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

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

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

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

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

In the new vessels, the new design is that the pet area is actually accessible by pet owners throughout the whole voyage. At the moment, we cannot let pet owners down with their pets due to IMO regulations once the decks are locked on that low deck. The new vessels will have areas that the passengers can go up and down to, much closer, to look at those areas.

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

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

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

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

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

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

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

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

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

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

**CHAIR** - Is the company still hedging the fuel?

**Mr DWYER** - Yes.

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

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

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

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

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

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

**Ms ARMITAGE** - The southern community involvement?

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

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

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

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

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

**Ms ARMITAGE** - Your platinum or premier partners?

**Mr DWYER** - We are naming those sponsors in Tasmania.

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

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

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

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

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

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

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

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

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

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

**Mr GRAINGER** - It is purely commercial.

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

**Mr GRAINGER** - But it will come down to dollars.

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

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

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

**Mr GRAINGER** - Does it say there what Canterbury spends?

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

**Mr GRAINGER** - No, but that is irrelevant.

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

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

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

**Mr DWYER** - That is correct.

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

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

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

**Ms ARMITAGE** - Are you paying extra for AFLW?

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

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

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

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

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

**Mr DWYER** - Is the figure in the annual report?

**CHAIR** - Yes.

**Ms ARMITAGE** - Should sponsorship be readily available?

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

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

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

**CHAIR** - The committee sourced the information.

**Ms ARMITAGE** - Out of publicly available documents.

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

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

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

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

**Mr DWYER** - We have not released it.

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

**CHAIR** - We did not make it up.

**Ms ARMITAGE** - We did not make it up.

**Mr GRAINGER** - No-one is suggesting you did.

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

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

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

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

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

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

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

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

**Mr GRAINGER** - Yes.

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

**Mr GRAINGER** - Absolutely.

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

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

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

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

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

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

The figure you are asking me for is 68 per cent. TT-Line advise that 68 per cent of all food used on its vessels is supplied through Tasmanian suppliers. A selection of Tasmanian wines, ciders and beers is also offered throughout the *Spirit of Tasmania's* bars and dining options. The



wine menu is over 65 per cent Tasmanian, so providing some choice, but certainly a much heavier opportunity for Tasmanian products.

