



PARLIAMENT OF TASMANIA

LEGISLATIVE COUNCIL GOVERNMENT ADMINISTRATION COMMITTEE "A"

REPORT ON KING ISLAND FREIGHT SERVICES

Members of the Committee

Hon Ruth Forrest MLC (Chair)
Hon Robert Armstrong MLC
Hon Craig Farrell MLC

Hon Mike Gaffney MLC
Hon Sarah Lovell MLC
Hon Rob Valentine MLC

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INTRODUCTION

1. At a meeting of the Legislative Council Government Administration Committee “A” on Thursday 25 May 2017, it was resolved that a Sub-Committee be established to investigate the King Island shipping and freight service, with particular reference to:

- 1. The current shipping and freight requirements of King Island, including freight costs and other charges related to shipping to and from King Island;*
- 2. The impact of high freight charges on the cost of doing business and the cost of living on King Island;*
- 3. The adequacy of the current port facilities on King Island and ports in North West Tasmania that may service King Island;*
- 4. The requirements to provide a sustainable service to meet current and future freight needs of King Island; and*
- 5. Any other matter incidental thereto.*

2. The Membership of the Sub-Committee was:

- Hon Ruth Forrest MLC (Inquiry Chair)
- Hon Robert Armstrong MLC
- Hon Craig Farrell MLC
- Hon Mike Gaffney MLC

3. Twenty submissions were received by the Sub-Committee. Public hearings were held on King Island on 7 and 8 August 2017, and in Hobart on 10 August and 1 September 2017. Eighteen groups or individuals gave verbal evidence to the Committee at these hearings.

4. The Sub-Committee conducted site visits at Grassy Harbour and the King Island Scheelite mine on 8 August 2017, and Incat on 29 September 2017.

5. The Sub-Committee Inquiry also established a dedicated web-page at http://www.parliament.tas.gov.au/ctee/Council/GovAdminA_King%20Island.htm.
6. All submissions and transcripts are included on the web-page and these should be read in conjunction with the Sub-Committee Report. A list of submissions is provided in Appendix A of the Sub-Committee Report.
7. The Committee reviewed the Report of the Sub-Committee and, on 14 November 2017, resolved to release a final report. The Committee intends that this Report be considered in its entirety as the final report of the Inquiry.
8. The Committee resolved that Members of the Sub-Committee be endorsed to speak publicly about the report in their capacity as Members of the Sub-Committee.



Signed this 14th day of November 2017

Hon Ruth Forrest MLC
Committee Chair



2017

Parliament of Tasmania

**LEGISLATIVE COUNCIL
GOVERNMENT ADMINISTRATION COMMITTEE "A"**

REPORT

ON

KING ISLAND FREIGHT SERVICES

Members of the Committee Inquiry:

Hon Robert Armstrong MLC

Hon Craig Farrell MLC

Hon Mike Gaffney MLC

Hon Ruth Forrest MLC (Committee and Inquiry Chair)

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EXECUTIVE SUMMARY

A reliable, regular, suitable and sustainable shipping service to and from King Island is essential. Future services must include a link to and from the Australian mainland as well as Tasmania. This position was supported by all witnesses.

The freight task to and from King Island is diverse, seasonal and relatively small (approximately 69,000 tonnes of freight pa). Ensuring a reliable, regular, suitable and sustainable service, in terms of the vessel and schedule has been an ongoing matter of public interest and has often required the intervention of government to ensure a service is maintained.

King Island has and does contribute significantly to the Tasmanian economy through the export of quality product to Tasmania, Australia and internationally including dairy, beef, sheep, kelp, mineral sands and scheelite. King Island also relies on having a reliable, regular, suitable and sustainable shipping service to import all construction materials, the majority of food and grocery requirements of residents and visitors, household items, fuel, agricultural inputs including fertiliser, vehicles including mining and farming vehicles, mining equipment and any other items not sourced from King Island.

King Island has recently experienced a significant growth in tourist numbers, predominantly related to golf tourism following the expansion of world class golf courses on the island. Currently all passenger travel to and from King Island is by air.

King Island shipping services have operated on a commercial basis without direct government subsidisation since 2001. Until early 2017 services were provided by the SeaRoad MERSEY 1 and Eastern Line Shipping Pty Ltd, formerly LD Shipping, owned and operated by Mr Les Dick.

SeaRoad announced in March 2011 that the SeaRoad MERSEY I would be replaced with a larger vessel that would ultimately result in SeaRoad withdrawing from providing a service to King Island. This announcement was confirmed in 2014, indicating the imminent need to secure a future commercial service. The King Island Shipping Group, residents and businesses have been proactive since 2011 to ensure a reliable and suitable shipping service was maintained.

In November 2015 the Government initiated a process to secure a suitable vessel. Following the *Request for Proposals* process, the Tasmanian Government

announced Port and Coastal Marine Services (PCMS) as the preferred proponent with which to negotiate a service.

When attempts to secure a commercial operator failed, the Government intervened. In February 2017 the Government requested that TasPorts provide an interim shipping service to King Island. Bass Island Line (BIL) was formed as a subsidiary of TasPorts.

There was a three month service gap between the withdrawal of the SeaRoad MERSEY and the commencement of the TasPorts Service (BIL). A total of \$890,000 was needed to cover the cost of an arrangement with SeaRoad MERSEY for the ten sailings during this period. This cost was met by Government.

TasPorts established the shipping service under BIL and chartered the INVESTIGATOR II. The BIL shipping service commenced on 7 April 2017. TasPorts acknowledged this vessel was not the ideal vessel and it would not be a long term solution.

The financial loss borne by TasPorts is significant. TasPorts have operated the BIL at a significant loss. BIL made a loss of \$1,704,265 in the period from incorporation of the company until 30 June 2017. This includes a period of just twelve weeks of operation of the shipping service which commenced on 7 April 2017.

Concerns regarding the suitability of the INVESTIGATOR II were raised by key stakeholders when the announcement was made. Fertiliser suppliers took action to arrange additional shipments of fertiliser due to concerns regarding the ability of the INVESTIGATOR II to meet the seasonal freight demand.

Inclement weather and poor suitability of the vessel resulted in delays to freight delivery and uncertainty of delivery times.

The transport of livestock increased following the closure of the King Island Abattoir in 2012. There are proposals for new abattoirs to be built on King Island and should these be completed this will again change the nature of the freight task.

A direct link to and from the Victorian ports as well as to Tasmanian ports is essential. The majority of inbound freight to King Island comes from Victoria. Many long standing business relationships have been built around the freight connection between King Island and Victoria.

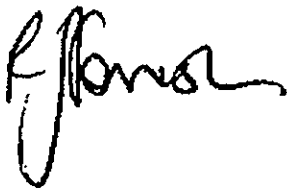
Livestock transfer to and from King Island will continue as stud cattle and sheep predominantly travel north. The current arrangements requiring transport to mainland Tasmania, off-loading of livestock, often being housed in pens for some time, re-loading and transporting to Victoria is resulting in adverse animal welfare issues and significant financial losses to farmers.

The adequacy and suitability of the Port of Grassy, the primary freight shipping port, was considered. Due to the location of the port and often challenging weather conditions, the port can be difficult to access at times. The Government has no plans to upgrade the Port of Grassy. The port is also limited to roll-on, roll-off primarily due to inadequate port infrastructure that could support a suitable crane.

High freight costs and the impact on the cost of living for residents of King Island was a major concern raised during the inquiry. The significant discrepancies between freight costs to and from King Island and other regional communities could not be explained. The Committee recommends a thorough investigation of the reasons for these discrepancies with a view to addressing the causes and reducing the financial burden on residents and businesses of King Island.

On 23 October 2017, the Committee requested an update from the Minister for Infrastructure, Hon Rene Hidding on progress to secure a more suitable vessel to provide the King Island shipping service.

On 24 October 2017, the Acting Minister for Infrastructure, Hon Michael Ferguson MP, advised the Committee that a second interim vessel had been procured by TasPorts to replace the INVESTIGATOR II. This vessel will be approximately double the capacity of the INVESTIGATOR II. The service will sail from a Victorian Port to King Island and then on to a north-west Tasmanian Port.



Hon Ruth Forrest MLC
Committee and Inquiry Chair
31 October 2017

INTRODUCTION

9. At a meeting of the Legislative Council Government Administration Committee “A” on Thursday 25 May 2017, it was resolved that a sub-Committee be established to investigate the King Island shipping and freight service, with particular reference to:
 1. *The current shipping and freight requirements of King Island, including freight costs and other charges related to shipping to and from King Island;*
 2. *The impact of high freight charges on the cost of doing business and the cost of living on King Island;*
 3. *The adequacy of the current port facilities on King Island and ports in North West Tasmania that may service King Island;*
 4. *The requirements to provide a sustainable service to meet current and future freight needs of King Island; and*
 5. *Any other matter incidental thereto.*
10. Twenty submissions were received by the Committee. Public hearings were held on King Island on 7 and 8 August 2017, and in Hobart on 10 August and 1 September 2017. Eighteen groups or individuals gave verbal evidence to the Committee at these hearings.
11. The Committee also conducted site visits at Grassy Harbour and the King Island Scheelite mine on 8 August 2017, and Incat on 29 September 2017.
12. The Hansard transcripts of these hearings are available at http://www.parliament.tas.gov.au/ctee/Council/GovAdminA_King%20Island.htm..
13. The Hansard transcripts and the submissions should be read in conjunction with this report.
14. This Report provides a summary of the key findings contained in the evidence presented during the inquiry process. This includes consideration of the written submissions and the verbal evidence provided to the Committee during the public hearings, as well as other information gathered in correspondence and site visits during the course of the inquiry.

ABBREVIATIONS

AMC	Australian Maritime College
BIL	Bass Island Line
BSPVES	Bass Strait Passenger Vehicle Equalisation Scheme
DCV	Domestic Commercial Vessel
IPF	Incitec Pivot Fertilisers
ISO	International Standards Organisation
FEU	Forty Foot Equivalent Unit (a container size)
GT	Gross tonnage
KI	King Island
KIPC	King Island Ports Corporation
KIRDO	The King Island Regional Development Organisation
KIS	King Island Scheelite
LOA	Length Overall
LOLO	Lift on, lift off
MUA	Maritime Union of Australia
PCMS	Port and Coast Marine Services
RAF	Request for Additional Funds
R&D	Receival and Delivery
RORO	Roll-on, roll-off
TFES	Tasmanian Freight Equalisation Scheme
TEU	Twenty-foot equivalent unit
UDL	Uniformly Distributed Load

FINDINGS

The Committee makes the following key findings:

1. Following the failure of the market to provide a shipping service to King Island, the Tasmanian Government intervened to ensure that a regular shipping service to King Island continued.
2. Shipping services are being provided to King Island by TasPorts' wholly owned subsidiary Bass Island Line using the INVESTIGATOR II.
3. Freight services are also provided to King Island by Eastern Line Shipping Pty Ltd, formerly LD Shipping.
4. Concerns continued to be raised regarding the suitability and reliability of the INVESTIGATOR II particularly in meeting the seasonal freight demands.
5. The King Island freight task is diverse and seasonal, comprising live animals, hazardous goods including fuel and fertiliser, building materials, vehicles and other general cargo.
6. Involvement of the King Island community and key stakeholders is necessary to identify current and future freight needs.
7. The freight task is relatively small and needs aggregating to enhance the commercial sustainability of the service.
8. Tourism opportunities on King Island continue to grow and provide investment opportunities and enhance economic development.
9. Passenger transport is currently limited to air transport.
10. Adequate tourist passenger facilities should be part of future shipping services.
11. King Island has historically had higher freight charges than other regional communities.
12. The significant discrepancy in freight costs between King and Flinders Island was not explained or clarified.
13. There is a perception of a lack of transparency with regard to the separate components of freight charges that comprise the overall freight cost.
14. Freight costs have increased since the withdrawal of the SeaRoad MERSEY due to factors including additional handling costs, a reduction in

volume or tonnage per container and other costs associated with the loss of a triangulated shipping service.

15. High freight costs impact on the cost of building and construction, transport and living costs such as food and the purchase of household items on King Island.
16. King Island transport operators experience financial disadvantage through the current application of the agricultural vehicle registration exemption.
17. The lack of a direct shipping service to and from Victoria to King Island has a range of implications for King Island businesses, including:
 - a. Adverse animal welfare outcomes;
 - b. Reduced return on investment for meat producers;
 - c. Increased freight costs resulting in financial loss for meat producers;
 - d. Lack of recognition of long standing business relationships with suppliers and buyers on mainland Australia;
 - e. Inability to provide livestock and freight reliably to mainland customers; and
 - f. Double handling of freight, both southbound from Victoria and northbound from King Island.
18. Active King Island ports are located in Currie and Grassy with the Port of Grassy being the primary freight port.
19. The Port of Grassy is located in the south of King Island and subject to the south westerly swells.
20. A significant upgrade would be required to provide an all-weather port at Grassy. There is no plan to upgrade or expand the Port of Grassy.
21. The Port of Grassy is limited to a roll-on roll-off service as there is no suitable crane available at the port.
22. The service provided by the SeaRoad MERSEY berthed at Devonport.
23. The INVESTIGATOR II and Eastern Line Shipping currently berth in Stanley. The INVESTIGATOR II also berths at Devonport.

24. All live cattle are unloaded at Stanley Port, and TasPorts pay a subsidy to livestock transporters carting cattle from Stanley wharf to JBS Swifts' abattoir at Longford.
25. Naracoopa has been identified as an option for shipment of freight from King Island. The Naracoopa Port is privately owned.
26. The desirable vessel requirements for future shipping services have been identified by TasPorts and the Government, including:
- a. A roll-on roll-off vessel;
 - b. The capacity for lift-on lift-off;
 - c. The ability to fit and manoeuvre within landside infrastructure at King Island, Victorian and Tasmanian ports;
 - d. Capability to carry 100-140 TEUs;
 - e. A covered cargo hold and ability to cater for a diverse cargo; and
 - f. Capacity to manage the prevalent weather conditions of King Island and Bass Strait.
27. The desirable King Island shipping service includes:
- a. A triangulated service with access to and from mainland Tasmania and mainland Australia;
 - b. A dedicated regular (weekly or more) service with reliable and consistent scheduling;
 - c. A flexible, customer focused service that can respond to seasonal demands;
 - d. A higher speed service; and
 - e. Appropriate tourist passenger accommodation.
28. TasPorts operates the Bass Island Line (BIL) at a financial loss and is expected to continue to operate at a loss.
29. The Bass Island Line was incorporated in March 2017 and the service commenced operation on 7 April 2017. BIL made a loss of \$1,704,265 in the 2016-2017 financial year. The service operated in the 2016-2017 financial year for 12 weeks from 7 April to 30 June 2017.
30. TasPorts acknowledges that providing a shipping service is not part of the core business or vision of TasPorts.

31. The current fertiliser shed on TasPorts land at the Port of Grassy is no longer serviceable and will be removed.
32. A new on-island fertiliser storage is necessary to manage the seasonal demands.
33. The challenging weather conditions of Bass Strait has resulted in some missed sailings and delays to the timely movement of cargo.

RECOMMENDATIONS

The Committee recommends that:

1. Future King Island Shipping services provide a regular dedicated service to King Island, including a service to and from Victorian port(s), and to and from Tasmanian port(s) to avoid additional handling of cargo or delays to the transport of livestock.
2. The Government support the active engagement of key stakeholders and the King Island community in the consultation and planning for the immediate, short and long term future shipping requirements.
3. The Government, with stakeholders and the King Island community, regularly review and publicly report on the freight requirements of the Island to ensure current, changing and emerging freight needs are identified and are addressed.
4. The Government initiate and fund a feasibility study that considers:
 - a. The design of the vessel, including:
 - i. speed and manoeuvrability of the vessel;
 - ii. deck space to meet future freight opportunities;
 - iii. capability of catering for a diverse cargo;
 - iv. appropriate protection for all freight;
 - v. appropriate tourist passenger accommodation and facilities; and
 - vi. necessary sea-state handling capacity.
 - b. Port suitability and infrastructure (including passenger transport facilities);
 - c. Animal welfare issues; and
 - d. A commercially viable service.
5. The Government initiate an inquiry into freight costs and charges related to King Island freight to identify and address the significant freight cost discrepancies between King Island and other regional communities.
6. The relevant Minister review the eligibility and the application of the agricultural vehicle registration exemption for King Island transport

operators. The Minister present any amendments to the Council of Australian Governments (COAG) for consideration.

7. TasPorts cease providing a shipping service when a private operator is able to provide a reliable, regular, suitable and sustainable service with an appropriate vessel.
8. TasPorts continue to work with fertiliser businesses and the local community to support the construction of a new fertiliser storage facility (suitably sized and appropriately located).

BACKGROUND AND HISTORY OF SERVICE

A reliable and sustainable shipping service to and from King Island has long been a matter of public interest. Government has frequently been called on to ensure a shipping service is maintained. On 9 September 1969, a front page headline in the then local newspaper, *The King Island News*, stated "Crying Need" to Re-Establish Shipping Link'. The article stated *'The State Government would look into ways of re-establishing the shipping service between Northern Tasmania and King Island, the Premier (Mr Bethune) said yesterday'*.¹

At this time, the shipping service was only running between King Island and Victoria on mainland Australia. The article stated:

"Said Mr Bethune: 'Tasmanian Governments helped to attract settlers to the Island so the Government has a responsibility toward them.

"King Island is part of the State and from our point of view there is a crying need to re-establish a shipping link.

"Mr Bethune said that Tasmania lost trade when the Commonwealth subsidised shipping between King Island and the mainland, but not King Island and Tasmania.

...

"The short-term problem was to provide a vessel for immediate needs. The long-term solution was to decide whether larger vessels were needed.

"If larger vessels were needed the Currie harbour might not be able to accommodate them."'²

King Island shipping services have operated on a commercial basis without direct government subsidisation since 2001. Until early 2017 services were provided by the SeaRoad MERSEY 1 and Eastern Line Shipping Pty Ltd, formerly LD Shipping, owned and operated by Mr Les Dick.³

Prior to 2017, the SeaRoad MERSEY provided a shipping service. Initially the service provided by SeaRoad operated from Devonport to King Island with the ship then continuing on to Melbourne. In 2009 the decision was made to reverse the sailing direction. The most recent SeaRoad service (2009 until the withdrawal of this service in 2016) originated in Melbourne, berthed in King Island then continued to Devonport.

¹ *The King Island News*, 9 September 1969, Vol 57, No 2978, p.1

² *Ibid.*

³ Tasmanian Government, *Submission*, p.1.

The Committee heard:

When SeaRoad initially said it was leaving, back in 2011, the shipping group, under its own steam, took the service to market. When SeaRoad said it may be leaving by Christmas, we raised money internally. I think Lion, JBS Australia and Currie Cargoes put some money in. We took the service to market in good faith. We went to a short listing. We had two components that were quite positive. SeaRoad said, 'We have changed our minds. We are not leaving now.'⁴

SeaRoad announced in March 2011 that the SeaRoad MERSEY I would be replaced with a larger vessel that would ultimately result in SeaRoad withdrawing from providing a service to King Island. This announcement was confirmed in 2014 indicating the imminent need to secure a future commercial service.⁵

The King Island Shipping Group, King Island residents and businesses have been proactive since 2011 to ensure a reliable and suitable shipping service was maintained.

In November 2015, the Tasmanian Government initiated a process to secure a suitable vessel. The Department of State Growth issued a 'Request for Proposals' for the delivery of a long term, commercially sustainable King Island shipping service. Following the Request for Proposals process, the Tasmanian Government announced Port and Coastal Marine Services (PCMS) as the preferred proponent with which to negotiate a service.⁶

In November 2016, it was announced that PCMS would enter a joint venture with SeaRoad to operate a King Island service. In December 2016, PCMS announced that it had been unable to secure a vessel or freight customer commitments, and its proposed joint venture with SeaRoad had been terminated.⁷

When attempts to secure a commercial operator failed, the Government intervened. The Tasmanian Government initiated a contingency plan for the provision of essential shipping services to King Island.

In February 2017, the Government requested TasPorts to provide an interim shipping service to King Island. Bass Island Line (BIL) was formed as a subsidiary of TasPorts. It established the shipping service under BIL. In April 2017, TasPorts acquired a vessel, the INVESTIGATOR II, and commenced a King

⁴ Mr Greg Morris. *Transcript of Evidence*, 7 August 2017, p.10.

⁵ TasPorts, *Submission*, p. 5.

⁶ Hon Rene Hidding, *letter dated 13 July 2017 attached to Tasmanian Government Submission*, p. 4.

⁷ Tasmanian Government, *Op. Cit.*, pp. 4-5.

Island service trading as Bass Island Line (BIL). Evidence was received, and concerns noted relating to reliability, the size of the vessel and the ability to ensure the freight needs of the island were met. TasPorts acknowledged this vessel was not the ideal vessel and it would not be a long term solution, rather its availability, being located in Darwin and its compliance with Australian crewing conditions made it the best available option.⁸

⁸ TasPorts, *Submission*, pp. 5-6.

EVIDENCE

TERM OF REFERENCE 1

The current shipping and freight requirements of King Island, including freight costs and other charges related to shipping to and from King Island

The King Island Beef Producers Group Inc submission outlined the current shipping and freight requirements of King Island:

From recent benchmarking data over the past 4 years, freight for King Island beef producers was 26% of farm operating costs – compared to freight of comparable mainland beef producers at 3% of operating costs. Prior to the abattoir closing in 2012, freight costs were less than 3% of farm operating costs.

Current requirements for cattle is approximately 40, 000 head per annum exported off King Island. The current cost to ship cattle ranges from 22-26c/kg live weight to Tasmania and up to 46c/kg live weight within a 100km radius of Melbourne.

From King Island farm to feedlot the producer is now charged an extra \$300 per trailer due to extra distance from Stanley port to the feedlot and the early hours trucks have to pickup or exchange trailers. The producer now pays \$7000/trailer vs the previous rate of \$6,700/trailer. With the TFES considered, this amounts to a 6% increase in costs to the producer.

Current requirements for fertiliser on King Island is approximately 15, 000 tonnes per annum. This is shipped in 20 foot containers. Fertiliser freight ex Lara to Grassy port went from \$142/mt to \$160/mt during the commencement of the interim shipping service. This represents a 13% rise in shipping costs at the time.

The shippers of King Island were assured that there would be no rate increases with the BIL for the interim period of the Investigator. As outlined above and in Section 2 this is clearly not the case.⁹

King Island Council recognise that the Tasmanian Government has maintained the on-vessel freight cost to customers for the six month interim period while a medium term solution is identified, there remains uncertainty about a long term permanent solution:

⁹ King Island Beef Producers Group, *Submission*, p.1.

This uncertainty is having a negative impact on the islands businesses and our residents... The current service provided by Bass Island Line with the Investigator II has mitigated the impact of Searoad ceasing their service to the island, but despite efforts by TasPorts to maintain prices in line with past costs, end users on King Island are seeing higher charges. For example, the islands main freight forwarder has had to increase their charges to cover additional costs they are incurring since the transfer of operations to the Investigator II. These costs include increased road transportation on King Island due to the need for repeated journeys to and from the ports for each docking at Grassy, and the need to deliver to two different sites within the Port of Melbourne (Station Pier and Victoria dock) to facilitate the separation of general and hazardous cargo that was previously all carried in SeaRoad Mersey I from one location.¹⁰

According to the Maritime Union of Australia (Tas Branch) the major shipping freight demands for King Island are:

- *Agricultural supplies and produce, including fertiliser, stockfeed, beef and dairy products;*
- *Live cattle;*
- *Fuel;*
- *General cargo; including, scheelite, mineral sands and kelp to domestic and international markets; and*
- *Vehicles (passenger and specialised).*

What this information shows is that KI shipping and freight services exist to provide for the needs of the local (and state) economy and residents. Supporting the Island's industries and ensuring residents are provided with security in the provision of basic needs is critical. A reliable, affordable service is one underpinned by direct investment into port and maritime infrastructure; a local, skilled workforce; pragmatic consultation between maritime experts and stakeholders, including the MUA; and a streamlined supply chain with operator's familiar with Bass Strait shipping, to mitigate against unexpected freight handling and associated costs.¹¹

Mr Les Dick, Eastern Line Shipping Pty Ltd, stated that the service he provides is capable of fully servicing King Island's freight needs:

As you said, we run a service backwards and forwards, primarily shifting livestock and general cargo on an as-wanted basis.¹²

¹⁰ King Island Council, *Submission*, p. 2.

¹¹ Maritime Union of Australia (Tas Branch), *Submission*, p. 2.

¹² Mr Les Dick, *Transcript of Evidence*, 1 September 2017, p.22.

When commenting on the service provided by the BIL, Mr Dick stated:

In their own words, they forecast further losses. Their plan is for five years, I understand, to get rid of blokes like me. We do not lose any money; we run a lean, mean shipping service to that island, which is what the islands require. They do not need a fancy service, they do not need a fancy ship - they need to get their cargo from point A to point B in a reasonable time and that is all. Whatever they do, whatever they set up, and they go for a grandiose thing, the cargo is not there and the passengers are not there either.¹³

And further

There simply is not enough cargo regardless of what anyone says; there is no room for two people to be operating on King Island. Like it or not, we have a shrinking population; we also have a decline in the cargo. The cargo coming off there now is not what it was five years ago, and it will continue to decline. The influx of tourists, really, it would not make up one 20-foot box a week what their requirements would be over and above what is going in now.

We have a little bit of construction that may or may not happen. There will probably be a requirement for a little bit of extra cargo to go through there. As accommodation is ramped up there, that will wane and we will go back to having a situation where we need to have one setup on King Island, the same as what Flinders Island has.¹⁴

Mr David Laughler, General Manager, King Island Council, in contrast, stated that King Island currently has significant opportunities for economic growth and investment:

The surety and certainty of freight is one of the most critical elements to any investment. We have substantial investment looking at development here at the moment. We have, in particular, tourism product that is poised on the international market to explode and some real interest in people investing here. The barriers would be - as I indicated earlier, there are at least two 5-star resort proposals being put forward. There is some discussion around whether a third international class golf course will be established. The cost of putting that infrastructure in place is massive. If that becomes cost-prohibitive - and there is no certainty for them at the moment in getting materials here and at what cost - that places some real questions on that investment into the future.

¹³ Mr Les Dick, *Transcript of Evidence*, 1 September 2017, p.24.

¹⁴ *Ibid*, p. 23.

And further

The other issue with shipping - this is probably more on a wish list than anything else - is that at the moment we separate out our freight task into shipping and our people movement into aircraft. Quite a number of people want to come over and have a look at the island. We are booming into a tourist market and there is no capacity for the drive market at all. That is one that the future, with some limited passenger- and vehicle-carrying capability, is certainly worthwhile. It is a different market, clearly, but I think it that would enhance our current product.¹⁵

¹⁵ Mr David Laughler, *Transcript of Evidence*, 8 August 2017, p. 33.

TERM OF REFERENCE 2

The impact of high freight charges on the cost of doing business and the cost of living on King Island.

A majority of witnesses provided evidence regarding high freight charges. There has been a further increase since the Bass Island Service (BIL) took over the service. However TasPorts reiterated that they had imposed no additional freight charges.

Mr Don Story noted a significant price increase since BIL took over the service:

I asked the head of TasPorts, who was here a couple of months ago and visited us out at the abattoir, and he said that they rolled over the SeaRoad freight charges directly into the TasPort service. SeaRoad would not have operated their system for so long if they were not making money, so somewhere within the TasPorts operation there are significant extra costs because the quote I was given by the head of TasPorts is that we are haemorrhaging money. It sounds to me like their cost structure is just way too high

This is the thing, there is no transparency in the charges. It took me a long time to learn, for example, that of the \$510 a tonne that we paid this year for our fertiliser, \$142 is for freight. There is no transparency in what you are being charged. I know, as I say in my submission, that the price of freight will go up to \$160 now and probably will go up again on a reduced volume or tonnage in each container. There are ways and means of manipulating the charges applied.

And further

Competition has to be the way of reducing costs or keeping costs in check. I do not think costs will ever go down. It is a matter of holding them down where they are for as long as possible.¹⁶

Mr Brett McGlone, Area Sales Manager, Incitec Pivot Fertilisers raised the issue of higher fertiliser freight costs and reduced capacity of the BIL vessel.

We hired the Searoad Mersey for two special sailings just prior to their discontinuation of the service, to get a big surplus of fertiliser over onto the island in the autumn. As you are probably aware, fertiliser is applied predominantly in the spring and the autumn so we do have two peak

¹⁶ Mr Don Story, *Transcript of Evidence*, 7 August 2017, p. 33.

shoulders... The new service commenced - I'm not sure of the date - and then we started to get a backlog of product that we could not get over to the island. I think at times we got up to 60 containers ordered which we could not get moved across in what we'd say was a timely fashion. We were getting between six and eight to 10 containers a week moved, and we were taking orders of 20 and 30 a week.

We also faced an increase in cost. This was due to, I believe, the Bass Island Line following the previous SeaRoad costing without looking at a few extras such as Devonport wharfage, the container hire and increased road freight. This, compounded with a decrease in the amount of tonnage we could put in each container, increased the cost per tonne from around \$140 to nearly \$160 per tonne to get the product from Geelong to Grassy in bulk¹⁷

A backlog in freight delivery and inadequate supply of shipping containers was addressed by TasPorts and relates to the additional container hire fee.

Mr GARCIA - ... Once it was understood there was a backlog the shipping company was not aware of, every endeavour was made to clear that and it was cleared, albeit late. Some credit needs to be given for that, particularly when the shipping company was not even aware that orders had been placed.

CHAIR - If you read the transcripts, you will see - and we will have TasPorts people there so they will know what was said - that there will be another run in September, pretty soon, when the next huge demand for fertiliser comes again. One would expect they would anticipate it this time and we would not see the same delays.

Mr HIDDING - What Mr Garcia was talking about was the net result of not enough containers in the supply chain. It used to be one visit a week so you only needed so many containers. It was TasPorts itself that found 20 extra containers, which are expensive to hire every week. They inserted it into their customer supply chain.¹⁸

When questioned about the discrepancy in fertiliser delivery costs to King and Flinders Islands, Mr McGlone was unable to fully explain the rationale behind the difference.

CHAIR - A couple of questions on that. A number of farmers have been doing comparisons, as they do, to try to reduce their import costs. The fertiliser, for example, goes to Flinders Island in the 1 tonne bags and that is landed in Flinders Island at less than half the price, \$60 a tonne.

¹⁷ Mr Brett McGlone, *Transcript of Evidence*, p.7

¹⁸ Hon Rene Hidding & Mr Allan Garcia, *Transcript of Evidence*, 10 August 2017, p. 36

Mr McGLONE - That is correct, between \$60 and \$80 a tonne, yes.

CHAIR - Is that your product and do you deliver that?

Mr McGLONE - Yes. That is product which we deliver from our Scottsdale depot. It is handled about six times by the time it is bagged, lifted onto trucks, unloaded at the Bridport Wharf and run onto the deck of the Matthew Flinders, I think; it is unloaded over the other side with forks and sacks on the side of the road and then picked up and put onto trucks for despatch. It is a very inefficient service but it is very cost-effective compared to ours –

CHAIR - So why the difference in the cost?

Mr McGLONE - That is what we would all like to know. I do not know whether it is - the initial freight rate, which was set by Bass Island Line, was just a mirror cost of the previous SeaRoad costing. That is, of course, broken down to different elements - being road freight, Devonport wharfage and Grassy port costs. There are a lot of built-in costs, so I guess I am not really in the business to comment which of those costs are true or correct, or which have been built up over the years.¹⁹

In relation to the price of fertiliser, the King Island Beef Producers Group noted that the King Island farming community appears to be at a significant disadvantage to the rest of Tasmania and the Furneaux Group:

It is remarkable that the Furneaux Group handle fertiliser in 1 tonne bulka bags with a cheaper freight rate than fertiliser handled bulk in 20ft containers to King Island. Flinders Island could procure fertiliser from Geelong and ship via Tasmania and they would still end up with cheaper freight than King Island.²⁰

Comparisons of current fertiliser and livestock freight rates across Bass Strait, depot to Lady Barron and depot to Grassy are provided in the following tables:²¹

¹⁹ Mr Brett McGlone, *Transcript of Evidence*, p.8

²⁰ King Island Beef Producers Group, *Submission*, p.3.

²¹ *Ibid.*

Table 1: Fertiliser Freight, depot to wharf

Net after TFES	Per MT
Melbourne (ex Geelong depot) to Burnie (20ft container)	\$46
Bridport (ex Scottsdale depot) to Lady Barron (1 tonne Bulka bags)	\$61
Melbourne (ex Geelong depot) to Grassy (in 20ft container)	\$135

Table 2: Livestock Freight per head based on 42hd/trailer

Net after TFES	Per Hd
Burnie to Melbourne (includes delivery 100km radius Melbourne)	\$78
Flinders Island to Tasmanian processor/feedlot	\$77
King Island to Tasmanian processor/feedlot	\$126
King Island to Melbourne via Burnie (includes 100km delivery radius Melbourne)	\$233

Hon Rene Hidding MP and Mr Allan Garcia were asked to comment on the cost discrepancies related to fertiliser to the Bass Strait Islands.

CHAIR - You can understand when the people on King Island are paying \$160 a tonne for fertiliser landed while Flinders Islanders pay \$60, and that is handled six times.

Mr HIDDING - But that is a function of a quirk in the freight equalisation scheme, isn't it? ...

Mr GARCIA - That is part of it.

CHAIR - The way it also goes to the depot and is despatched from the depot rather than having to be double-handled on the port is something. It is pretty apparent that if you want King Island farmers to be productive and maximise their returns, which we would hope as they are Tasmanian farmers, this would be something we seriously looked at to try to reduce those input costs.

Mr HIDDING - Yes, that is something for when the dust clears from getting the next ship on board. I would like to think we could get a better vision as

to why that is actually happening - what the quirks in the Tasmanian Freight Equalisation Scheme are. That is an ongoing process and we will watch that closely.

Mr GAFFNEY - When they are talking about differences in the freight, interestingly the islanders - and you know this already - potentially would like to expand. They just do not have the cash flow flexibility because of the freight and the unreliable service at this stage. ...

Mr GARCIA - I think we will look at this, as the minister has indicated. That fertiliser that is going to Flinders Island, I am not sure that is coming from Melbourne into George Town over to Bridport over to there. It is not going as bulk, it is going in bags. ... That is going in bulkers and yet the other stuff is being delivered in containers and it is coming from Melbourne. It could come from Sydney; it should be cheaper.

Mr HIDDING - It should be cheaper.²²

Mr McGlone commented specifically on freight options for fertiliser and bulk versus containerised and fertiliser freight costs.

We are happy to run with a container vessel, but we are just battling when superphosphate is worth \$300 a tonne with the farmers paying \$160 a tonne. All of a sudden, he is paying \$460 a tonne for superphosphate on his farm whereas a Circular Head farmer is probably paying slightly over \$300 per tonne for the same product. They are very similar farming types and climates, so the [amount] King Island farmer is paying a huge.²³

Mr McGlone provided a breakdown of costs that illustrated an increase of \$134.50 per container since the commencement of the BIL.

So the old SeaRoad rate was \$3351 a container. Since the new company has come in, we have seen \$177 per container for container hire. ... So \$2566 sea freight - \$185 for the container hire, \$168 for King Island port fees, \$96.50 for Devonport wharfage, \$100 for our shipping agent and \$370 for the Victorian road freight leg.²⁴

Mr McGlone noted the previous rates charged by SeaRoad remained the same when BIL commenced and an additional container hire fee was charged.

We then had to add on top of that the container hire at King Island, additional fees then bumped that up to \$160 a tonne, combined with the decrease in the container weight.

²² Hon Rene Hidding & Mr Allan Garcia, *Transcript of Evidence*, 10 August 2017, pp. 39-40.

²³ Mr Brett McGlone, *Transcript of Evidence*, p.12

²⁴ *Ibid*, p. 9.

CHAIR - A higher price per tonne?

Mr McGLONE - Yes.²⁵

The King Island Council outlined the impact of high freight charges on the cost of doing business and the cost of living on King Island:

Sea freight provides almost all of the King Island's ability to bring in supplies for the residents and businesses (food, fuel, materials, equipment) and to deliver its produce to market (i.e. cattle, beef, kelp, milk, cheese). As such, freight charges impact on every aspect of King Island life.

While council acknowledges and appreciates the mitigating effect of the Tasmanian Freight Equalisation Scheme, it notes that this scheme entitles recipients to a fixed dollar amount rather than a proportion of total shipping costs. Therefore King Island recipients receive a lower proportional mitigation of their shipping costs than their mainland Tasmanian counterparts, increasing the cost of business. It also noted that two key imports to King Island are specifically excluded from the scheme, namely fuel and buildings and construction materials and equipment.²⁶

According to the King Island Council, the cost of fuel on King Island is significantly higher than anywhere else in Tasmania (Table 3). King Island Council assumes this cost increase is due to the additional shipping charges incurred by the provider.²⁷

In relation to the high freight costs of building and construction materials and equipment, there is a direct impact on the cost of living on King Island:

Businesses are required to either keep higher stock levels than their Tasmanian or Australian counterparts, or to endure extended lead times for basic materials, each of which have an impact on cash flow. The cost of freight is then passed on to the customer, which keeps the cost of building and refurbishment high and means that house prices and residential rates are higher than would otherwise be expected in a small regional area. To mitigate these costs, many of the islands larger employers own properties which they lease on to their staff at subsidised rents, effectively transferring this cost to the business. This means that, despite mean rents on the island being reported as lower than Tasmania, this reduction in cost of living for proportion of the islands residents is in effect an increase in the cost of doing business for their employers.²⁸

²⁵ Mr Brett McGlone, *Transcript of Evidence*, p.14

²⁶ King Island Council, *Submission*, p. 2.

²⁷ *Ibid.*

²⁸ *Ibid.*

Table 3: Tasmanian Retail Petrol Prices for the Week Ending 16th July 2017²⁹

Weekly price per litre (cents)	Average	Low	High	Indexed³⁰
Tasmanian state average	136.6	136.5	136.7	100.0
Hobart	136.6	136.5	136.8	100.0
Tasmanian regional average	136.5	136.4	136.6	99.93
Burnie	136.5	135.4	135.7	99.27
Devonport	134.7	134.6	135.0	98.61
Huonville	135.8	135.8	135.8	99.41
Launceston	137.5	137.3	137.7	100.66
New Norfolk	138.3	138.3	138.3	101.24
Sorell	139.9	139.9	139.9	102.42
Ulverstone	135.1	134.9	135.2	98.90
King Island (Currie)	160.0	160.0	160.0	117.13

The King Island Beef Producers Group submission stated that the current shipping system across Bass Strait is inefficient and anti-competitive:

Through the failure of cabotage reforms and union influence the shipping system across Bass Strait remains an inefficient, anti-competitive and cumbersome system that penalises the volumes of freight that are shipped to and from King Island. This shipping business is living in the dark ages. There has been no uptake of new technology or efforts to challenge inefficiency over the past 20 years in shipping or portside operations.

With buoyant beef market and favourable seasonal conditions, Tasmania has provided good marketing opportunities over the past season for beef cattle, however as the market reverts to a longer term level there will be times when a substantial discount applies to marketing stock to Tasmania. This is especially important to note when tight seasonal conditions arise on King Island and in Tasmania and access is required to mainland markets.

Prior to the interim service, it used to cost 32c/kg live weight to ship livestock in a trailer to the mainland, however via Tasmania it is now 45c/kg live weight – a rise of 41%. Not only will this financially cripple the King Island livestock sector in tough seasonal conditions, it has the potential to escalate into a major problem for animal welfare with double handling of stock.³¹

²⁹ King Island Council, *Submission*, p. 3.

³⁰ Average costs per litre indexed against Tasmanian State Average.

³¹ King Island Beef Producers Group, *Submission*, p.2.

According to the King Island Shipping Group:

King Island investment continues to suffer, as branded products require guaranteed access to market – not a weather dependant service.³²

According to the Maritime Union of Australia - Tas Branch (MUA) submission, freight charges are not transparent:

KI is entirely reliant on the maritime industry to sustain its communities and economy. Freight costs must remain affordable and transparent. The service implemented since the departure of the Mersey operates with multiple providers in a now-fragmented supply chain. High, unpredictable and inconsistent freight costs will have the greatest fiscal impact for private and commercial customers, and cannot be justified when the service is operating at a substandard level.³³

The MUA attributes recent increases in freight costs to the loss of a streamlined triangulated shipping and freight service and the use of smaller vessels with a reduced freight capacity.³⁴

Mr Paul Weedon, CEO TasPorts stated that the increase in freight cost is not due to additional costs being imposed by TasPorts. Mr Weedon elaborated on the extra costs:

CHAIR - You talk about rates versus cost. It would be good if you could explain to the broader community on King Island what the difference is between freight rates and freight costs...