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

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

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

**Mr FERGUSON** - Absolutely.

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

**Mr DEAN** - Both freight and passengers?

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

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

**Mr FERGUSON** - No, they are up.

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

**Mr FERGUSON** - Yes.

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

**Ms HOWLETT** - I have a follow up on that.

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

## UNCORRECTED PROOF ISSUE

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

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

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

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

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

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

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

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

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

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

**Mr DWYER** - That's a 53-week -

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

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

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

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

**CHAIR** - That's what I said.

**Ms ARMITAGE** - I'm just pointing out that -

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

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

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

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

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

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

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

**Ms HOWLETT** - How far in advance can you book?

**Mr DWYER** - Up to 12 months in advance.

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

**Mr GRAINGER** - You have mentioned a figure of 900.

**CHAIR** - I did.

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

**CHAIR** - Yes.

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

**Ms ARMITAGE** - You mean we pay more than that?

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

**Ms ARMITAGE** - We pay more than that?

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

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

**Mr GRANGER** - Too much.

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

**Mr GRAINGER** - As the CEO referred to earlier -

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

**Mr GRAINGER** - I'd like to finish.

**Ms ARMITAGE** - Fine.

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

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

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

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

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

**Ms ARMITAGE** - I accept that.

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

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

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

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

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

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

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

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

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

**Mr GRAINER** - Thank you for saying so.

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

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

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

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

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

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

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

**Mr DEAN** - Okay, I thought you might.

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

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

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

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

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

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

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

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

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

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

**Mr DEAN** - That is the cost.

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

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

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

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

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

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

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

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

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

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

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

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

**Mr GRAINGER** - Are you referring to Damen?

**CHAIR** - Yes.

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

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

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

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

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

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

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

**Mr GRAINGER** - None, whatsoever.

**Mr DWYER** - They'd like to be.

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

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

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

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

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

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

**Mr GRAINGER** - We are aware of that.

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

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



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

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

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

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

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

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

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

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

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

**Mr GRAINGER** - I respect that.

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

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

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

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

## UNCORRECTED PROOF ISSUE

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

**Mr GRAINGER** - Which company?

**Mr WILLIE** - FSG.

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

**Mr DWYER** - Possibly.

**Mr WILLIE** - You are not across the timeline?

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

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

**Mr DWYER** - No.

**Mr WILLIE** - When will that first payment take place?

**Mr GRAINGER** - When we receive refund guarantees.

**Mr WILLIE** - Refund guarantees.

**Mr GRAINGER** - Absolutely.

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

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

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

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

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

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

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

**CHAIR** - If they can't deliver.

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

**Mr GRAINGER** - When they provide refund guarantees.

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

**Mr GRAINGER** - There are trigger points within the contract.

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

**Mr GRAINGER** - I can't tell you that.

**Mr WILLIE** - Why not?

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

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

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

**Mr WILLIE** - When is that certain time?

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

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

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

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

By the way, I have been on that side of the table, I understand the need to scrutinise government and GBES; I completely respect that and indeed where your questions are coming from, Chair, Mr Dean and Mr Willie. As much as we may wish to or like to be able to answer

those questions and provide the necessary reassurances that an MP might like to have, we also operate within the law and in our advice about what is appropriate and lawful for us to share. It's with that in mind that we deliberately come to the committee today with clear statements prepared, including the one that no money will change hands unless a refund guarantee is in place to protect the taxpayers' interests, which I know you are also seeking to do.

**Mr WILLIE** - Minister, I have not finished yet.

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

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

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

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

**CHAIR** - I think they have made their position clear.

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

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

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

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

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

**Mr WILLIE** - They will need to seek legal advice.

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

**Mr WILLIE** - Who is making a reckless statement?

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

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

**Mr FERGUSON** - I am not sure.

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

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

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

**Mr DEAN** - I think they said they would.

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

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

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

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

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

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

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

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

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

**Mr WILLIE** - So you are expecting the ships?

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

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

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

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

**Mr DEAN** - By 2021?

**Mr FERGUSON** - Yes, exactly.

**CHAIR** - What time in 2021?

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

**Mr GRAINGER** - March 2021 for the first ship.

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

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

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

**Mr DEAN** - Thank you.

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

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

**Mr GRAINGER** - About 40 per cent larger.

**Mr ARMSTRONG** - Will you need more crew and staff?

**Mr DWYER** - Certainly, in the longer term that's the potential. We've increased the capacity. I can't remember off the top of my head, but we have increased the number of crew cabins on the new vessels in anticipation of that. Obviously, to provide the service to our

passengers, if we're taking upwards of 1800 passengers and not 1400 passengers, for example, on a full day, we will need to make sure we provide the proper service to those passengers.

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

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

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

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

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

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

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

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

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

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

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

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

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

**Mr DWYER** - ACOM are experts in marine engineering.

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

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

**Ms ARMITAGE** - Bevington Group, operations process review?

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

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

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

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

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

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

**Mr DWYER** - They were the best.

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

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

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

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

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

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

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

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

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

**Mr DWYER** - They are maritime lawyers.

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

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

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



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

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

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

**Mr DWYER** - What was the amount for that?

**Ms ARMITAGE** - Sixty-six thousand dollars.

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

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

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

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

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

**Mr DWYER** - That is annual, not monthly.

**Ms ARMITAGE** - It says monthly here.

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

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

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

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

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

**Ms ARMITAGE** - I appreciate that minister -

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

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

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

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

**Mr FERGUSON** - We will take it on notice.

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

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

**Ms ARMITAGE** - It is 21 return trips?

**Mr DWYER** - We do not leave people overseas.

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

**Mr FERGUSON** - I will take that on notice.

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

**CHAIR** - It would be if the minister were going.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Ms ARMITAGE** - I have only ever travelled economy.