Mr WEEDON - There are some things we can enlighten you on and some things we can't. We do not have full visibility into the total end-to-end, as it is often referred to. If we take fertiliser for example, I hope you appreciate, and have had explained to you, the transport various legs.

It starts with someone picking up an empty container, in this case in Victoria, transporting it to a facility where it is forklifted onto the ground presumably, where it sits maybe for a day, maybe for a week, before packing operations are conducted. Once the container is packed, it is then made available for another transport leg commissioned to the wharf. When it arrives at the wharf, it is another forklift transaction to receive that container at the wharf and put it on the ground.

CHAIR - This is regardless of whether it is going to King Island or to Flinders? Some of these are fixed costs.

³² King Island Shipping Group, *Submission*, p.1.

³³ Maritime Union of Australia (Tas Branch), *Submission*, pp. 3.

³⁴ *Ibid*, pp. 3-4.

Mr WEEDON - Or anywhere. These are fundamental costs. That is a competitive market for services we do not participate in.

Essentially, our responsibility starts when the container hits the ground in our terminal. Whether that is in Victoria, in Tasmania or on King Island, it is the same thing. Our freight rate covers the receivable of that container - the cost to take it off the truck and put it on the ground in the port - and then all operational transactions until it is delivered to its end point. If we had to move it around the yard for our own purposes, the costs are our costs. The costs to lift the container up and put it on the ship are our costs. The big-cost buckets of operating the ship are primarily the ship hire itself, crew costs and fuel costs. The fourth or fifth largest element is port costs. All these costs are carried by us as we then transport the cargo to the destination port. The cost of taking the cargo off the ship, putting it in the terminal, leaving it there for an hour or a day or a week, and loading it on to a truck to go to its final destination are ours. From receiving a container on our wharf to loading it on to a truck at the other end, are all our cost-buckets. We charge a freight rate to cover those costs.

CHAIR - That is where you are losing the money?

Mr WEEDON - That is where we are losing the money.³⁵

Food Prices

According to Mr Don Story, King Island beef producer, grocery prices are higher on King Island than in remote parts of Australia, except for some perishables such as lettuce:

The high prices have prompted some to form a buyer's group and it is understood that some have negotiated free freight on large grocery orders from large supermarkets.

The writer has twice done price comparisons between King Island and Mildura on a basket of staples – flour, sugar, tea, breakfast cereal and butter. On both occasions it revealed King Island to be much dearer than Mildura which is, in itself, a remote town.

The latest comparison of prices includes Mildura, Mansfield (Vic) and Burnie against King Island. On the basket of staples listed prices range from 27% to 245% higher on King Island than Mildura [Table 2].

The writer has on return trips to Victoria filled the car with as much non-perishable food items as possible and allowable under the shipping rules

³⁵ Paul Weedon, *Transcript of Evidence*, 10 August 2017, pp.59-60.

which, while charges are set on the foot print of a vehicle, can be increased substantially with additional and punitive charges for what is deemed to be a laden vehicle.³⁶

According to Mr Story, higher than normal freight charges are likely a result of monopolies in the supply chain and encouraging competition is likely to be the only strategy to keep freight costs in check:

Contact with the Australian Consumer and Competition Commission (ACCC) over the King Island freight rates has been made by the writer who was told monopolies are not illegal. Neither is price gouging.

But “unconscionable behaviour” and “cartels” are. The ACCC showed interest in the latter two points.

In the absence of details on new freight rates under the new TasPorts shipping arrangements the writer has been unable to follow this conversation through. It is hoped this freight inquiry will get to the heart of the matter.³⁷

³⁶ Don Story, *Submission*, p. 6.

³⁷ *Ibid.*

Table 4: Price comparisons on the basket of food staples³⁸

	IGA Burnie	Coles Mildura	IGA Mansfield	IGA King Island	\$ increase over Mildura	% increase over Mildura	\$ increase over Burnie IGA	% increase over Burnie IGA
Devondale spreadable unsalted butter – 500g	\$4.89	\$5	\$5.25	\$6.89	\$1.89	37.80	\$2.00	40.90
B&G Plain Flour 1kg	\$1.19	\$0.75	\$0.78	\$2.59	\$1.84	245.33	\$1.40	117.65
B&G Raw Sugar 2kg	\$2.50	\$2.10	\$2.20	\$3.99	\$1.89	90.00	\$1.49	59.60
Lanchoo Leaf Tea 250g	\$4.00	\$3.96	\$4.21	\$5.04	\$1.08	27.27	\$1.04	26.00
B&G Butter 500g	\$4.00	\$3.60	\$3.78	\$6.85	\$3.25	90.28	\$2.85	71.25
Sanitarium Weetbix 1.12kg	\$5.99	\$4.50	\$5.25	\$6.99	\$2.49	55.33	\$1.00	16.69
Bulla Real Dairy Icecream 4Lt	\$10.27		\$10.50	\$15.76	\$5.26	50.10	\$5.49	53.46

B&G = Black and Gold brand.

³⁸ Don Story, *Submission*, p.6.

Impact on Business Relationships

While the former SeaRoad MERSEY operated on the Victoria to Tasmania (Bass Strait transport route) provided a weekly service to King Island, the current shipping service requires freight to go to the mainland via Tasmania, which impacts on long-established business relationships between King Island businesses and mainland suppliers, buyers and contacts.

The King Island Regional Development Organisation (KIRDO) submission stated that King Island has been strongly linked to the mainland for commercial inputs:

In some cases, business contacts and relationships with suppliers have developed over decades, it is unrealistic to expect the local businesses to build new contacts for goods and services and pay the extra freight out of Tasmania.³⁹

Business Setup Costs

Mr Ian Lester, Director of the new King Island Multi Species Abattoir, stated that getting equipment to King Island is very costly:

The main issue in setting the business up has been the cost of getting containers of equipment to King Island. We have avoided using the Government ship to bring our equipment to King Island because of cost. We have used Les Dick Shipping because his rate has been half that of the government boat - \$1400 compared with \$2600.

The government service has said it is not interested in handling 10 foot refrigerated containers. This means we will most likely send out product out on a refrigerated van and bring in freight to defray costs.⁴⁰

Registration Costs

The King Island Transport Operators highlighted in their submission the issue of registration costs:

During the Mersey service, this usually required 5 or 6 trucks doing two or three loads (6 hours work). Now with smaller vessels this is usually 3 hours twice a week for 6 to 8 trucks. Either way the price (over \$100 per week) for rego for 6 hours work is a supply chain cost the island should not have to carry. This has been raised with the Minister, his response was, it was an issue for COAG, and he would put our concerns forward on our behalf.

Most of the trucks do some seasonal work with fertiliser or lime sand. This may be for 5 months, but seasonal rego concession is not applicable, as we

³⁹ King Island Regional Development Organisation Inc, *Submission*, p. 1.

⁴⁰ Ian Lester, *Submission*, p. 2.

need to maintain rego for the full year to do the 6 hours per week cattle work⁴¹

According to Mr Greg Morris, the agricultural exemption does not alleviate the burden of the registration charges on King Island:

There is an exemption but purely for agricultural products and livestock. Some that are doing livestock may do lime, sand or fertiliser, but it is short seasonal work. If you claim the seasonal exemption, you cannot use it outside of that season, which might only be for a few hours. So you have to keep it registered all year just for these few hours. The agricultural exemption, I believe, would be covered because all the carting is agricultural products. There is a definition of 'for trade', but I think that could be overcome in the wording, just for King and Flinders Island. I do not know if it is the same issue for Flinders, but definitely it is for here - and the fact that we cannot access the National Highway scheme with our vehicles; we cannot work 24/7. The registration fees are based on a vehicle running perhaps 24 hours a day, Melbourne to Sydney. For us, registrations may be 45 to 50 per cent of our expense; for others, it might be 1 per cent or 2 per cent so it is a major component of our costs.⁴²

According to Mr Greg Morris, while the Minister had made a commitment to take the issue to COAG, no response had been received and the issue remains unresolved.⁴³

⁴¹ King Island Transport Operators, *Submission*, p. 1.

⁴² Mr Greg Morris, *Transcript of Evidence*, 7 August 2017, p. 2.

⁴³ *Ibid.*

TERM OF REFERENCE 3

The adequacy of the current port facilities on King Island and ports in North West Tasmania that may service King Island.

King Island Ports

At the time of the Inquiry, working ports on King Island were located at Currie and Grassy. Currie is primarily a port for fishing activities and Grassy is the primary freight port.

According to the TasPorts submission:

The Port of Grassy is located on the south east coast of King Island. It has been operating since the 1970s initially to support the operation of the Island's scheelite mine. Waste rock from the nearby mine was used to form a south-eastern breakwater. A finger breakwater to the west was also constructed along with the adjacent wharf and port buildings.

Over time the port has received a number of infrastructure upgrades including the roll-on roll-off (RORO) ramp and fenders, new berthing dolphin (to support larger vessels), strengthening of the wharf decking, removal of the port crane and installation of segmental paving across the container storage yard.

The Port of Grassy currently features a RORO ramp, general wharf and berthing facilities, a cargo shed, fertiliser shed, hardstand, cattle holding pens and stock races. The berth at Grassy contains a concrete ramp for the bow or stern door of a vessel to sit on. There are no landside cranes at Grassy wharf.

The operating parameters of the Port of Grassy are listed below:

- *Daylight port: Grassy is a daylight port for vessels over 35 metres length overall (LOA). Vessels up to 75m may apply for night navigation that will be assessed on a case-by-case basis following a risk assessment.*
- *Maximum permitted vessel length: The maximum acceptable LOA at Grassy is 90m.*
- *Pilotage: This is compulsory for vessels exceeding 35m LOA.*
- *Pilot Boarding Ground: Approximately three miles radius from the port centred on a Grassy Island light based ashore.*

- *Vessels over 35m LOA must have a twin screw configuration.*
- *Vessels over 60m LOA must have a bow thruster.*
- *Spring tidal range is 1.4m.*
- *Maximum wind strength for vessels over 35m is 25 knots.*
- *In the absence of specific parameters, particularly in relation to extreme weather situation, the pilot will assess existing conditions using all available resources and determine if a vessel can safely manoeuvre within the port area.*
- *A minimum dynamic under keel clearance of 0.6m must be maintained for vessels under way.*
- *A minimum static under keel clearance of 0.3m must be maintained alongside the berth.*
- *Berth Depths: The minimum depth at the Grassy Wharf is 5.7 metres.*
- *Chartered Swing Basin: The chartered swing basin diameter (turning circle) is 95m.⁴⁴*

Witnesses stated that Grassy Harbour is too small for the current shipping requirements.⁴⁵

Mr Daryl Fanning's submission stated that Grassy Harbour is too small:

Grassy Harbour was always regarded as a 6 meter harbour. However with the use of Les Dicks's Eastern Shipping Landing Craft, sand has been shifted into the shipping channel. This is being exacerbated (sic) by the current Navigator which is also a Landing Craft.

Landing Craft do not tie up in the normal manner, but use their motors to hold them in positions which create continual turbulence in the water and results in sand shifting into the channel.

Due to the sand shift, the Searoad Mersey ran aground on 30th October 2016 and 5.1m draft.⁴⁶

⁴⁴ TasPorts, *Submission*, p.13.

⁴⁵ Mr Daryl Fanning, *Submission*, p. 2.

⁴⁶ *Ibid.*

According to Mr Fanning, the basis of the problems with Grassy Port is that it is becoming shallower due to ships loading and unloading for hours and hours with their engines running.⁴⁷

According to the Maritime Union of Australia – Tasmanian Branch, submission:

Grassy is a shallow water port, meaning high winds and tides on KI are fully felt by vessels attempting to dock. For a small vessel such as the Investigator the exiting port design and infrastructure, including a fixed ramp, and subjectivity (sic) extreme weather conditions mean the vessel can often be stuck outside port waiting to come alongside or stuck alongside waiting to safely depart the island. This has safety implications for the crew on board, presents an increased risk of damage to cargo, and is causing delivery delays for customers.⁴⁸

According to Mr Paul Weedon, CEO TasPorts, the shifting of sand is not causing increased siltation in the Grassy harbour:

CHAIR - A couple of people mentioned some concerns about the current vessels using Grassy Harbour... They are churning up the harbour bed and shifting the sand, which I am sure it happens as a result of natural currents and that sort of thing as well; but is that creating a shallowing of the port area?

Mr WEEDON - No.

Mr GAFFNEY - How do you know it is not? Do you test it? Do you measure it every year or every six months? How does that work?

Mr JOHNSTON - We do periodic surveys. That is really determined as part of a longer term statewide plan that also has implications on our dredging strategy.

Grassy Harbour has had two hydrographic surveys in the past 18 months to two years. Between those two surveys, there was no evidence there was any increased siltation.⁴⁹

According to the King Island Beef Producers Group submission, the Grassy port was not designed to be an all-weather ports due to its exposure to the southwest swell which results in missed calls into the harbour due to inclement weather and restrictions on the operating hours of the port:

⁴⁷ Mr Daryl Fanning, *Transcript of Evidence*, 7 August 2016, p. 43.

⁴⁸ Maritime Union of Australia (Tas Branch), *Submission*, pp. 6-7.

⁴⁹ Mr Paul Weedon, *Transcript of Evidence*, 10 August 2017, pp. 61-2.

Any 'No Boat' situation has significant cost impacts to businesses on the island through delays in getting fertiliser onto pastures (missed pasture production) or moving livestock off (destocking to match the season) in a timely manner.

Longer term a plan is required to upgrade Grassy port to an all-weather port that can handle larger ships. This is a Federal Government responsibility that requires state government support.

The restrictions to the capabilities of our existing wharf infrastructure limit the ability for the island to drive competition and manage freight costs. Currently a vessel restriction of 95m maximum length, 5m draft, twin screw with bow thrusters is imposed on the wharf access. This prohibits any access to serious competition from alternative freight providers as these vessels are not operating in this region.

The SeaRoad Mersey was a 120m vessel and had an exemption to this ruling as it was in operation prior to the changes in limits.⁵⁰

TasPorts' submission outlined the operating parameters of Grassy Port:

- *Daylight port: Grassy is a daylight port for vessels over 35 metres length overall (LOA). Vessels up to 75m may apply for night navigation that will be assessed on a case-by-case basis following a risk assessment.*
- *Maximum permitted vessel length: The maximum acceptable LOA at Grassy is 90m.*
- *Pilotage: This is compulsory for vessels exceeding 35m LOA.*
- *Pilot Boarding Ground: Approximately three miles radius from the port centred on a Grassy Island light based ashore.*
- *Vessels over 35m LOA must have a twin screw configuration.*
- *Vessels over 60m LOA must have a bow thruster.*
- *Spring tidal range is 1.4m.*
- *Maximum wind strength for vessels over 35m is 25 knots.*
- *In the absence of specific parameters, particularly in relation to extreme weather situation, the pilot will assess existing conditions using all available resources and determine if a vessel can safely manoeuvre within the port area.*
- *A minimum dynamic under keel clearance of 0.6m must be maintained for vessels under way.*
- *A minimum static under keel clearance of 0.3m must be maintained alongside the berth.*
- *Berth Depths: The minimum depth at the Grassy Wharf is 5.7 metres.*

⁵⁰ King Island Beef Producers Group, *Submission*, p.2.

- *Chartered Swing Basin: The chartered swing basin diameter (turning circle) is 95m.*⁵¹

However TasPorts' submission stated that there is currently no commercial business case to justify the upgrade of the port:

*The fact that a more effective, flexible and cheaper solution exists and is being actively pursued; namely, a replacement vessel for the King Island shipping service that matches the freight task and fits within port constraints.*⁵²

TasPorts' submission stated that there is presently no receipt and delivery process while a ship is loading and unloading at Grassy:

This is a change to the previous arrangements when SeaRoad was operating because port equipment is now committed to loading and unloading cargo when the Investigator II is in port. BIL recently invested in a second 35t fork to be used for both R&D and stevedoring operations. This is to provide further flexibility and freight handling capacity.

*In a further bid to meet customer demand, especially in relation to fertiliser cargo, BIL pro-actively opened the port of Grassy on Sunday on three occasions so that containers were picked up from the wharf, emptied and returned. This service was communicated widely to customers and stakeholders on the island (including by email, Facebook and via phone calls). This service was designed to expedite the process of returning containers to the mainland for re-filling so that customers could receive their fertiliser as quickly as possible.*⁵³

Mr Les Dick, of Eastern Line Shipping Pty Ltd, expressed concern at the operation of Grassy port:

The inefficiencies on King Island at the moment are horrific. It is a poorly run place. We cannot even get prices for stevedoring or anything out of them. They just do not have anyone who can give answers, and it is shameful. It does not matter if it is me or anyone else, everyone is going to be faced with the same deal. That is why I purchased Naracoopa. We can break away from this and become independent shippers on King Island. We still have to use TasPorts facilities in Tasmania and that in itself is wrong

⁵¹ TasPorts, *Submission*, p. 13.

⁵² *Ibid*, p. 14.

⁵³ *Ibid*. p. 18.

because we are now competing against a shipper which is a TasPorts facility.⁵⁴

Grassy Port Upgrade

The King Island Council submission stated that the upgrade of port facilities at Grassy is a key objective of Council:

This upgrade could involve the extension of the breakwater and deepening of the harbour to allow for larger vessels, or could equally involve the improvement of land based facilities to remove some current practises that increase costs to shipping companies and customers alike. For example, with the current facilities and operating procedures, it is not possible for customers to deliver or collect general freight from the wharf while the vessel is berthed. A relatively small investment in making further use of TasPorts' existing land assets around the port, or even just reviewing operating procedures in the existing facility, could resolve this issue.

King Island businesses and individuals are exposed to higher shipping costs than their mainland Tasmanian counterparts due to the inability to de-hire containers at their local port and therefore paying hire costs beyond the delivery of goods to port.

The limited availability of lay over berths in North West Tasmania, including King Island, appears to have restricted the capacity for new providers to offer a commercial shipping service to King Island. Council requests that the sub-committee consider opportunities for government to invest in developing such facilities in the North West, thereby increasing King Islands and Tasmania's access to new shipping providers across the Bass Strait.⁵⁵

According to TasPorts' submission, major upgrades to the Port of Grassy cannot currently be commercially justified:

In 2017, TasPorts commissioned GHD to undertake a desktop assessment of the feasibility of berthing any known current and future Bass Strait vessels at Grassy Harbour.

From this, a range of various upgrade concepts were developed with the resulting high level order of magnitude cost estimates up to \$160 million. This is just the capital expenditure and does not include costs such as engineering or environmental impact studies, equipment, or operational costs.

⁵⁴ Mr Les Dick, *Transcript of Evidence*, 1 September 2017, p.31.

⁵⁵ King Island Council, *Submission*, p. 2.

However, based on estimated costs of up to \$160 million, there is currently no commercial business case to justify the upgrade of the port based on current or known future freight requirements.

There are in fact numerous reasons as to why a major expansion of the port is not viable, including:

- 1. The small volume of the King Island freight task.*
- 2. The seasonal nature of the King Island freight task.*
- 3. The substantial costs of a major upgrade against the likely return on investment.*
- 4. The adequacy of current facilities for the current freight task and current shipping operations.*
- 5. The fact that a more effective, flexible and cheaper solution exists and is being actively pursued; namely, a replacement vessel for the King Island shipping service that matches the freight task and fits within port constraints.⁵⁶*

Absence of a Crane

The absence of a crane at Grassy port was identified as a significant constraint on King Island, however Grassy Port is not capable of holding a crane under its current construction. According to Mr Himanshu Desai, Director, Midas Technical Services:

...I got an email from the official in TasPorts that the wharf will not be able to take a crane because we had already suggested a crane that was quite competitive compared to the rest of the crane operator hiring companies. They said that to have a 26-tonne container to be lifted, you require a crane that has about a 90-tonne capacity or something because then there is a bit of difference there. But apparently it did not work out because the wharf cannot take the weight of the crane with its counterweights. When you are lifting weights, you require counterweights at the back so with those counterweights the whole thing would have been about 130 tonnes and apparently the wharf on King Island is not capable of holding that crane.⁵⁷

Mr Paul Weedon, CEO TasPorts, highlighted the prohibitive cost of a crane at Grassy Port:

If you have a crane and you can manage the cost of that crane productively. The capital cost of cranes is significant. In other projects we are involved in

⁵⁶ TasPorts, *Submission*, p. 14.

⁵⁷ Mr Himanshu Desai, *Transcript of Evidence*, 10 August 2017, p. 18.

we know that a crane to accommodate this type of operation would be in the order of \$US20 million per crane location plus set up costs. It might require wharf decks needing to be strengthened. The underpinning structures under wharves to host crane rails to allow cranes to operate make cranes compared to fork trucks a very, very expensive option. It is unlikely that a business case would ever be sustainable given the very small amount of cargo on and off the island.

The reality is that using cattle moving trailers, you would still need a road operation so how could you justify spending probably \$50 million or \$80 million on cranes for part of the cargo tasks. The small volume of cargo - the fact that we are prioritising the search for a ro-ro primarily to satisfy the livestock obligations means that's the likely mode of stevedoring operation we would conduct.⁵⁸

TasPorts' submission concluded that King Island port infrastructure is 'fit for purpose' for optimal vessels to service the trade.⁵⁹

According to the Tasmanian Government submission:

Due to the small size of the King Island freight task, even if the Port of Grassy was upgraded there is no guarantee that larger vessels would call at King Island or that a triangulated service would be offered by the market.

The Tasmanian Government does not currently plan on upgrading Grassy Port, and is focused on ensuring that the Island is serviced by an appropriate and sustainable long-term shipping service.⁶⁰

Tasmanian Mainland Ports

In relation to the other North West Tasmanian ports called on by vessels servicing King Island, the Tasmanian Government submission stated:

The Port of Devonport has been used as the primary Tasmanian Port for King Island services. The Port of Devonport can accommodate vessels up to a maximum length of 205 metres and a maximum draft of 9 metres. There are a number of berthing options, including roll-on roll-off facilities.

The Port of Stanley can accommodate a maximum vessel length of 70 metres and a maximum vessel draft of 5.5 metres. Operation is restricted to daylight hours.

⁵⁸ Paul Weedon, *Transcript of Evidence*, 10 August 2017, p. 50.

⁵⁹ TasPorts, *Submission*, p.13.

⁶⁰ Tasmanian Government, *Submission*, p. 8.

The Port of Stanley was upgraded in 2013 following the closure of the livestock processing facility on King Island to enable the movement of cattle to the Greenham's processing facility at Smithton. This upgrade included new piles to support a vessel and a purpose built cattle race. A further upgrade to the roll-on roll-off wharf ramp was carried out in 2015.

The upgrade to Stanley Port has allowed for the unloading of cattle from the ship on to the wharf and straight into trucks for transport to processing. The shorter journey time between Stanley and Smithton on road is understood to assist maintaining the quality of the product.

The Port of Burnie, while not recently used for King Island shipping services, can accommodate vessels up to 260 metres in length and has a maximum draft of 11.5 metres.⁶¹

The Committee noted that TasPorts, through the BIL, indicated it was committed to supporting its customers and the King Island community by taking the following steps to hold down freight costs and shipping charges:

- 1. Freezing freight rates.*
- 2. Simplifying the rate schedule by providing consistent rates to all customers.*
- 3. Reducing rates for shipper-owned containers (\$100 per TEU discount).*
- 4. Ensuring the full supply chain cost for transporting livestock to JB Swift's Longford abattoir did not increase through a Stanley port discharge rather than a Devonport discharge.*
- 5. Retaining the tourist rate with its free return leg.*
- 6. Applying Bass Strait Passenger Vehicle Equalisation Scheme or BSPVES (i.e. Federal Government subsidy) to each leg.⁶²*

In relation to the subsidised cost for transporting livestock to JBS Swift's Longford abattoir, Mr Paul Weedon, CEO TasPorts, elaborated:

CHAIR - Can we talk about Stanley Port? We know that the Investigator and Les Dick Shipping are going into that port now. To clarify, does Investigator offload cattle for Greenham's there and then go on to Devonport to offload the cattle for JBS Swift or are they all trucked from Stanley?

Mr WEEDON - All livestock trailers are going over the Stanley ramp at this time.

⁶¹ Tasmanian Government, *Submission*, p. 9.

⁶² TasPorts, *Submission*, p. 10.

CHAIR - The on-road freight costs are obviously not provided by TasPorts - I think provided Hodges and Pages - because they now have a longer distance to travel, are they being subsidised to take the cattle to JBS Swift?

Mr WEEDON - Yes.

CHAIR - Who is funding that?

Mr WEEDON - We are.

CHAIR - Why was that decision made?

Mr WEEDON - When entering the trade we sought to ensure stability in terms of the freight rates being charged. We decided not to handle the Swift cattle through Devonport. We therefore felt it was reasonable commercially to offset the differential cost they would incur as a result of our commercial decision to operate cattle over the ramp in Stanley. We offset that.⁶³

And further...

Mr WEEDON - We are not completely privy to what happens with Greenham's. They don't use Bass Island Line; they use another carrier. That is a matter for them. Our focus is on the Swift volume. Over many years they have worked on the supply chain model predicated on having their cost base moved via Devonport. Because we made the decision to stevedore the ship elsewhere, it was reasonable to offset the additional cost only in that solution.

CHAIR - Is it expected the new vessel will be going to Devonport or will Stanley remain an option?

Mr WEEDON - All northern ports will remain an option.

CHAIR - If the best option were Stanley, would that subsidy continue?

Mr WEEDON - It may do.⁶⁴

According to Mr Fanning:

That becomes a double-edged one because at the moment we are supplying cattle to Tasmania to prop up Tasmania's employment. Swift would be just as happy to take the cattle to Melbourne and close Longford, just as they have closed the sheep line there now. Virtually all our products come from Melbourne, not from Tasmania. The only thing that comes from Tasmania

⁶³ Paul Weedon, *Transcript of Evidence*, 10 August 2017, p. 51.

⁶⁴ *Ibid.*, p. 52.

is fuel because TasPorts buy its fuel at the government contract rate so that comes out of BP.⁶⁵

Naracoopa

Mr Les Dick, Eastern Line Shipping Pty Ltd commented on the importance of Naracoopa as a potential port. He stated that:

I have just bought Naracoopa and we intend, eventually, to put a marina there as finances become available through cargo input and output; that is how we intend to do that. That would provide a berth.⁶⁶

And further...

As TasPorts is now experiencing, it is exactly the same thing - cancelled trip after cancelled trip. The only thing we have we can say in our defence is that we are there the next day. If we go there like we did on Sunday, it was too rough to get into Grassy. The wind is blowing south-west, and it set from Maatsuyker right up the Tasmanian coast and straight through the door to Grassy, every time. When it is like that, we are out on Naracoopa, it is as flat as that table because it is off the shore. What we want to do, at no cost to the government, no cost to anyone only us, is to put the bulk of cargo through there because people will not use the port as it is too dear and the charges and costs. Our reward will be not having to deal with TasPorts.

Most of our complaints now - as committee members would know because they have heard a lot of people screaming about it - are about the cost of getting cargo on and off King Island. It is not the bluewater part. It is the way they do things at both ends, and the cost at both ends.

The inefficiencies on King Island at the moment are horrific. It is a poorly run place. We cannot even get prices for stevedoring or anything out of them. They just do not have anyone who can give answers, and it is shameful. It does not matter if it is me or anyone else, everyone is going to be faced with the same deal. That is why I purchased Naracoopa. We can breakaway from this and become independent shippers on King Island. We still have to use TasPorts facilities in Tasmania and that in itself is wrong because we are now competing against a shipper which is a TasPorts facility.⁶⁷

When asked about any impediments to the use of Naracoopa, Mr Dick stated:

⁶⁵ Daryl Fanning, *Transcript of Evidence*, 7 August 2017, p. 46.

⁶⁶ Les Dick, *Transcript of Evidence*, 1 September 2017, p. 23.

⁶⁷ *Ibid.*, p. 31.

Mr DICK - ...There is nothing, there is no impediment at all. We have an urgent amendment before parliament at the moment. Peter Gutwein is looking at because they put an environmental zone right around King Island that has to be undone from the port limit here, 3.1 kilometres from here out and around in a circle is port limits. He has to cut it off there and restart at the other side and we are ready to go. Everything else is in place, council has very little input. We have kept council there briefed on everything we are doing. It has a general council meeting on the 5th, to get a feeling how people are accepting this. Our feeling is we have a lot of support, a lot of letters and the council is receiving letters in support of what we are trying to do to make it happen. They look at it and there is no downer in this; it is not going to cost the Government anything.

CHAIR - Do you have to do any upgrades to it?

Mr DICK - No. At the moment as far as Naracoopa exists, there is a cargo shed and 12 acres of land.... Ten years ago I took a gang of men over and we refurbished the wharf with some Tasmanian government money, some federal money and some King Island money.⁶⁸

And further...

Mr GAFFNEY - What restrictions or regulations govern stopping cargo going on and off at Naracoopa?

Mr DICK - None.

Mr GAFFNEY - So it is up to you to organise your stevedoring because it is a private port? You will not have any issues with unions, governments, whatever?

Mr DICK - Absolutely nothing to do with it whatsoever. As long as we comply with our OH&S and the Tasmanian OH&S, which we do anyway and hope that every business does. As long as we do that, we simply have nothing.⁶⁹

⁶⁸ Les Dick, *Transcript of Evidence*, 1 September 2017, pp. 34-5.

⁶⁹ *Ibid*, p. 36.

TERM OF REFERENCE 4

The requirements to provide a sustainable service to meet current and future freight needs of King Island.

There was considerable evidence that there is a need for direct access to and from mainland Australian ports and direct access to and from mainland Tasmanian ports. This service is necessary for livestock, perishables, fuel and other freight.

According to the TasPorts and King Island Council submissions, a sustainable and reliable shipping service is essential for King Island's continued existence.⁷⁰ David Laughler, General Manager King Island Council outlined the impacts on the unreliability of the current service:

The characteristics of the Investigator II means that it is not always able to sail due to weather conditions on the Bass Strait, and this means a number of sailings have been delayed, or on occasion, cancelled. This in turn means that King Island businesses are left uncertain of whether goods will be delivered to, or collected from the Island as expected. For example, the shipment of cattle from King Island this week has been delayed. This means that producers are now having to find additional feed for cattle who were not expected to be on the island is a time when available feed is limited, and will not receive payment for that cattle until later than planned which affects their cash flow.

Another impact of the responsive schedule which Bass Island Line have had to adopt has been the occasional backing up of freight in Devonport. For example, when goods are shipped from Melbourne, their arrival in Devonport can miss the departure of the Investigator II to King Island. This may be because of changes to their schedule, or because other freight is having to be prioritised cause of earlier days in the schedule. This leads King Island businesses needing to maintain higher stock levels to mitigate the risk of deliveries not coming in as expected, impacting on their available cashflow.⁷¹

Vessel Requirements (type, configuration and availability)

The Tasmanian Government submission stated that the most appropriate vessel for the King Island shipping service would be:

⁷⁰ King Island Council, *Submission*, p. 4; TasPorts, *Submission*, p. 15.

⁷¹ King Island Council, *Op. Cit.*, p. 4.

- *a Roll-on Roll-off (RoRo) vessel;*
- *ramp loading (stern or bow depending on vessel design) and ability to be fitted with cranes;*
- *capable of carrying 100-140 TEUs;*
- *80-90 metres in length;*
- *fitted with a bow thruster and twin screw propulsion;*
- *capable of a minimum speed of 10-13 knots; and*
- *capable of catering for a mix of cargo (refrigerated, wheeled, heavy, bulky, non-containerised, hazardous, some sheltered cargo, livestock).⁷²*

Although the King Island freight market is small in size, the freight task is diverse and there will always be a challenge in providing a service that meets the needs of all shippers.⁷³

The TasPorts submission summarised the requirements of a vessel for the BIL:

- *Capable of carrying a diversity of freight;*
- *Capable of ensuring a very high degree of service reliability;*
- *Able to safely cross Bass Strait considering prevalent weather conditions in this region;*
- *Able to fit within "land side" infrastructure in Grassy, Victorian ports and Tasmanian ports (both Devonport and Burnie); and*
- *Financially viable, considering both upfront and ongoing costs.*

It is BIL's view that the replacement vessel should also be capable of making sailings to mainland Australia as well as Tasmania.

BIL has developed the following specification for the replacement vessel. These specifications ensure that the vessel is able to provide a sustainable service for all current and future freight needs of King Island (Table 3).

BIL is making every effort to ensure the replacement vessel meets as many of these specifications as possible. But it is crucial to bear in mind that the vessel is highly unlikely to meet all of the highly desirable specifications.⁷⁴

⁷² Tasmanian Government, *Submission*, p. 10.

⁷³ *Ibid*, p. 11.

⁷⁴ TasPorts, *Submission*, p.16.

Table 5: Specification for Vessel Replacement⁷⁵

Highly Desirables		
Length overall	Between 80 – 90m	To maintain DCV
Draft	<5m	For access to Grassy
Cruising Speed	Minimum 10 knots	At optimum fuel efficiency
Loading	RO-RO Aft ramp	For increased sea-keeping
Displacement	2,000 – 3,000 tonne	Commensurate with a vessel this size
Capacity	90-100 TEU Mix of Cargoes Heavy cargo to the island, light return	TEU, FEU, ISO, vehicles, horse floats, project cargo, bulk fuel (in hold)
Capability	Ocean going	For Bass Strait crossing and very high degree of service reliability
Manoeuvrability	Twin screw/bow thruster	To maximise efficiency
Equipment	Remote engine room alarms and controls	To maximise efficiency, reduce manpower with better monitoring systems
Cargo	>6 reefer (refrigerated) points (plug in power points)	
Stable	Flume tanks	
Fuel	Diesel	
Price	Approx. \$10m - \$20m	
Should haves		
Structural	Deck strength 10–15t/m2 or 60t per stack (per TEU footprint)	For double stacking of heavy containers
Survey	Future consideration of change in class requirements	
Could haves		
Loading	Ships crane	For project cargo
Cargo	Indoor garage for 5-6 cars	
Reliability	Winches (Auto Tensioner Style)	For addressing swell at Grassy

⁷⁵ TasPorts, *Submission*, pp.16-17.

Mr Ian Berry, retired marine engineer, supported the view that King Island needs a suitable custom built and designed ship to service the island:

*What I do believe is the State Government should, as a matter of urgency, contract a company able to design and build a specific vessel for the run. There are companies such as Damen, which is a world renowned marine architectural company - it owns shipping yards around the world and is very well respected.*⁷⁶

*There are hundreds of islands around the world that are similar to King Island and they are serviced by a vessel or vessels that meet their needs. In the past the Government has stepped in to provide the Island with a proper shipping service then disruptions occur. If it means that a ship has to be designed and built specifically to meet the needs of the King Island community and the constraints of Grassy Harbour, then the Government will need to bite the bullet and do just that. They don't necessarily have to operate the vessel. It could be bare boat chartered to a reputable and experienced shipping company that already have the infrastructure and personnel in place. In my opinion TasPorts do not have the experienced (sic) nor personnel to efficiently operate a shipping service.*⁷⁷

Mr Andrew Philbey, owner Philbey's Fertiliser Service, listed the requirements for current and future shipping needs of King Island:

- *A larger all weather ship suitable for Bass Strait conditions;*
- *Service that is weekly, provides improved efficiencies at an economic rate;*
- *A long term plan and cooperation between the State of Tasmania and the Federal Government to upgrade the Grassy Port to an all-weather port that can handle larger ships;*
- *Improvement to efficiencies of the current wharf infrastructure and operations; and*
- *Provision of new (asbestos free) fertiliser stock shed at the Grassy Port, to provide a buffer of product on the island for occasion where the ship misses a sailing due to weather and to alleviate some pressure on the shipping service during the peak. This should not be restricted to only 1 supplier.*⁷⁸

According to Mr Noel Cooke, King Island resident for 63 years, business owner and former member of the shipping group, the freight needs of King Island are as follows:

⁷⁶ Mr Ian Berry, *Transcript of Evidence*, 8 August 2017, p. 2.

⁷⁷ *Ibid.*, pp. 1-2.

⁷⁸ Mr Andrew Philbey, *Submission*, p.3.

- 1. The replacement vessel must have a cargo hold. We need to protect our export produce and incoming goods that cannot be containerised.*
- 2. The replacement vessel must be able to handle the Bass Strait weather conditions. We cannot afford missed sailings and it damages the King Island brand if we cannot guarantee supply of our exported goods. It is enormously damaging to animal health to be loaded on a trailer only to turn around and return to the farm. It also disrupts farm planning to carry excess stock because they cannot leave when necessary.*
- 3. A King Island to Victoria return service is absolutely essential. Historically, we (King Island) have done the majority of our trade with Victoria and to deny us the capacity to do this efficiently, timely and cost effectively is anti-competitive. As mainly a prime lamb producer, not currently having access to Victoria is costing us \$50,000 annually. Previously, Swift was a major buyer of our type of lamb. However, they have shut their small animal chain and we believe that they will not reopen it as they were sending 5000 lambs a week to Victoria.⁷⁹*

In further correspondence from Mr Cooke, he provided information regarding quotes to ship lambs to Victoria via mainland Tasmania that demonstrated an overall loss of \$33/head. This loss takes into consideration the following; the additional freight costs as quoted by Pages Transport, the loss of weight of each lamb (approximately 2kg/head), the price differences between Victoria and Tasmania and the positive impact of the freight equalisation subsidy. According to Mr Cooke, this equates to an overall loss of \$66,000 on 2000 lambs.⁸⁰

Witnesses highlighted the frustration in the current vessels being unable to maintain a schedule due to total weather dependence, the loss of a direct link with Victoria and the resulting impact on quality of life and cost of freight.

Mr Greg Morris and Ms Rosemary Hallett, speaking on behalf of the King Island Chamber of Commerce expressed their concerns:

Mr MORRIS - I want to talk about the loss of the actual direct contact to Victoria. A lot of what was said, through the minister in Tasmania - that King Island businesses had the opportunity to buy their goods out of Tasmania, we do not need to go to Victoria - was pretty disturbing. A lot of businesses here have been established for up to 100 years and have built up relationships with their suppliers in Victoria. They were then expected to drop all those relationships and get all their products out of Tasmania. It was pretty rude and there was very little understanding of what went on

⁷⁹ Mr Noel Cooke, *Submission*, p. 1.

⁸⁰ Email from Mr Noel Cooke dated 27 October 2017.

here. Rose is also Foodworks and she can explain a little bit about what is involved in getting her goods to the island.

Ms HALLETT - We deal out of the Metcash Warehouse as does IGA, and most of the Tasmanian supermarkets, in Victoria. The goods are transshipped at the moment. It is an added cost at the moment with the extra wharfage. In fairness, it has been working reasonably well, weather-wise, but extra costs have been incurred because of the transshipping and the way it is run down at the wharf.

We have extra wharfage, whereas before, with transshipping, things were not taken off the boat when it went to Devonport, so there was no landing charge there. Now we have got a second landing with landing in Devonport. Because there is no R&D at the wharf at this end, we have to take trucks down to put things on the boat. They come back empty, then they go back down. ...

I was getting some fruit and veggie out of Victoria on the ship; now because of the extra times and uncertainty of the regular schedule, there isn't one, and I cannot do that anymore. ... I have been getting more out of Tasmania but 99 per cent of my business is Victoria-based. I have to get potatoes out of Tasmania.

Mr MORRIS - We are saying that the minister was not aware of all the grocery outlets in Tasmania that deal with warehouses in Victoria. There is no grocery distribution system within Tasmania. To expect us to source groceries and other goods out of Tasmania is unrealistic. It has to come out of Victoria. It is adding another burden to our existing high rates.⁸¹

Mr Morris, when speaking on behalf of the King Island Shipping Group, made reference to the challenges associated with the current ship and with the lack of reliability in terms of arrival times and impacts of adverse weather:

Whilst the Mersey was on a Sunday, people could commit; Sunday was put aside, you knew what you were doing, you were carting cattle. It might have been from 8 o'clock to 3 o'clock or 3.30 or whatever. You could work on that and could work some sort of social activity around that...Now, it could be any day of the week. It might be scheduled to come in at 7 o'clock. That schedule might change to 10 o'clock; it might actually get in at 2 o'clock and the trailers come off at 2.30 so you end up being in the dark or whatever. We are on call 24/7 or 12/7. It is an extra burden everyone is feeling - the lack of a feeder vessel to be able to maintain a schedule due to the weather dependence and the tides et cetera. It is all over the place and

⁸¹ Mr Greg Morris and Ms Rosemary Hallett, *Transcript of Evidence*, 7 August 2017, pp. 8-9.

*it is just difficult and frustrating... You will see the schedule the Bass Island Line put out. They only give the time they hope to leave a certain area. They never say when they are going to arrive.*⁸²

Mr David Laughher, General Manager, King Island Council highlighted the necessity for surety of service and a long term solution:

The most urgent from council's perspective is the surety of a service. All the information we have had to date is that the ship currently being used by TasPorts is very much an interim solution. It was only leased for six months, which is close to renewal. There is a need to move forward with looking at a future vessel and seeing that vessel having a capacity to do the Melbourne leg. Our commitment from the minister was that was the absolute priority.