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

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

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

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

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

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

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

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

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

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

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

**CHAIR** - That was only from November.

**Ms SAYERS** - Yes.

**CHAIR** - That was only a portion of the year.

**Ms SAYERS** - Yes.

**CHAIR** - That covered the whole lot?

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

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

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

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

**Ms SAYERS** - No.

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

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

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

**Ms SAYERS** - No.

**Mr WILLIE** - Okay.

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

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

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

**Mr GRAINGER** - Yes, we do.

**CHAIR** - That's in a separate fund?

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

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

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

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

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

**Ms SAYERS** - TT-Line cash balances?

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

**Ms SAYERS** - A significant portion of that is being managed by TASCORP so we have that being held as what we call restricted funds. It is being held and managed and is earning interest with TASCORP. Then the balance is TT-Line-controlled cash balances. We have a mixture of

mainly shorter term investments with a number of different counter-parties just to manage our day-to-day cashflows. The bulk of that is our cash but it's being managed by TASCORP.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Mr GRAINGER** - Mr Dean, you will know better than most around the table what we need to be mindful of. The company works really closely with the local police, the federal police and = security agencies like ASIO. The company has a full-time security manager who is an ex-detective, and it is an ongoing process. I will let the CEO elaborate if he chooses to, but we have to be mindful as you have alerted us to in the past and rightly so. What I can say is the company does treat security very seriously. Again, security is a broad agenda item every month, so we are kept abreast of everything that happens on our ships. Some things we simply are not allowed to

## UNCORRECTED PROOF ISSUE

discuss because it would breach security and put people at risk. I as chairman am very comfortable the company is doing a lot behind the scenes in terms of security. Incidents of drug busts and things like that, I cannot go into, but maybe Bernard can elaborate a bit more.

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

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

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

**Mr DWYER** - It depends on your definition.

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

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

**Ms ARMITAGE** - Do you have your own detector dogs?

**Mr DWYER** - No, we don't.

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

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

**Ms ARMITAGE** - Why would it be a bad idea?

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

**Ms ARMITAGE** - They bring the dogs?

**Mr FERGUSON** - They do.

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Mr DEAN** - It is just an idea.

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

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

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

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

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

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

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

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

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

**Mr FERGUSON** - Does that come in the email responses?

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

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

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

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

**Ms SAYERS** - Yes.

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

**Ms SAYERS** - We had carried forward tax losses.

**Mr WILLIE** - Tax losses.

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

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

**Mr WILLIE** - Then they run out.

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

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

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

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

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

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

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

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

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

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

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

**Mr GRAINGER** - No, we carried forward losses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Ms ARMITAGE** - Perishables or non-perishables?

**CHAIR** - Yes, were taken on -

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

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

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

## UNCORRECTED PROOF ISSUE

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

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

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

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

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

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

**Mr GRAINGER** - Okay.

**CHAIR** - Which is time-sensitive.

**Mr GRAINGER** - Of course.

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

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

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

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

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

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

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

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

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

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

**Ms ARMITAGE** - It is awful to think that some -

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

**Mr DWYER** - But it is not freight.

**Ms ARMITAGE** - It was an interesting one.

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

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

**Mr GRAINGER** - I have never heard of that.

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

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

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

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

**CHAIR** - I understand that, thank you.

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

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

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

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

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

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

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

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

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

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

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

**CHAIR** - We have had about seven since then.

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

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

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

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

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

**Mr DWYER** - No, every day.

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

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

**Ms ARMITAGE** - Do they have their dogs as well?

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

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

**CHAIR** - Minister, we have exhausted our questions.

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

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

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



## UNCORRECTED PROOF ISSUE

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

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

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

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

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

I add again that we have been as open as we are lawfully able to be. Already, there are statements flying around which are just unhelpful. What we are seeking to do here is to provide Tasmanians with the vessels they are entitled to, noting all of the taxpayers' concerns are being protected dutifully with the best legal advice and with great people committed to our state and we will not be distracted from that task, despite the cheap shots being thrown around. Thank you.

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

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

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

**The Committee suspended at 4.12 p.m.**