And ...

*The next phase for us will be going back through the Minister, initially looking for some clarity around where we go from here. We have not had that assurance. There has been an increase in communication from TasPorts and Bass Island Line, particularly around sailing schedules, but less so about the replacement vessel. As far as I can see, it has been sitting in the background. We have not been given that clarity so we need to continue to pursue that.*⁸³

According to Minister Hidding, TasPorts has narrowed the international search for an interim replacement vessel to two vessels:

It is completely commercial because if one has the view they could gain them on price, well, it is a very competitive market out there. We are close. I am confident as minister that we will say goodbye to the Investigator this calendar year. Wherever a new vessel comes from, it has to come from there and no doubt have some changes before it comes on line, so we will say goodbye to the Investigator this calendar year. It will be replaced by a much bigger, much more fit for purpose vessel.

*It will be a much larger vessel, in the 80 metre-type range. I take it you will explore this with Tasports themselves, but it would be of a size where it would be one day a week. One service in and triangulated. I know this committee is very interested in King Island's connection with mainland Australia; obviously there is a fair bit of interest in that.*⁸⁴

⁸² Mr Greg Morris, *Transcript of Evidence*, 7 August 2017, p. 4.

⁸³ Mr David Laughher, *Transcript of Evidence*, 8 August 2017, p.35.

⁸⁴ Minister Rene Hidding, *Transcript of Evidence*, 8 August 2017, p. 29.

Minister Hidding stated the replacement vessel will also be an interim vessel:

So it will be a triangulated service; it will be capable of a triangulated service. In a moment we will talk about the issues around a triangulated service. The next step is that vessel that will arrive this calendar year, all things being equal, is also an interim vessel. This is not something I asked BIL to do; I asked Infrastructure Tasmania to engage our contracted maritime consultants, Thompson Clarke Shipping Consultants from Sydney, who do all the government consulting. They have been working on Maria Island ferry, Bruny Island ferry and Flinders Island issues. Thompson Clarke is doing a major body of work for us right now on what an ideal vessel for this service would look like.

It is timely to do this because right now we are finding out that what they have had for 24 years has been this large vessel coming in there on a Sunday morning and leaving on a Sunday afternoon. It was a bit unclear exactly what because it was commercial. They were holding a lot of this information in and all that is known now, and so what would a new build vessel look like in an ideal world.

We will be provided with a set of proposals, a price frame between that and where and how you would get it built. We should have that on hand in two months' time, about 60 days from now. That will become the subject of a major consultation with the King Island community, King Island Council and King Island Shipping Group - all the major players. So the major shippers, the beef companies, the beef growers, everybody on the island will have an opportunity to have input into whether Thompson Clarke's version (sic). Everybody will have a slightly different version of what the generally agreed ideal ship for King Island will look like at the end of the day. That becomes an issue for consideration by government - its cost, and its funding options and operational options.

Ideally we would transition the shipping service back into the commercial market with the potential assistance of public funds to achieve this perfect vessel for King Island. I am saying 'perfect', because I would be the last person to say that is the perfect vessel, because on King Island there are many different views. I am not sure if you have worked that out. That will be a matter for the island and freight customers to determine.

That I would see as the last and final ship. Because that whole process is likely to take 18 months to two years, TasPorts now has to find - and they

*have narrowed it down to two ships - a ship that will at least do a very good job for the next two years.*⁸⁵

Service Configuration and Operation

Mr Les Dick, Eastern Line Shipping Pty Ltd, expressed concern at the current involvement of TasPorts in running the King Island shipping service:

*We have watched what has happened to King Island with the advent of TasPorts being involved in shipping now. We have also had to bear the brunt of actions from TasPorts, which now has a dual role - one of running the ports and one of running ships, which we absolutely say they should not be involved in it. This has been hoisted onto them by the minister. He has made another wrong call there. I have come here today to voice my opinion that he is wrong in what he is doing. All he has managed to do is completely stuff the industry, put private enterprise at risk, jeopardising what we already had in place in the plan.*⁸⁶

Mr Ian Berry raised similar concerns:

*In talking to friends of mine who have been in the industry for many years, none of us understand why TasPorts was given the job of running that barge across to King Island. TasPorts came about to operate ports My suggestion - which has been confirmed by others I have spoken to - is that TT-Line would be the most obvious one to run it on behalf of the state Government.*⁸⁷

This matter was raised with Hon Rene Hidding.

CHAIR - Minister, can I ask more of an overarching question? Why did you instruct TasPorts to take this up rather than TT-Line, which actually runs a shipping service now, and do a Bass Strait run?

Mr HIDDING - TT-Line is part of the solution because a lot of the transship stuff goes on TT-Line rather than SeaRoad.

CHAIR - That then strengthens my question: why wouldn't you just ask them to pick up the extra?

Mr HIDDING - Essentially, TT-Line runs two very large ships for passengers and some freight. For them to stand up a completely separate service would have required the acquisition of a bunch of new staff. All their staff are flat out on this stuff whereas TasPorts had the management and the people in

⁸⁵ Minister Rene Hidding, *Transcript of Evidence*, 8 August 2017, p. 29.

⁸⁶ Mr Les Dick, *Transcript of Evidence*, 1 September 2017, p.22.

⁸⁷ Mr Ian Berry, *Transcript of Evidence*, 10 August 2017, p.3.

their operations elsewhere to set this company up. We spoke to both of them and they essentially agreed to the structure of TasPorts doing it - bear in mind most of the senior people in there are senior shipping industry identities in their own rights so they know shipping.

CHAIR - The same can be said about TT-Line, surely?

Mr HIDDING - Yes. A lot of this shipping task is about ports and handling, and that is what TasPorts do. Between TT-Line, TasPorts and us, TasPorts was asked to set it up. I would contend they have done a good job.⁸⁸

Cost of interim shipping service

According to Mr Weedon, the financial loss borne by TasPorts running the shipping service is significant:

CHAIR - So how much have you lost in the last financial year? It was only a short period, I understand that, so what was the loss you will report?

Mr WEEDON - We are a week away from having our board sign off and approve the annual accounts for the TasPorts group, which includes this. What I can share with you is the loss in the first year of operation is north of \$1 million.

CHAIR - In the first financial year?

Mr WEEDON - Yes.

CHAIR - The losses are ongoing?

Mr WEEDON - Yes.

CHAIR - But not to the same extent because you got rid of the one-off costs?

Mr WEEDON - There are some one-off costs in the period up to 30 June this year, correct. Next year I expect there will still be a significant loss unless we can find a new operating model for the new ship, which will allow us to put this on a much more sustainable commercial basis. As a commercial enterprise with an obligation to act commercially, it is a main motivator for TasPorts to stem the losses and get this service, if not profitable, as close to profit as we possibly can. We need to do that for our own objectives but I know, having come out of the private sector, that there is no material discussion to be had with the private sector with a service that is losing money. They will want a platform that is sustainable, with the possibility of improving profitability.⁸⁹

⁸⁸ Hon Rene Hidding, *Transcript of Evidence*, 10 August 2017, p. 37.

⁸⁹ Mr Paul Weedon, *Transcript of Evidence*, 10 August 2017, p. 58.

The additional cost of running the SeaRoad MERSEY to cover the service gap between the initial withdrawal of the SeaRoad MERSEY and the commencement of the INVESTIGATOR II for a three month period (ten sailings) was \$890,000. On 10 August, Minister Hidding informed the Committee this cost was met by the Government's Island Shipping Emergency Fund.⁹⁰

However, in response to the questions asked in the Legislative Council during the adjournment debate of 19 October 2017,⁹¹ the Committee received correspondence dated 23 October 2017 from Minister Hidding clarifying that an application for a supplementary appropriation was made in 2016/17 via a Request for Additional Funds (RAF) to cover this cost. A draft RAF was initially submitted to Treasury during 2016/17 by Minister Hidding.

Subsequently savings were identified in June 2017 by the Minister from the Administered Item (Student Only Passenger Services). According to the Minister, the preferred option was to transfer a portion of these savings to cover the costs of the interim King Island service. Minister Hidding approved the transfer of savings on 13 June 2017. This was subsequently approved by the Treasurer on 21 June 2017.⁹²

Bass Island Line was established in March 2017 and commenced operation in April 2017. As noted in TasPorts Annual Report 2016-2017, BIL has made a loss of \$1,704,265. During the reporting period, BIL operated for 12 weeks from the commencement of the service on 7 April to 30 June 2017.⁹³

In the medium to long term, Mr Paul Weedon, CEO TasPorts recognised that it is not core business and not the vision of TasPorts to operate the shipping service:

Mr WEEDON - In the longer term, as I have said before, I do not see this as a core business activity of the TasPorts group. We have a unique set of circumstances, mainly driven by knowledge, experience and capability in our organisation to do this. With respect to the various opinions around the place, we think we are pretty well dressed to do this. I see it as a logical big elephant.

CHAIR - No-one is questioning capacity, but is TasPorts a shipping company providing a shipping service or a company looking after ports?

Mr WEEDON - That is a valid question. I think in the short term, probably three to five years, I would see TasPorts continuing to have an involvement

⁹⁰ Hon Rene Hidding & Mr Allan Garcia. *Transcript of Evidence*, 10 August 2017, p. 27.

⁹¹ Legislative Council Adjournment Debate, *Transcript of Evidence*, 19 October 2017.

⁹² Letter from Minister for Infrastructure Hon Rene Hidding MP to Hon Ruth Forrest MLC, Inquiry Chair, dated 23 October 2017.

⁹³ TasPorts, *Annual Report 2016-2017*, p. 90.

in this operation. I think the potential to, in some way, transition out of this in a reliable way that is not going to disrupt the market needs to be built on a stable search platform, good assets, good operations and at least some profitability that allows us then to go to the private sector and say, 'We do not want to be in this in the very long term. What are the opportunities to get you involved in taking over certain sections, either the business in its entirety or variations around that?' We cannot sit and do nothing, we are very aware of that. We have taken on this challenge at the government's request.⁹⁴

According to the Tasmanian Government submission, a *King Island Shipping Study* conducted by GHD in 2013 identified and considered a number of possible shipping service options:

As part of this analysis, several potential service variables were investigated and modelled. Service considerations included future freight demand scenarios, vessel type options, shipping service routings and frequencies, as well as operating costs. The analysis completed by GHD indicated that a triangulated shipping service, like the service provided by SeaRoad Mersey I, where vessel cost is shared between King Island and non-King Island freight, is the lowest cost service.

Analysis of the costs of operating separate shipping services, such as one service dedicated to general freight, with another dedicated to livestock indicated that a single combined service would be significantly more cost effective.

More recent analysis identified that a dedicated butterfly service, operating between King Island, Devonport, King Island and Melbourne, would be likely to be the most optimal service configuration. This would require a significantly smaller and cheaper vessel to operate, relative to a triangulated service, and would benefit from greater flexibility during peak season and allow a greater number of sailing as needed.⁹⁵

A triangulated service, including a direct link from King Island to Victoria, was strongly supported by a number of witnesses including the following.

The optimal service configuration for the future was also identified in the Tasmanian Government submission:

⁹⁴ Paul Weedon, *Transcript of Evidence*, 10 August 2017, p. 66.

⁹⁵ Tasmanian Government, *Submission*, p. 10.

More recent analysis identified that a dedicated butterfly service, operating between King Island, Devonport, King Island and Melbourne, would likely be the most optimal service configuration.⁹⁶

Mr Morris, speaking on behalf of the King Island Chamber of Commerce suggested:

Any service that gave us a direct link to Victoria would be adequate, either backwards and forwards to King Island or a triangle. As long as there was that leg and it did not have to leave the vessel at Devonport. Even if it went via Devonport, if it did not have to leave the vessel, it would reduce some of those costs.⁹⁷

Mr Berry supported this view, suggesting a link from King Island to Melbourne and Stanley.⁹⁸ Mr Philbey supported a triangulated service between Grassy, Melbourne/Geelong and Devonport/Burnie.⁹⁹

Mr Cooke stated that a direct access to Victorian markets is necessary:

The Deputy Premier, and a spokesperson from Mr Hidding's office have both stated that a government run triangular service would go from King Island to Tasmania and then to Victoria. This denies us direct access to Victorian markets and it compromises animal welfare and quality, to ship our livestock twice.¹⁰⁰

Mr David Raff, of Raff Angus Stud, further highlighted the necessity of a direct and reliable shipping service between King Island and Victoria on business viability and animal welfare grounds:

The core of our business is to continue to breed and supply stud angus breeding stock to our existing clients to all parts of Australia, mainly mainland, as well as producing prime grass fed beef for the highly sought after King Island premium brand. The success of our new venture depends largely on having a reliable, safe and efficient shipping service to deliver our product to the mainland in the shortest possible time ensuring good health and safety of our valuable livestock at all times.

This is vitally important as the social behaviour of bulls does not favourably accommodate for them to spend any extended periods of time in strange environments, particularly in transit or being held while in transit in confined spaces. Their social behaviour also dictates that they cannot be

⁹⁶ Tasmanian Government, *Submission*, p. 10.

⁹⁷ Mr Greg Morris, *Transcript of Evidence*, 7 August 2017, p. 9.

⁹⁸ Mr Noel Cooke, *Submission*, p. 1.

⁹⁹ Mr Andrew Philbey, *Submission*, p.3.

¹⁰⁰ Mr Ian Berry, *Submission*, pp. 1-2.

penned with strange animals or different bulls as they will fight and cause themselves injury.

The current shipping arrangement is totally unsatisfactory for us in that for bulls to go to the mainland they are first shipped from King Island to Tasmania. Here they are unloaded off trailers then held for an unspecified number of days in a strange and unfamiliar environment before they are then reloaded onto a truck then back onto a boat before finally being shipped to Victoria. This is simply not acceptable both at an animal welfare level and on financial grounds.¹⁰¹

Mr Raff expressed concern at the loss of stock resulting by the indirect route to the mainland:

Our recent experience in sending 36 stud bulls in May, ranging in value from \$4000 to \$20,000, [per head] proved that the current services are totally unacceptable. Many bulls were lame and sore on arrival to the mainland with two bulls receiving major injuries. Even after veterinary intervention one of these bulls had to be euthanized while the other bull's injuries are still being treated and monitored.

This resulted in some very unhappy customers as well as extremely disappointed vendors. Not only did we incur extreme expense in getting the bulls onto mainland from the freight component but we then had to incur added veterinary costs. Several clients have since expressed that they may not be prepared to continue sourcing genetics from us because of the fact that bulls have to spend so much time in transit.

A similar problem exists when bringing livestock onto the island. We recently bought stud sheep and pigs from the mainland and in both cases they had to first go to Tasmania then were reloaded for transporting back to King Island. In the case of the sheep they spent nearly two weeks in holding facilities in Tasmania - totally unacceptable for best animal welfare practices.¹⁰²

According to Mr Cooke, the absence of a direct route to Victoria results in significant financial loss, including stock loss:

As mainly a prime lamb producer, not currently having access to Victoria is costing us \$50,000 annually. Previously, Swift was a major buyer of our type of lamb. However, they have shut their small animal chain and we believe

¹⁰¹ Mr David Raff, *Submission*, p.1.

¹⁰² *Ibid*, pp. 1-2.

*that they will not reopen it as they were sending 5000 lambs a week to Victoria.*¹⁰³

The King Island Beef Producers Group supported a reliable triangulated service between Victoria, King Island and mainland Tasmania. Further requirements include the need for a “*consolidated freight task with minimal parties involved along the supply chain*” and “*a service that is reliable, weekly, economic and a mechanism in place to create efficiencies and avoid price gouging.*”¹⁰⁴

Mr David Conley, King Island Beef Producers Group stated:

*Basically, for all our imports that improve our productivity, whatever comes directly out of Victoria creates more competitiveness because it does not have to be double-shipped back here. The more we can bring the cost of the freight down, coming into King Island, the more productivity we can gain going out. Our end product is beef and the more product we can bring in at a cost-effective price, the more product we can send out, which ends up going to the mainland. It is why we want things to come out of Victoria. Our end product ends up in Tassie and is then forward-shipped back to Victoria, but it is a lot of double handling.*¹⁰⁵

Mr Greg Morris and Mr Boyd Hoare on behalf of the King Island Shipping Group and Transport Operators provided an insight into the historic and more recent history related to the need for and benefits of a link to Victoria when commenting on livestock transport:

Mr MORRIS - ... Since JBS closed, there has been competition for our product, for sure, and we have been getting good returns for Tassie. However, historically, going back 100 years, it has always been to Victoria, whether they flew lamb out back in the 1950s or whatever. The market has always been Victoria. You also have to acknowledge that there is a southbound freight rebate between King Island and Tasmania which is being used to get that to Tassie; then it is produced and then they are claiming another freight rebate to on go then to Victoria. Relying on that freight equalisation rebate both ways is not a sustainable way to build a business. We need flexibility.

Mr HOARE - There are also other classes of stock probably more dependent on the Melbourne leg. Feedlot cattle. It depends on our season over here as well. If it is dry in Tassie, it is dry in King Island; there is a wait to get cattle in, there is probably not a wait to get cattle in, in Victoria. Feedlots definitely. There is only one feedlot in Tassie. There are more on the

¹⁰³ Mr Noel Cooke, *Submission*, p. 1.

¹⁰⁴ King Island Beef Producers Group, *Submission*, p.2.

¹⁰⁵ Mr Nathan Conley, *Transcript of Evidence*, 8 August 2017, p.2.

mainland, so feedlot cattle are impeded by just the one service. If we want to get cattle to Melbourne, they have to go to Devonport or Stanley, then they go from Devonport over. That is another leg, so you get charged the two legs and you get two licks out of the TFS scheme.

And further...

The other problem we have is that Greenham's and Longford cannot handle larger bulls. It would now cost you, by going through Tassie, \$340 freight for one of those larger bulls to go to Victoria to be slaughtered.¹⁰⁶

The King Island Scheelite submission stated that, should the mine be opened, a reliable direct route between King Island and Victoria would be necessary to compete on the international market and for every aspects of the business to be internationally competitive. According to King Island Scheelite, the trip via Devonport is approximately 332NM as opposed to approximately 138NM direct from King Island to Melbourne, and it requires rehandling in Tasmania, both of which are avoidable additional costs:

By way of illustration, the cost of shipping from King Island to Devonport and then from Devonport to Melbourne is estimated to be A\$3200.00 per 20-foot container, holding 20 tonnes. Due to the similar distances and freight task KIS has assumed, for comparison purposes, that a direct route from Grassy to Melbourne would cost no more than from Melbourne to Devonport.

This we estimate will cost around A\$1,749.00 per container. An estimated annual saving of approximately A\$300,000.00 per year on exports from King Island. In addition, KIS will ship approximately 50 containers of consumables in, inclusive of diesel, per month. Using the same assumptions as above, total shipping costs via Tasmania will amount to approximately A\$1,920,000 per year. Whilst a direct shipping would cost approximately A\$1,050,000 resulting in a saving of well more than a million dollars.¹⁰⁷

According to Mr Cooke, a direct route to Victoria is important to avoid stock (lambs) from losing weight through an extended journey via Tasmania:

If we have to send them via Tasmania, we will look at losing 2.5 kilograms a lamb. Not only that, they dry out; they don't like it. Ideally, you have to spell them in Victoria. From an animal welfare point of view, it's certainly not ideal.¹⁰⁸

¹⁰⁶ Mr Greg Morris and Mr Boyd Hoare, *Transcript of Evidence*, 7 August 2017, p. 14.

¹⁰⁷ King Island Scheelite, *Submission*, p.2.

¹⁰⁸ Mr Noel Cooke, *Transcript of Evidence*, 7 August 2017, p. 28.

When questioned whether the presence of an abattoir on the island would solve this problem, Mr Cooke stated:

Put it this way, if I were building a new abattoir, I would have to question very seriously the economics of putting in a small animal change for the amount of small animals on the island. I do not think I could justify the cost of it.¹⁰⁹

Mr Anthony Gibbons, plant manager for the King Island multi-species abattoir, stated a consistent reliable service going both north and south is essential:

We have looked at just going into Tasmania, but we have had interest from markets on the mainland. For us to process 1500 wallabies a week for the markets both here and in Tasmania, just how much wallaby can one person eat? We need to explore other markets.¹¹⁰

A number of people have said, 'Fly it off'. But, for instance, for me to produce 20 kilograms of wallaby trim at \$1.40 per kilogram, when paying the shooters and everything else costs me over \$90, and I can only get \$90 back in return to fly it off, is not sustainable. I don't think the investors would be happy I have made those choices for them.¹¹¹

Community Involvement

There appears to be a community level disconnect with key stakeholders about King Island shipping. Mr Nathan Conley, King Island Beef Producers Group, stated:

There is a lot of disconnect, no doubt about it. Too many people are trying to go their different ways instead of getting on the same boat, literally, and going in the same direction. From a beef producer's perspective, how do you go about that? It is too big for me to walk in here and say, 'Righto mate, come on, fix the problem', when a lot of people do not want to listen. You can go through all of these submissions. We have had meetings with the ministers and they do not want to listen. We have had meetings with TasPorts which did not want to listen. We have had meetings with some people who do listen but do not have the power to do anything. That is probably why it has gotten to this stage and why you are here, to try to get something good and positive out of it.¹¹²

¹⁰⁹ Mr Noel Cooke, *Transcript of Evidence*, 7 August 2017, p. 30.

¹¹⁰ Mr Gibbons, *Transcript of Evidence*, 7 August 2017, p.61.

¹¹¹ *Ibid.*

¹¹² Mr Conley, *Transcript of Evidence*, 8 August 2017, p. 13.

Several witnesses stated the importance of community involvement in identifying local needs and issues and input into the development of a shipping route and schedule.

In the Midas Technical Services submission, it was noted:

*The King Island community has never had an equitable shipping service for a long time. The Searoad Mersey served the island with a monopoly and the company devised the sailing schedule. The KI community never had a say in the schedule or the freight rates.*¹¹³

According to the MUA Submission:

*Key stakeholders have been left out of the process, while fractures seem to be appearing in critical relationships. KI services modelled on a commercial basis... subject to market conditions... leaves the community vulnerable to decisions made purely for business reasons. The focus must be on securing a reliable and sustainable service that functions to provide security to the businesses and residents of the island.*¹¹⁴

According to Mr Story, communication with the local community is essential in identifying requirements and ultimately the “freight service should be customer focused and flexible rather than dictatorial and inflexible.”¹¹⁵

¹¹³ Midas Technical Services, *Submission*, p. 1.

¹¹⁴ Maritime Union of Australia (Tas Branch), *Submission*, pp. 1-2.

¹¹⁵ Don Story, *Submission*, p. 6.

TERM OF REFERENCE 5

Any other matter incidental thereto.

Tourism Opportunities

Mr David Laughler, General Manager King Island Council recognised the potential of tourism on King Island:

We are having discussions at the moment with proponents who are considering the development of tourism growth in particular - and tourism is the major growth component we are looking at right now - and who are considering at least two 5-star resorts for the island. That will diversify our tourism product exponentially.

The barrier to that is the freight costs. How do you get materials here? We are in the final stages of an agreement to put aviation fuel at the airport to get longer-term sustainability there and safety. Again, the cost - if we have to bring aviation fuel from Victoria through northern Tasmania back to here, it will be unaffordable. A direct link from Victoria to King Island for aviation fuel would allow us, through those operators, to supply aviation fuel, both Avgas and Jet A-1, at about the same price that operators can purchase it in Burnie or Launceston. If we have to bring it through on a dogleg, we add to those costs and it becomes unaffordable again.¹¹⁶

Some witnesses submitted that the long term solution for King Island Shipping is the provision for passenger and freight service, as proposed by Incat some years ago:

A triangular service linking Burnie with King Island and Victoria would enable more capacity and competition to meet Tasmania's growing needs plus a King Island service that could not be justified for freight only.¹¹⁷

Mr Ian Fitch, previous resident of King Island, suggested a high speed ferry service from Melbourne to Grassy to Stanley to Bridport to Flinders Island then back to Melbourne.

The latest Incats can handle large seas comfortably... A lot of people don't like small planes which affects both islands tourism potential but a large

¹¹⁶ Mr David Laughler, *Transcript of Evidence*, 8 August 2017, p. 26.

¹¹⁷ Cheryl and David Kerr, *Submission*, p. 1.

fast ferry ride for a couple of hours to both islands would be more appealing and what a great start to your Tasmanian tourism experience.¹¹⁸

Mr Richard Lowrie, Incat, stated Incat has the capability to provide a solution on Bass Strait servicing King Island, running from King Island to a port in Victoria back to King Island and onto mainland Tasmania at least three days per week. According to Mr Lowrie, in 2014 Incat provided an unsolicited concept to this effect to the Tasmanian Government for consideration. According to Mr Lowrie, passengers can supplement and complement the freight:

The differentiator for me, the prospect that can add to King Island, is very much having a service that can carry tourists as well. Hence while the focus I want to push today is, yes, we can come up with a freight concept and build a freight vessel that would certainly be specific to the island, cater exactly for what its freight demands are et cetera, we could then supplement that by carrying additional freight from other ports in Tasmania and Victoria.

And further commenting on the cost of a vessel...

If you want the numbers now, it would roughly be around \$100 million or \$130 million; it would be \$110 to \$120 million to \$150 million in Australian dollars. As you know from the prices of the boats, it is quite favourable considering the cost of a new build of a conventional vessel, certainly the conventional ferry.¹¹⁹

Mr Lowrie commenting on access to the Grassy Harbour suggested the Incat solution would be very flexible:

A wide-beam catamaran is more manoeuvrable as a monohull has all its propulsion in the middle where a wide beam catamaran has propulsion from two outside hulls. We spin on a dial. We have got footage of our boats coming into port, spinning around and berthing.¹²⁰

According to Mr Lowrie, Incat vessels are primarily roll-on, roll-off:

Carry their own ramps, not carry their own ramps, have all those shore-based facilities, there is very little infrastructure required - those sorts of scenarios. If everything is more containerised, palletised, on trucks and so on, that would make for easier turnaround times.

If there were a process - and this is all the efficiencies that you would move to King Island - if it was moving towards being able to get more of the containerised, trailerised freight as they move forward to the abattoir cut-

¹¹⁸ Mr Ian Fitch, *Submission*, p. 1.

¹¹⁹ Mr Richard Lowrie, *Transcript of Evidence*, 1 September 2017, p. 2.

¹²⁰ *Ibid.*, p. 7.

*off et cetera, and you would not have that live cattle, all of a sudden the turnaround times in King Island can be a lot quicker. The vessel can come in, discharge, load and get out to the sea again instead of sitting for hours in port. As you will see from the schedules, that is what happens. That is assuming we can get to the containerised freight and if the abattoir goes ahead. That would obviously be ideal, and you would know more. We are very keen to see that develop.*¹²¹

And further...

*We also selected Burnie because of the infrastructure as well. The flexibility of our boats could meet Stanley, Devonport, George Town or Burnie.*¹²²

Mr Lowrie supported a full feasibility study on the route options, transport times and overall costs, animal welfare issues and passenger numbers:

We would aim to see the study coming out to show: What is the best port? Should freight run to Avalon, because Fox is interested, or should it run into the Port of Melbourne? It takes about another 40 nautical miles from the Phillip Bay heads up into Melbourne or over to Avalon. With the slow speed, that is about another hour and a half added to the boat journey.

*That is why we focused on Hastings in the Mornington Peninsula. Hastings cuts about an hour and half to an hour and three-quarters off the service into Melbourne because you are avoiding Port Phillip Bay.*¹²³

Mr Lowrie recognised that there would initially be challenges in bringing large numbers of passengers to King Island in terms of accommodation capacity and identifying demand but this could be resolved over time:

*There would certainly be a challenge with dropping a whole heap of people suddenly onto the island in terms of accommodating them and the facilities there to meet their needs. That would change over time. If construction material were less expensive to get onto the island, that would assist in that sort of thing.*¹²⁴

Mr David Kerr, Hotel Proprietor and resident of King Island suggested tourism and passenger requirements needed to be part of any future shipping solution:

¹²¹ Mr Richard Lowrie, *Transcript of Evidence*, 1 September 2017, p. 3.

¹²² *Ibid.*, p. 5.

¹²³ *Ibid.*, pp. 5-6.

¹²⁴ *Ibid.*, p.17.

*I have always believed the long-term future of this island has to include passenger facilities on any boat that is going to be the long-term solution. We are not truly part of Tasmania when we are limited to air flight only.*¹²⁵

Mr Kerr stated that he was supportive of the Incat concept and that he had been involved in discussions with the CEO of the Australian Maritime College (AMC) in Launceston, Mr Dean Cook, who said the AMC would be quite interested in doing a feasibility and logistical study for the Incat concept. According to Mr Kerr:

I hope that this type of thing could be seen as a serious proposal and not just laughed off, as has occurred in the past by some people who regarded it as blue sky, because we now have some very serious interest. Particularly with the new golf courses, it would obviously have financial benefits, with package tours combining air with sea travel as they do in all other parts of the world. I see no reason why that could not happen here.

*I also hope there could be bipartisan support for this type of investigation. From a common sense point of view, I see the AMC as the appropriate umpire to look into this in a serious way.*¹²⁶

According to Mr Lowrie, there is currently an operator who is interested in starting a Bass Strait – King Island service which would in the longer term relieve TasPorts of the running of this service:

It is a large international company together with a local company. It got so far that it had a contract signed with [former Prime Minister] Gillard a number of years ago and when the political change came in, [former Prime Minister] Rudd refused to honour any of the contracts Gillard had signed. Some other operations for shipping out of Tasmania fell over. I only met with him two days ago and he said, 'Yes, by all means you have the authority to say there is an entity that is out there. It has done its feasibility reports - it is fine tuning those at the moment and it is searching for a vessel before it makes its proposal to the Minister'.

*This has come along at the same time and so he said by all means mention that. They also have an interest in looking at this sort of concept and whether it stacks up for them. The entity works a lot with governments around the world. They want the comfort and security to know there is the backing or support, or they have the exclusivity, the monopoly or any other way to get that comfort level. They would certainly want to be there for the long term - take it off TasPorts and run it themselves.*¹²⁷

¹²⁵ Mr David Kerr, *Transcript of Evidence*, 7 August 2017, p.20.

¹²⁶ *Ibid.*, p. 22.

¹²⁷ Mr Richard Lowrie, *Transcript of Evidence*, 1 September 2017, p. 12.

Closure of the abattoir

The closure of the abattoir on King Island has resulted in a number of changes and additional transport costs. According to Mr Richard Sutton, King Island Beef Producers Group:

The abattoir shut five years ago. We were paying \$12.50 per head to get our cattle to the abattoirs. Overnight, it turned into \$112, and now sits at about \$118 or \$120.

And further...

It works out at a 1000 per cent increase in transport cost. That hit business pretty hard. In the Meat Standards Australia grading, the whole island was shocked on how poorly our cattle were grading at the start when we had to learn how to ship them across the water. We have all improved a fair bit now. That obviously hurts as well because at the time, it was about a 20 or 30 per cent reduction per kilo per cattle.¹²⁸

Mr Nathan Conley, King Island Beef Producers Group, commented:

It was added stress for the animal and a massive change from being in a truck for no more than 40 kilometres compared to 24 hours standing in a trailer on a boat and then probably not being unloaded, then having to be transported from Devonport to Longford or Devonport to Smithton. In that time frame they are standing in an unfamiliar environment, even though standing in an abattoir is an unfamiliar environment as well, but there was less time in confined spaces, less movement.¹²⁹

Mr Conley and Mr Sutton expressed support for an export abattoir:

The biggest benefit is community-based. The biggest thing you saw when the abattoir shut was the loss of people. It is not just the beef industry on the island that suffered. You had 80 people in jobs, times that by three - families and other people. Fortunately probably 20 of those workers stayed here, but a lot of people have since gone. That then drops the number of kids in schools; it just drops everything.

That was probably the first indicator - the stress on the community - then the cost of living probably went up because there were fewer things coming in, fewer people here. That changes that a bit. It changes your farming structure, gives you a bit more stress because you have to prepare yourself a bit better to ship cattle. The money is not circulating in the community as it

¹²⁸ Mr Richard Sutton, *Transcript of Evidence*, 8 August 2017, p. 4.

¹²⁹ Mr Nathan Conley, *Transcript of Evidence*, 8 August 2017, pp. 4-5.

was because you had people working here who lived and worked and kept the pool going around. It was a big issue.¹³⁰

Fertiliser Task and the Storage Shed

The King Island Beef Producers Group submission noted that the fertiliser shed is set for closure in December 2017:

The fertiliser shed was originally built to enable a stock of product to be on hand when required. Obviously this was done with a clear understanding at the time of the limitations of shipping across Bass Strait. Fertiliser is a highly seasonable product regarding freight movement with everyone wanting it at the same time. The closure of the fertiliser shed does not help encourage pasture productivity improvements on King Island.¹³¹

Mr Brett McGlone, Area Sales Manager, Incitec Pivot Fertilisers provided an historical context to the fertiliser shed and the need for new storage facilities:

Peter [Boyling] was, for quite a few years, chairman of Grassy Port, King Island Port as it was. Peter was one of the early pioneers in getting the shed built. The shed was built in early days by a charge over all fertiliser carted onto the island.

The charge was collected by the marine board, which built the shed to give us holding stock on the island. If you ran into problems with shipping, weather or mechanical breakdown, we could have some fertiliser held on the island.

We have been in a commercial agreement with TasPorts for a number years over the lease of the shed and they have, as you are aware, decided to stop using the shed for fertiliser. I think it is going to be demolished. I am not sure. We are in negotiation with several different commercial operators about building a substantial shed on the island to handle it. It is an integral part of our business to be able to hold bulk fertiliser on the island to cover times of big despatches.

We need a good shed facility on the island and hopefully we can find a commercial operator who is prepared to put up the money and build that sort of facility. If we get a decent facility like that we may in the future be in the position of looking at bulk shipments on to the island. To bring a vessel in we have to find the correct vessel, and we would need to bring in up to say

¹³⁰ Mr Nathan Conley and Mr Richard Sutton, *Op. Cit.*, , p. 5.

¹³¹ King Island Beef Producers Group, *Submission*, p.3.

5000 tonnes, which the current infrastructure on the island would not handle.¹³²

Mr Paul Weedon, CEO TasPorts, explained the removal of the fertiliser shed from the wharf:

The vision is to remove all the sheds from the working wharf. As you witnessed when you were there, it's a pretty small working area. We see material advantage in clearing all the sheds off the working wharf area.

And further...

In terms of fertiliser storage, we have been working with a proponent who is interested in leasing or acquiring port land outside the port gate with a view to developing a bespoke distribution centre for fertiliser. We are very encouraged by that. The negotiations have been on and off, on and off over at least 18 months to my recollection. We are very keen for that project to proceed.¹³³

In its submission, TasPorts recognised the concern of some farmers, that while a target was set by customers to deliver 227 containers of fertiliser in time for the season and that target was met and indeed exceeded, the supply of fertiliser did not arrive on King Island as early as was desired:

BIL's analysis was that these concerns arose because of issues with the container supply (i.e. the insufficient number of containers in the system) and not the cargo capacity of the Investigator II or the frequency of sailings by the Investigator II. That is why BIL, at its own expense, leased 20 empty containers and placed them into the supply chain to help existing container providers (and the shippers). This initiative succeeded in speeding up delivery of fertiliser onto King Island.

BIL further recognises that some farmers may initially have hoped to achieve a target in excess of 227 containers and may have felt that this was not possible due to uncertainties over BIL's capacity as a new operator. When considering this concern, it is important to recognise that BIL started operating the service in the middle of the autumn peak period – a timing not of its choosing. As discussed already, the BIL service was successfully set up at very short notice by TasPorts in order to assist the King Island community. It is also worth recognising that BIL proved itself to be a safe and reliable operator in a very short space of time, before going on to meet the target of 227 containers of fertiliser.

¹³² Mr Brett McGlone, *Transcript of Evidence*, 10 August 2017, p. 11.

¹³³ Mr Paul Weedon, *Transcript of Evidence*, 10 August 2017, p. 54.

BIL is working closely with customers and stakeholders to prevent a similar situation arising over fertiliser during the next peak shipping season from September to November 2017.

Going forwards, BIL expects that a replacement vessel to the Investigator II will mitigate the challenges experienced in the last peak season by offering a significantly increased cargo capacity.¹³⁴

Incitec Pivot Limited, a key nutrient supplier to the King Island agricultural community from its Geelong manufacturing plant, expressed concern about the current ability to service its customers as a consequence of diminished trading capability from Melbourne to Devonport, and the resulting loss in sales and impacts to the business:

The new shipping line does not own assets such as containers. IPF had to take up lease agreement for equipment hire of containers. Due to the infrequent movements with the vessel additional containers were required to be leased.

The transfer of containers between Melbourne and Devonport on TT Line would only occur during the weekend sailing. TT Line is a passenger carrying vessel, containers were considered hazardous and would not be shipped until weekend sailings.

Communication of where containers were sitting at which port was lacking initially, especially when containers had been sitting in port for three weeks IPF were unable to give an ETA to our customers.¹³⁵

Establishment of a Co-op

According to Mr Greg Morris, the King Island Shipping Group is pursuing its own shipping service to King Island:

We have put a submission to Canberra, to the Farming Together program, which looks at producers' access to the market. We were successful in round 1 of that application, which recommended we pursue a collective freight task for the producers on the island and look at the shipping service as part of that. We have been accepted to go to round 2, and have applied for \$160 000 to do a feasibility study on the shipping task and to see what role the King Island community co-op could play in that, whether that is just managing the freight task as an entity or contract or what level we believe the community should be involved in it. We believe that transparency would give the community back a bit of confidence in what is going on and what potential freight rates will be. If something is expensive, they know it is

¹³⁴ TasPorts, *Submission*, p. 18.

¹³⁵ Incitec Pivot, *Submission*, p. 1.

*expensive for a reason and it is not going elsewhere. We will know whether we have been successful with that application in September. They have indicated to us that they understand where we are coming from and they believe that a co-operative, which has been identified in two previous studies, is the best way for the community to have some control over where it ends up.*¹³⁶

According to Mr Corey Robbins, resident of King Island:

*I have looked a little bit into the information regarding the forming of the co-op. At the moment we would prefer to go to Victoria, obviously. Their rules are a little more lax; it would make it a little easier for us. I am not sure what else I can say about the forming of the co-op but we were waiting for the feasibility study and that is waiting on round 2. If we get the funding from round 2, that will finance our feasibility study to see what is the best way for us to proceed with the co-op, whether that is us sourcing our own vessel or having a third company come in and service our needs. We would just manage our own freight task, essentially securing our own future.*¹³⁷

¹³⁶ Mr Greg Morris, *Transcript of Evidence*, 7 August 2017. p. 19.

¹³⁷ Corey Robbins, *Transcript of Evidence*, 7 August 2017, p. 19.

APPENDIX A: SUBMISSIONS

Ref No.	Name	Submission Received
1	Mr Ian Fitch	03/06/2017
2	Mr Ian Berry	15/06/2017
3	Mr Noel Cooke	05/07/2017
4	Mr David Raff	07/07/2017
5	King Island Beef Producers Inc	19/07/2017
6	King Island Scheelite	20/07/2017
7	David and Cheryl Kerr	20/07/2017
8	Philbeys Fertiliser Service	21/07/2017
9	King Island Council	21/07/2017
10	Daryl Fanning	21/07/2017
11	TasPorts	21/07/2017
12	Tasmanian Government	21/07/2017
13	Midas Technical Services	21/07/2017
14	Maritime Union of Australia (Tas branch)	24/07/2017
15	Incitec Pivot Ltd	26/07/2017
16	Ian Lester	26/07/2017
17	Don Story	26/07/2017
18	King Island Transport Operators	20/07/2017
19	King Island Regional Development Organisation Inc	03/08/2017
20	King Island Shipping	03/08/2017

APPENDIX B: PUBLIC HEARINGS

DATE	LOCATION	WITNESSES
Monday 7 August 2017	King Island	King Island Transport Operators
		King Island Shipping Group
		David and Cheryl Kerr
		Noel Cooke, Mark Cooke and Gary Sutton
		Don Story
		Daryl Fanning
		David Raff and Andrew Raff
		Anthony Gibbons
Tuesday 8 August 2017	King Island	King Island Beef Producers Group
		King Island Scheelite
		King Island Council
Thursday 10 August 2017	Hobart	Ian Berry
		Incitec Pivot
		Midas Technical Services
		Tasmanian Government
		TasPorts
Friday 1 September 2017	Hobart	Mr Richard Lowrie, INCAT
		Mr Les Dick, L.D. Shipping

APPENDIX C: MEETING ATTENDANCE RECORD

DATE	ARMSTRONG	FARRELL	FORREST	GAFFNEY
30 May 2017 (Hobart)		✓	✓	✓
1 August 2017 (Hobart)	✓	✓	✓	✓
7 August 2017 (King Island)	✓	✓	✓	✓
8 August 2017 (King Island)	✓	✓	✓	✓
10 August 2017 (Campbell Town)		✓	✓	✓
1 September 2017 (Hobart)	✓	✓	✓	✓
25 September 2017 (Hobart)	✓	✓	✓	✓
10 October 2017 (Burnie)	✓		✓	✓
16 October 2017 (Hobart)	✓	✓	✓	✓
17 October 2017 (Hobart)	✓	✓	✓	✓
31 October 2017 (Hobart)	✓	✓	✓	✓
1 November 2017 (Hobart)	✓	✓	✓	✓

APPENDIX D: ADDITIONAL CORRESPONDENCE

Correspondence received during the finalising of the Report:

- Mr Paul Weedon, CEO, TasPorts, dated 18 October 2017
- Minister for Infrastructure, Hon Rene Hidding MP, dated 23 October 2017
- Acting Minister for Infrastructure, Hon Michael Ferguson MP, dated 24 October 2017



18 October 2017

Hon Ruth Forrest MLC
Inquiry Chair

By email to the Inquiry Secretary: jenny.mannering@parliament.tas.gov.au

Dear Ms Forrest

King Island Freight Services Inquiry – Request for Further Information

Thank you for your letter of 10 October 2017 seeking an update on the total loss made by TasPorts running the King Island shipping service during the last financial year.

TasPorts' Annual Report for the 2017 financial year has not yet been tabled in Parliament, this is expected to occur later this week, and accordingly the financial information is not yet available for disclosure.

Once TasPorts' Annual Report has been tabled in Parliament and placed on our website this information will be available and I am happy to provide you with an electronic copy, referencing the relevant section.

Yours sincerely

Paul Weedon
Chief Executive Officer

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Port of King Island
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E kireception@tasports.com.au

Tasmanian Ports Corporation Pty Ltd ABN 82 114 161 938 T 1300 366 742 www.tasports.com.au

Minister for Infrastructure
Minister for Police, Fire and Emergency Management
Level 5, 4 Salamanca Place, Salamanca Building, Parliament Square, HOBART 7000
Ph: (03) 6165 7686



23 OCT 2017

The Hon Ruth Forrest MLC
Inquiry Chair
Government Administration 'A' Sub Committee
Parliament of Tasmania
HOBART TAS 7000


Dear Chair

I write in response to concerns you expressed in the Legislative Council on Thursday, 19 October in relation to the funding source for the King Island shipping service.

The Bass Strait Island Shipping Contingency (or emergency shipping fund) is embedded within Output 6.1 (Shipping and Ferry Subsidies). However it transpired that, this contingency was not sufficient to cover the costs of the interim service arrangement for King Island.

The actual costs incurred for this interim service were correctly paid for from Output 6.1. An application for a supplementary appropriation was made in 2016-17 via a Request for Additional Funds (RAF) to cover the overrun on the Output. A draft RAF was initially submitted to Treasury during 2016-17, but with savings being identified in June from the Administered Item (Student Only Passenger Services), the preferred option was to transfer some of these savings to Output 6.1 to cover the additional costs of the King Island interim ferry service.

In accordance with the current Budget Management Guidelines, I approved as Minister for Infrastructure the transfer between Outputs on 13 June 2017 and this was subsequently approved by the Treasurer on 21 June as part of year-end processes between the Department and Treasury.

Clearly, without such an alternative funding source the King Island shipping service would not have been delivered.

Yours sincerely



Hon M.T. (Rene) Hidding MP
Minister for Police, Fire and Emergency Management

**Minister for Infrastructure
Minister for Police, Fire and Emergency Management**

Level 5, 4 Salamanca Place, Salamanca Building, Parliament Square HOBART 7000
Ph: (03) 6165 7686



24 OCT 2017

The Hon Ruth Forrest MLC
Inquiry Chair
Government Administration 'A' Sub Committee
Parliament of Tasmania
HOBART TAS 7000

By email: jenny-mannering@parliament.tas.gov.au

Dear Ms Forrest

I write in response to your request for an update on progress on securing a second interim vessel for the Bass Island line to continue to provide a King Island shipping service.

I am pleased to advise that the second interim vessel has been procured by TasPorts to replace the Investigator.

The vessel is a new construction which will be completed over the next three months and will begin providing the King Island freight service this summer, as has been publicly committed.

The new vessel will be around double the capacity of the current vessel. I have attached a fact sheet from Bass Island Line providing more detail.

Bass Island Line, which will operate the service, advises it intends the new vessel to sail southbound from a Victorian port to King Island and then onto a north-west Tasmanian port as a regular service.

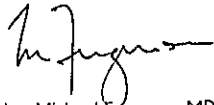
Ports to be utilised by the new vessel in both Victoria and mainland Tasmania are under consideration and will be announced to stakeholders well ahead of the service starting, along with other logistical details.

In terms of freight rates, Bass Island Line advises that it maintained rates at the same level as the previous shipping service provider (SeaRoad). Freight charges will form part of discussions with stakeholders as part of the finalisation of various port arrangements in the near future.

Further, also as per the Government's long-standing commitment, we will provide to the King Island community a report by Thompson Clark Shipping exploring the options for a long-term permanent vessel to be built to service King Island's freight needs.

The Government will consult with the King Island community on what the ideal long-term solution for the Island will be, based upon this Report, including the possibility of a new, custom-built ship for the King Island Freight task.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Ferguson', with a long horizontal flourish extending to the right.

Hon Michael Ferguson MP
Acting Minister for Infrastructure



Bass Island Line



25 October 2017

Bass Island Line: New vessel factsheet

This factsheet provides useful information about the new vessel for the Bass Island Line (BIL) service.

Bigger, faster more reliable

The new vessel is much bigger and faster than the current *Investigator II* with:

- 83% increased deck space
- 120% increase in weight capacity
- 90% increase in container capacity
- 20% increase in running speed (from 10 knots to 12 knots)

The new landing craft (LCT) vessel has substantially better sea-state handling in the Bass Strait. This will improve the reliability of the service. The "Ship Comparison" table on the next page provides more information on the differences between the two vessels.

Next steps

BIL expects the new vessel to be completed by the end of the year. Sea trials will be conducted in January and the new vessel will come into service shortly afterwards.

The route

The intention is for the new vessel to sail southbound from a Victorian port to King Island and then onto a North West Tasmanian port. The exact sailing schedule (including the ports in Victoria and North West Tasmania) will be discussed with customers and stakeholders. The schedule will be announced before the new vessel comes into service.

BIL will consider alternative ports depending on the cargo task and schedule integrity.

Continuity of service

The new vessel has been purchased outright and belongs to BIL. This will provide greater continuity of service

because it cannot be recalled by the owners as can happen with a boat that is chartered.

Frequency

BIL intends for the new vessel to sail from Victoria once a week. The most appropriate day to call at King Island will form part of the discussions with customers.

Freight charges

BIL maintained freight rates at the same level as the previous shipping service provider. Freight charges will form part of discussions with stakeholders and the finalisation of various port arrangements in the near future.

Reliable and safe

BIL remains committed to providing King Island with a reliable and safe shipping service to and from the Island.

Communicating

BIL and TasPorts will remain in regular contact with customers and stakeholders about the new vessel over coming months.

The name

The interim name for the new vessel is the *KI 2*. The final name will be announced by the State Government in due course.

The future

The State Government is continuing to consider what an ideal new-build vessel for King Island would look like. An in-depth consultation with all stakeholders is expected in due course.

Contact

Customers can call the BIL contact number for further information: 1300 038 228.



Bass Island Line

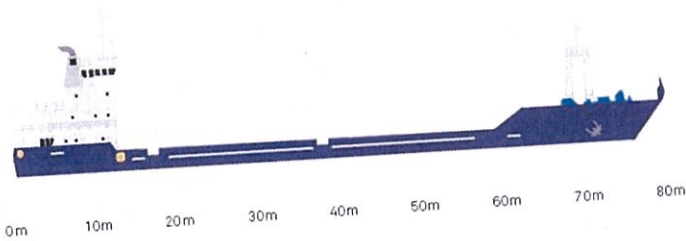


SHIP COMPARISON

INVESTIGATOR II



NEW SHIP



VESSEL NAME	INVESTIGATOR II	NEW SHIP
Current owner	TOLL	Vitawani
Location	Australia	Sibu, Malaysia
Year built	2014	2017
Condition	Second Hand	New
LOA	53m	80m
Breadth	15.00m	16.00m
Draft	2.80m	3.68m
Deck area	405m ²	747m ²
Tonnage (GRT)	1019 tonnes	1758 tonnes
TEU capacity	66 teu	114 teu
Total cattle trailers	8 x 12.2m	20 x 12.2m
DWT (max cargo weight)	870 tonnes	2200 tonnes
Container stack weight	45t	60t
Free running speed	10 knots	12 knots
Lifespan	27	30

Communications contact:
Leigh Arnold - 0409 019 939

APPENDIX E: MEETING MINUTES

GOVERNMENT ADMINISTRATION COMMITTEE 'A'
SUB COMMITTEE INQUIRY – KING ISLAND FREIGHT SERVICES

MINUTES OF MEETING

TUESDAY, 31 OCTOBER 2017

The Sub-Committee met at 2.00 pm in Committee Room 2, Parliament House, Hobart.

Members present

Mr *Armstrong* MLC
Mr *Farrell* MLC
Ms *Forrest* MLC
Mr *Gaffney* MLC

Present

Ms *Mannering* (Inquiry Secretary)

Confirmation of Minutes

The **Minutes of the Meeting** on Tuesday, 31 October 2017 were confirmed as a true and accurate record.

Correspondence

The following correspondence was received and endorsed:

Incoming

- Email dated 19 October 2017 from Leigh Arnold, TasPorts, providing requested further information
- Letter dated 23 October 2017 from Hon Rene Hidding, MP, Minister for Infrastructure regarding funding source for King Island shipping service
- Letter dated 24 October 2017 from Michael Ferguson MP, Acting Minister for Infrastructure regarding update of second vessel for Bass Island line

Outgoing

- Letter dated 23 October 2017 to Hon Rene Hidding, MP, Minister for Infrastructure requesting update on progress of suitable vessel

Business – Report

The Sub-Committee considered the draft report.

The Sub-Committee suspended at 5.03 pm.

GOVERNMENT ADMINISTRATION COMMITTEE 'A'
SUB COMMITTEE INQUIRY – KING ISLAND FREIGHT SERVICES

MINUTES OF MEETING

WEDNESDAY, 1 NOVEMBER 2017

The Sub-Committee resumed at 9 am in Committee Room 2, Parliament House, Hobart.

Business – Report (continued)

The Sub-Committee considered the draft report (Findings and Recommendations).

The Sub-Committee suspended at 10.05 am.

The Sub-Committee Resumed at 10.18 am.

The Sub-Committee considered the draft report for adoption as the final report page by page, and in the case of the findings and recommendations, by individual findings and recommendations.

COVER PAGE	<p>The Committee voted on the adoption of the Cover page.</p> <p>Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil</p> <p>'Cover Page' CARRIED</p>
TABLE OF CONTENTS	<p>The Committee voted on the adoption of the Table of Contents Chapter</p> <p>Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil</p> <p>'Table of Contents' CARRIED</p>
EXECUTIVE SUMMARY CHAPTER	<p>The Committee voted on the adoption of the Executive Summary Chapter.</p> <p>Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil</p> <p>'Executive Summary' Chapter CARRIED</p>
INTRODUCTION CHAPTER	<p>The Committee voted on the adoption of the Introduction Chapter.</p> <p>Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i></p>

	<p>No – Nil</p> <p>'Introduction' Chapter CARRIED</p>
ABBREVIATIONS CHAPTER	<p>The Committee voted on the adoption of the Abbreviations Chapter.</p> <p>Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil</p> <p>'Abbreviations' Chapter CARRIED</p>
FINDINGS CHAPTER	<p>The Committee voted on the adoption of the Findings Chapter.</p> <p>It was moved that Finding 1 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Finding 1 ADOPTED</p> <p>It was moved that Finding 2 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Finding 2 ADOPTED</p> <p>It was moved that Finding 3 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Finding 3 ADOPTED</p> <p>It was moved that Finding 4 be adopted for the purpose of the report. Yes – <i>Mr Farrell, Ms Forrest, Mr Gaffney</i> No – <i>Mr Armstrong</i> Finding 4 ADOPTED</p> <p>It was moved that Finding 5 be adopted for the purpose of the report. Yes – <i>Mr Farrell, Ms Forrest, Mr Gaffney</i> No – <i>Mr Armstrong</i> Finding 5 ADOPTED</p> <p>It was moved that Finding 6 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Finding 6 ADOPTED</p> <p>It was moved that Finding 7 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i></p>

	<p>No - Nil Finding 7 ADOPTED</p> <p>It was moved that Finding 8 be adopted for the purpose of the report. Yes - <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No - Nil Finding 8 ADOPTED</p> <p>It was moved that Finding 9 be adopted for the purpose of the report. Yes - <i>Mr Farrell, Ms Forrest, Mr Gaffney</i> No - <i>Mr Armstrong</i> Finding 9 ADOPTED</p> <p>It was moved that Finding 10 be adopted for the purpose of the report. Yes - <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No - Nil Finding 10 ADOPTED</p> <p>It was moved that Finding 11 be adopted for the purpose of the report. Yes - <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No - Nil Finding 11 ADOPTED</p> <p>It was moved that Finding 12 be adopted for the purpose of the report. Yes - <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No - Nil Finding 12 ADOPTED</p> <p>It was moved that Finding 13 be adopted for the purpose of the report. Yes - <i>Mr Farrell, Ms Forrest, Mr Gaffney</i> No - <i>Mr Armstrong</i> Finding 13 ADOPTED</p> <p>It was moved that Finding 14 be adopted for the purpose of the report. Yes - <i>Mr Farrell, Ms Forrest, Mr Gaffney</i> No - <i>Mr Armstrong</i> Finding 14 ADOPTED</p> <p>It was moved that Finding 15 be adopted for the purpose of the report. Yes - <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No - Nil Finding 15 ADOPTED</p> <p>It was moved that Finding 16 be adopted for the purpose of the report.</p>
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	<p>Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Finding 16 ADOPTED</p> <p>It was moved that Finding 17 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Finding 17 ADOPTED</p> <p>It was moved that Finding 18 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Finding 18 ADOPTED</p> <p>It was moved that Finding 19 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Finding 19 ADOPTED</p> <p>It was moved that Finding 20 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Finding 20 ADOPTED</p> <p>It was moved that Finding 21 be adopted for the purpose of the report. Yes – <i>Mr Farrell, Ms Forrest, Mr Gaffney</i> No – <i>Mr Armstrong</i> Finding 21 ADOPTED</p> <p>It was moved that Finding 22 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Finding 22 ADOPTED</p> <p>It was moved that Finding 23 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Finding 23 ADOPTED</p> <p>It was moved that Finding 24 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Finding 24 ADOPTED</p> <p>It was moved that Finding 25 be adopted for the purpose of the</p>
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	<p>report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Finding 25 ADOPTED</p> <p>It was moved that Finding 26 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Finding 26 ADOPTED</p> <p>It was moved that Finding 27 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Finding 27 ADOPTED</p> <p>It was moved that Finding 28 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Finding 28 ADOPTED</p> <p>It was moved that Finding 29 be adopted for the purpose of the report. Yes – <i>Mr Farrell, Ms Forrest, Mr Gaffney</i> No – <i>Mr Armstrong</i> Finding 29 ADOPTED</p> <p>It was moved that Finding 30 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Finding 30 ADOPTED</p> <p>It was moved that Finding 31 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Finding 31 ADOPTED</p> <p>It was moved that Finding 32 be adopted for the purpose of the report. Yes – <i>Mr Farrell, Ms Forrest, Mr Gaffney</i> No – <i>Mr Armstrong</i> Finding 32 ADOPTED</p> <p>It was moved that Finding 33 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Finding 33 ADOPTED</p>
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<p>RECOMMENDATIONS CHAPTER</p>	<p>The Committee voted on the Recommendations Chapter (page 12-13]</p> <p>It was moved that Recommendation 1 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Recommendation 1 ADOPTED</p> <p>It was moved that Recommendation 2 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Recommendation 2 ADOPTED</p> <p>It was moved that Recommendation 3 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Recommendation 3 ADOPTED</p> <p>It was moved that Recommendation 4 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Recommendation 4 ADOPTED</p> <p>It was moved that Recommendation 5 be adopted for the purpose of the report. Yes – <i>Mr Farrell, Ms Forrest, Mr Gaffney</i> No – <i>Mr Armstrong</i> Recommendation 5 ADOPTED</p> <p>It was moved that Recommendation 6 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Recommendation 6 ADOPTED</p> <p>It was moved that Recommendation 7 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Recommendation 7 ADOPTED</p> <p>It was moved that Recommendation 8 be adopted for the purpose of the report. Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil Recommendation 8 ADOPTED</p>
<p>BACKGROUND AND HISTORY OF</p>	<p>The Committee voted on the Background and History of Service Chapter</p>

SERVICE CHAPTER	<p>Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil</p> <p>'Background and History of Service' Chapter CARRIED</p>
TERM OF REFERENCE 1 CHAPTER	<p>The Committee voted on the adoption of the Term of Reference 1 Chapter</p> <p>Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil</p> <p>'Term of Reference 1' Chapter CARRIED</p>
TERM OF REFERENCE 2 CHAPTER	<p>The Committee voted on the adoption of the Term of Reference 2 Chapter</p> <p>Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil</p> <p>'Term of Reference 2' Chapter CARRIED</p>
TERM OF REFERENCE 3 CHAPTER	<p>The Committee voted on the adoption of the Term of Reference 3 Chapter</p> <p>Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil</p> <p>'Term of Reference 3' Chapter CARRIED</p>
TERM OF REFERENCE 4 CHAPTER	<p>The Committee voted on the adoption of the Term of Reference 4 Chapter</p> <p>Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil</p> <p>'Term of Reference 4' Chapter CARRIED</p>
TERM OF REFERENCE 5 CHAPTER	<p>The Committee voted on the adoption of the Term of Reference 5 Chapter</p> <p>Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil</p> <p>'Term of Reference 5' Chapter CARRIED</p>
APPENDIX A: SUBMISSIONS	<p>The Committee voted on the adoption of the Appendix A Chapter</p> <p>Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil</p>

	'Appendix' A Chapter CARRIED
APPENDIX B: PUBLIC HEARINGS	The Committee voted on the adoption of the Appendix B Chapter Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil 'Appendix' B Chapter CARRIED
APPENDIX C: MEETING ATTENDANCE RECORD	The Committee voted on the adoption of the Appendix C Chapter Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil 'Appendix' C Chapter CARRIED
APPENDIX D: ADDITIONAL CORRESPONDENCE	The Committee voted on the adoption of the Appendix D Chapter Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil 'Appendix' D Chapter CARRIED
APPENDIX E: MEETING MINUTES	The Committee voted on the adoption of the Appendix E Chapter Yes – <i>Mr Armstrong, Mr Farrell, Ms Forrest, Mr Gaffney</i> No – Nil 'Appendix' E Chapter CARRIED

The Sub-Committee **RESOLVED** that the Report be the Report of the Committee.

The Sub-Committee **RESOLVED** that the Report will be provided to the Clerk for review. Any minor grammatical modifications will be accepted by the Committee.

The Inquiry Secretary advised of the following procedural matters:

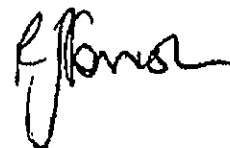
- Any dissenting report is to be completed by 14 November 2017 when the report is considered by the full Committee of Government Administration Committee 'A' ;
- The Report will be provided to all Members of Government Administration Committee 'A' prior to the meeting on 14 November 2017;
- The Report will be provided to the Clerk for review prior to the Meeting;
- Draft minutes from today's meeting to be circulated via email and Members are to advise the Secretary of any amendments by COB 2 November 2017;
- The Report will most likely be tabled in the Legislative Council on 16 November and debated the following week.

The Sub-Committee adjourned at 11.44 *sine die*.

DATE

2 November 2017

CONFIRMED

A handwritten signature in black ink, appearing to read 'R. Jones'.

INQUIRY CHAIR

GOVERNMENT ADMINISTRATION COMMITTEE 'A'
SUB COMMITTEE INQUIRY – KING ISLAND FREIGHT SERVICES

MINUTES OF MEETING

TUESDAY, 17 OCTOBER 2017

The Sub-Committee met at 9.00 am in Committee Room 2, Parliament House, Hobart.

Members present

Mr *Armstrong* MLC (via teleconference)

Mr *Farrell* MLC

Ms *Forrest* MLC

Mr *Gaffney* MLC

Present

Ms *Mannering* (Inquiry Secretary)

Confirmation of Minutes

The **Minutes of the Meeting** on Monday, 16 October 2017 were confirmed as a true and accurate record.

Business – Report

The Committee considered the draft report (findings and recommendations).

The Committee considered the 32 draft Findings.

The Committee Resolved to accept the findings in the Report, with the exception of Finding 16(a). Mr *Armstrong* to provide an amended Finding 16(a) at the next meeting.

The Committee considered the 8 draft recommendations. The Committee to revisit the Recommendations at the next meeting.

[Mr Farrell left his seat at 9.52am]
[Mr Farrell resumed his seat at 9.55 am]

Next Meeting

Tuesday 31 October 2017 at 2.00 pm.

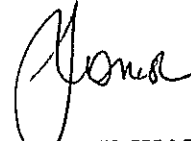
Adjournment

The Sub-Committee adjourned at 10.26 am.

DATE

21/10/17

CONFIRMED



INQUIRY CHAIR

GOVERNMENT ADMINISTRATION COMMITTEE 'A'
SUB COMMITTEE INQUIRY - KING ISLAND FREIGHT SERVICES

MINUTES OF MEETING

MONDAY, 16 OCTOBER 2017

The Sub-Committee met at 3.00 pm in Committee Room 2, Parliament House, Hobart

Members present

Mr Farrell MLC
Ms Forrest MLC
Mr Gaffney MLC

Present

Ms Mannering (Inquiry Secretary)

Confirmation of Minutes

The Minutes of the Meeting on Tuesday, 10 October 2017 were confirmed as a true and accurate record.

Correspondence

The following correspondence was endorsed:

Incoming

- Letter dated 10 October 2017 from Minister for Infrastructure regarding invitation to comment on transcript of 1 September 2017.

Outgoing

- Letter dated 10 October 2017 to Paul Weedon, CEO, TasPorts requesting financial update.

Other Business - Report

The Committee considered the draft report.

[Mr Armstrong entered the meeting via teleconference at 3.19pm]

[Mr Gaffney left his seat at 3.28pm]

[Mr Gaffney resumed his seat at 3.34 pm]

Members confirmed that there were no further matters to include in the draft report.

Next Meeting

Tuesday 17 October 2017 at 9.00 am.

Adjournment

The Sub-Committee adjourned at 4.26 pm

DATE

17/10/17

CONFIRMED



INQUIRY CHAIR

GOVERNMENT ADMINISTRATION COMMITTEE 'A'
SUB COMMITTEE INQUIRY – KING ISLAND FREIGHT SERVICES

MINUTES OF MEETING

TUESDAY, 10 OCTOBER 2017

The Sub-Committee met at 12.10 pm in the Cradle Coast Authority Boardroom, Burnie and via teleconference, Parliament House, Hobart

Members present

Mr *Armstrong* MLC (via teleconference)

Ms *Forrest* MLC

Mr *Gaffney* MLC (via teleconference)

Apologies

Mr *Farrell* MLC

Present

Ms *Mannerling* (Inquiry Secretary)

Confirmation of Minutes

The **Minutes of the Meeting** on Monday, 25 September 2017 were confirmed as a true and accurate record.

Correspondence

The following correspondence was endorsed:

Outgoing

- Letter dated 26 September 2017 to Hon Rene Hidding, Minister for Infrastructure inviting comment regarding public hearings held on 1 September 2017

The Committee resolved to publish correspondence received from TasPorts and the Minister's office on the Committee webpage under a correspondence tab.

Other Business - Report

The Committee considered the draft report.

Tabled Document

- King Island Shipping News (extract), Tuesday 9 September 1969 – 'Crying Need to Re-establish Shipping Link'

Next Meeting

At 3.00 pm on Monday, 16 October 2017

Adjournment

The Sub-Committee adjourned at 2.00 pm

DATE

14/10/17

CONFIRMED



INQUIRY CHAIR

GOVERNMENT ADMINISTRATION COMMITTEE 'A'
SUB COMMITTEE INQUIRY – KING ISLAND FREIGHT SERVICES

MINUTES OF MEETING

MONDAY, 25 SEPTEMBER 2017

The Sub-Committee met at 2.39 pm in the Committee Room 2, Parliament House, Hobart

Members present

Mr *Armstrong* MLC

Mr *Farrell* MLC

Ms *Forrest* MLC

Present

Ms Mannering (Inquiry Secretary)

Ms Waddington (Executive Assistant)

Confirmation of Minutes

The Minutes of the Meeting on Friday, 1 September 2017 were confirmed as a true and accurate record.

Correspondence

The following correspondence was received and endorsed:

Inwards

- Email dated 3 September 2017 from Peter Brohier regarding Bass Strait petition
- Letter dated 5 September 2017 from Hon Rene Hidding, Minister for Infrastructure providing response to questions on notice
- Letter dated 7 September 2017 from Paul Weedon, CEO Tasports providing response to questions on notice
- Email dated 16 September 2017 from Greg Morris regarding private information

Outgoing

- Letter dated 4 September 2017 to Hon Rene Hidding, Minister for Infrastructure regarding follow-up to additional information and communication with INCAT regarding King Is ferry service

Publishing of Transcripts

The Committee Agreed to publish the transcripts from 1 September 2017 to the website.

Other Business - Report

The Committee considered the draft report.

<Mr Gaffney entered the meeting at 3.16 pm>

Next Meeting

At 12 pm on Tuesday, 10 October 2017

Adjournment

The Sub-Committee adjourned at 5.08 pm

DATE

12/10/17

CONFIRMED



INQUIRY CHAIR

GOVERNMENT ADMINISTRATION COMMITTEE 'A'
SUB COMMITTEE INQUIRY – KING ISLAND FREIGHT SERVICES

MINUTES OF MEETING

FRIDAY, 1 SEPTEMBER 2017

The Sub-Committee met at 8.56 am in the Long Room, Parliament House, Hobart

Members present

Mr *Armstrong* MLC

Mr *Farrell* MLC

Ms *Forrest* MLC

Mr *Gaffney* MLC

Present

Ms Mannering (Inquiry Secretary)

Ms Waddington (Executive Assistant)

Public Hearings

At 8.56 am MR RICHARD LOWRIE, INCAT, was called, made the statutory declaration and was examined.

Tabled Documents

- King Island HSV Ferry Proposal 'The Sea Highway Connection'
- Incat Low Cost 150 Metre Bass Freight

The witness withdrew at 10.09 am.

At 10.11 am MR LES DICK, LD SHIPPING, was called, made the statutory declaration and was examined.

The witness withdrew at 11.13 am.

The Sub-Committee Agreed to write to the Minister for Infrastructure requesting communication between Incat and the Government in relation to Incat proposal in 2014. The Sub-Committee is to also provide a copy of the transcript from hearings held on 1 September 2017 to the Government for comment.

Confirmation of Minutes

The **Minutes of the Meeting** on Thursday, 10 August 2017 were confirmed as a true and accurate record.

Correspondence

The following correspondence was received and endorsed:

Incoming

- Email dated 14 August 2017 from Greg Morris providing additional information

Outgoing

- Letter dated 10 August 2017 to Paul Weedon, CEO, TasPorts regarding questions on notice.
- Letter dated 14 August 2017 to Hon Rene Hidding, Minister for Infrastructure regarding additional information
- Letter dated 14 August 2017 to Paul Weedon, CEO, Tasports regarding additional information
- Letters dated 21 August 2017 to Saistones Pty Ltd, INCAT, Port and Costal Marine Services and LD Shipping Pty Ltd extending invitation to appear at public hearings on 1 September 2017

Other Business

The Sub-Committee Agreed to further meet on Monday, 25 September 2017 with possibility of further hearings and site visit to Incat.

Next Meeting

Monday, 25 September 2017

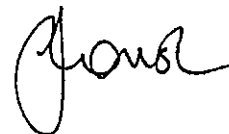
Adjournment

The Sub-Committee adjourned at 11.30 am

DATE

25/9/17

CONFIRMED



INQUIRY CHAIR

GOVERNMENT ADMINISTRATION COMMITTEE 'A'
SUB COMMITTEE INQUIRY – KING ISLAND FREIGHT SERVICES

MINUTES OF MEETING

Thursday, 10 August 2017

The Sub-Committee met at 9.15 am in Committee Room 2, Parliament House, Hobart and via teleconference.

Members present

Mr Farrell MLC
Ms Forrest MLC
Mr Gaffney MLC

Apologies

Mr Armstrong MLC

Present

Ms Exel (Inquiry Secretary)
Ms Waddington (Executive Assistant)

Other Business

The Committee Agreed to invite Les Dick to provide evidence at the public hearings to be held on Friday, 1 September 2017.

Confirmation of Minutes

The Minutes of the Meeting on Monday, 7 August and Tuesday, 8 August 2017 were confirmed as a true and accurate record.

Correspondence

The following correspondence was endorsed:

Inwards

- Email dated 9 August 2017 from Greg Morris providing additional information regarding King Island
- Email dated 9 August 2017 from Don Story providing additional information regarding King Island

Public Hearings

At 9.30 am MR IAN BERRY, was called, via teleconference made the statutory declaration and was examined.

The witness withdrew at 10.01 am.

At 10.04 am MR BRETT MCGLONE, IPF SALES MANAGER, INCITEC PIVOT, was called, via teleconference and was examined.

The witness withdrew at 10.34 am.

The Sub-Committee suspended at 10.35 am.
The Sub-Committee resumed at 11.00 am

At 11.00 am MR HIMANSHU DESAI, DIRECTOR, MIDAS TECHNICAL SERVICES, was called, and was examined.

The witnesses withdrew at 11.41 am.

The Sub-Committee suspended at 11.41 am.
The Sub-Committee resumed at 1.15 pm

At 1.15 pm HON RENE HIDDING, MINISTER FOR INFRASTRUCTURE, was called, and MR ALLAN GARCIA, CHIEF EXECUTIVE OFFICER INFRASTRUCTURE TASMANIA, was called and made the statutory declaration, and were examined.

The witnesses withdrew at 2.22 pm.

At 2.25 pm MR PAUL WEEDON, CEO AND MATTHEW JOHNSTON, GENERAL MANAGER MARINE SERVICES, TASPORTS, were called, made the statutory declaration and were examined.

Questions on Notice

1. Which agency is responsible for the development of the proposed new holding lane by for cattle trucks in order to prevent road-blocks at Grassy Harbour?
2. Provide an explanation for slower unload times which have been reported to have occurred at Grassy Harbour since the *Investigator* commenced service.

The witnesses withdrew at 3.42 pm.

Other Business

The Committee Agreed to invite the following to public hearings on 1 September 2017 - Port and Coastal, Richard Lowrie, Trevor Stone.

The Committee Agreed to send out a media advisory updating the progress of King Island Inquiry.

Next Meeting

Friday, 1 September 2017 in Hobart

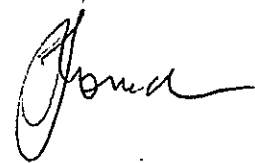
Adjournment

The Sub-Committee adjourned at 3.51 pm

DATE

1/9/17

CONFIRMED



INQUIRY CHAIR

GOVERNMENT ADMINISTRATION COMMITTEE 'A'
SUB COMMITTEE INQUIRY - KING ISLAND FREIGHT SERVICES

MINUTES OF MEETING

Monday, 7 August 2017 & Tuesday 8 August 2017

Monday 7 August 2017

The Sub-Committee met at 12.30 pm in the King Island Council Chambers, Currie.

Members present

Mr *Armstrong* MLC

Mr *Farrell* MLC

Ms *Forrest* MLC

Mr *Gaffney* MLC

Present

Ms *Exel* (Inquiry Secretary)

Confirmation of Minutes

The **Minutes of the Meeting** on Tuesday, 1 August 2017 were confirmed as a true and accurate record.

Correspondence

The following correspondence was endorsed:

Inwards

- Email dated 3 August 2017 from Ian Fitch providing additional comment regarding King Island freight

Outwards

- Letters dated 2 August 2017 to all witnesses confirming appointments to present verbal evidence at King Island public hearings

Other Business

The Sub-Committee **RESOLVED** to accept late submissions from King Island Shipping Group, King Island Transport Operators and King Island Regional Development Organisation and to invite these groups to appear at public hearings as witnesses.

Public Hearings

At 12.30 pm MR GREG MORRIS, MR BOYD HOARE, MR GLENN BATEY, MR RON CRACK AND MR STEVE FOSI, KING ISLAND TRANSPORT OPERATORS, were called, made the statutory declaration and were examined.

The witnesses withdrew at 1.28 pm.

At 1.31 pm MR GREG MORRIS, MR BOYD HOARE, MS ROSEMARY HALLETT AND MR COREY ROBBINS, KING ISLAND SHIPPING GROUP AND KING ISLAND CHAMBER OF COMMERCE, were called, made the statutory declaration and were examined.

Tabled Documents

- Submission for a replacement vessel for Searoad *Mersey*.
- Various emails concerning the establishment of a replacement vessel.

The witnesses withdrew at 2.11 pm.

At 2.12 pm MR DAVID KERR was called, made the statutory declaration and was examined.

The witness withdrew at 2.37 pm.

At 2.38 pm MR NOEL COOKE, MR MARK COOKE AND MR GARY SUTTON, were called, made the statutory declaration and were examined.

The witnesses withdrew at 2.57 pm.

The Sub-Committee suspended at 2.58 pm.
The Sub-Committee resumed at 3.08 pm

At 3.08 pm MR DON STORY, was called, made the statutory declaration and was examined.

Tabled Documents

- Main expenditure D&M Story, Lymwood
- Comparison of some staple grocery items: King Island with Mildura, Mansfield and Burnie.

The witness withdrew at 3.41 pm.

At 3.42 pm MR DARYL FANNING, was called, made the statutory declaration and was examined.

Tabled Documents

- Photographs of Grassy Harbour,
- Photographs of *Investigator*,
- Photographs of Searoad *Mersey*,
- Photographs of Grassy Breakwater
- Shipping records from *Mersey Searoad*, 2006 to 2016.
- Bass Island Line Update
- Diagram of wind conditions on King Island
- Correspondence from Daryl Fanning to King Island Courier regarding the investigation into the October 16th grounding of the Searoad *Mersey*

- Correspondence from Daryl Fanning to Justine Keay MP, 18 May 2017.

The witness withdrew at 4.12 pm.

At 4.13 pm MR DAVID RAFF AND MR ANDREW RAFF, were called, made the statutory declaration and were examined.

Tabled Document

- Veterinary report on treatment and euthanasia of injured stud bull, Corryong Veterinary Services, 7 August 2017.

The witnesses withdrew at 4.35 pm.

At 4.36 pm MR ANTHONY GIBBONS, was called, made the statutory declaration and was examined.

The witness withdrew at 5.05 pm.

The Sub-Committee suspended at 5.10 pm

Tuesday 8 August 2017

The Sub-Committee resumed at 9.00 am in the King Island Council Chambers, Currie.

Public Hearings

At 9.01 am MR RICHARD SUTTON, PRESIDENT AND MR NATHAN CONLEY, COMMITTEE MEMBER, KING ISLAND BEEF PRODUCERS GROUP INC, were called, made the statutory declaration and were examined.

The witnesses withdrew at 9.58 am.

At 10.00 am MR JOHANN JACOBS, DIRECTOR, KING ISLAND SCHEELITE MINE, was called, made the statutory declaration and was examined.

Tabled Document

- PowerPoint presentation, King Island Scheelite, August 2017

The witness withdrew at 11.00 am.

The Sub-Committee suspended at 11.00 am.

The Sub-Committee resumed at 11.20 am.

At 11.30 am MR DAVID LAUGHER, GENERAL MANAGER, KING ISLAND COUNCIL, was called, made the statutory declaration and was examined.

The witness withdrew at 12.34 pm.

Site Visits

Sub-Committee Members and the Inquiry Secretary attended the following site visits:

- King Island Multi-Species Abattoir;
- King Island Scheelite Mine; and
- Grassy Harbour

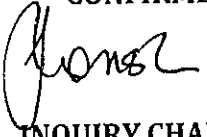
Next Meeting

Thursday, 10 August 2017 in Hobart at 9.15 am in Committee Room 2.

Adjournment

The Committee adjourned at 12.35 pm.

DATE 10/8/17

CONFIRMED

INQUIRY CHAIR

GOVERNMENT ADMINISTRATION COMMITTEE 'A'
SUB COMMITTEE INQUIRY – KING ISLAND FREIGHT SERVICES

MINUTES OF MEETING

Tuesday, 1 August 2017

The Committee met at 12.02 pm in Committee Room 2, Parliament House, Hobart and via teleconference.

Members present

Mr *Armstrong* MLC (CR2)
Mr *Farrell* MLC (teleconference)
Ms *Forrest* MLC (teleconference)
Mr *Gaffney* MLC (teleconference)

Present

Ms Exel (Inquiry Secretary)
Ms Waddington (Executive Assistant)

Confirmation of Minutes

The **Minutes of the Meeting** on Tuesday, 30 May 2017 were confirmed as a true and accurate record.

Correspondence

The following correspondence was endorsed:

Outwards

- Letters dated 5 June 2017 to various key stakeholders inviting written submissions
- Emails/letters sent to stakeholders (as listed below) acknowledging written submissions.

Submissions

The following Submissions were received and endorsed:

1	Ian Fitch
2	Ian Berry
3	Noel Cooke
4	David Raff
5	Kind Island Beef Producers Group Inc
6	King Island Scheelite
7	David & Cheryl Kerr
8	Philbeys Fertiliser Services
9	King Island Council

10	Daryl Fanning
11	TasPorts
12	Tasmanian Government
13	Midas Technical Services
14	Maritime Union of Australia Tas Branch
15	Incitec Pivot Ltd
16	Ian Lester
17	Don Story

Publishing of Submissions

The Committee **Agreed** that the Inquiry Secretary check submissions and publish all submissions to the Inquiry website unless requested otherwise.

Media

The Committee **Agreed** to send a media advisory advising dates for King Island hearings.

Future Program

The Committee **Agreed** to the draft future program provided by inquiry secretary. The Inquiry Secretary to contact members individually to confirm flight times to King Island.

Next Meeting

Monday, 7 August 2017 on King Island

Adjournment

The Committee adjourned at 12.25 pm

DATE

8/8/17

CONFIRMED


INQUIRY CHAIR

GOVERNMENT ADMINISTRATION COMMITTEE 'A'
SUB COMMITTEE INQUIRY – KING ISLAND FREIGHT SERVICES

MINUTES OF MEETING

Tuesday, 30 May 2017

The Committee met at 9.00 am in Committee Room 2, Parliament House, Hobart and via teleconference.

Members present:

Mr Farrell MLC
Ms Forrest MLC
Mr Gaffney MLC

Present:

Mr Wright (Inquiry Secretary)
Ms Waddington (Executive Assistant)

Election of Chair:

The Secretary called for nominations for the Chair. Ms *Forrest* being the only nominee, the Secretary declared Ms *Forrest* to be duly elected Chair. The Secretary yielded the Chair and Ms *Forrest* took the Chair.

Election of Deputy Chair:

The Chair called for nominations for Deputy Chair. Mr *Gaffney* being the only nominee, the Chair declared Mr *Gaffney* to be duly elected Deputy Chair.

Future Program:

The Committee **Agreed** that the Chair provide a list of key stakeholders to the Members and the Secretary in addition to the following Stakeholders - Tasmanian Government, TasPorts, Chas Kelly and Port and Coastal Shipping Company.

The Committee **Resolved** to insert advertisements calling for submissions in the early general news pages of the three daily newspapers and the King Island Courier on Saturday 3 June 2017 if able to meet the deadline for placing ads and if not, 10 June 2017 and **Agreed** that the closing date for receipt of written submissions be close of business on Friday 21 July 2017.

The Committee **Resolved** that a media release be prepared by the Secretary that would announce the commencement of the inquiry.

The Committee **Agreed** to public hearings being scheduled for Tuesday 8 August 2017 on King Island and Thursday 10 August 2017 in Hobart.

Next Meeting:

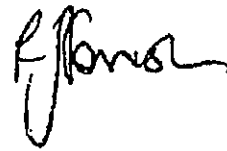
TBC

Adjournment:

The Committee adjourned at 9.19 am

DATE 1/8/17

CONFIRMED



INQUIRY CHAIR

