



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESS SCRUTINY COMMITTEE A

TT Line Company Pty Ltd

Thursday 2 December 2021

MEMBERS

Hon Nick Duigan MLC
Hon Ruth Forrest MLC (Chair)
Hon Mike Gaffney MLC (Deputy Chair)
Hon Sarah Lovell MLC
Hon Dr Bastian Seidel MLC
Hon Meg Webb MLC

WITNESSES IN ATTENDANCE

Hon. Michael Ferguson MP, Minister for State Development, Construction and Housing
Minister for Infrastructure and Transport Minister for Finance Minister for Science and
Technology

Mr Damian Bugg AM QC, Acting Chairman, TT-Line.

Mr Bernard Dwyer, Chief Executive Officer, TT-Line

Ms Kym Sayers, Chief Financial Officer and acting Corporate Secretary, TT-Line.

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The committee resumed at 3.14 p.m.

CHAIR - Welcome minister. We are pleased to have you here to talk about TT-Line. I ask that you introduce your team at the table and then I invite you to make an opening statement, hopefully not too long. We will then have some questions for you.

Mr FERGUSON - Thank you Chair, and good afternoon to the committee. I am pleased to introduce the acting Chairman, Mr Damian Bugg AM QC; Mr Bernard Dwyer, Chief Executive Officer; and Ms Kym Sayers, Chief Financial Officer as well as acting Company Secretary. I am supported by my Chief of Staff, who won't be giving evidence today. We look forward to your questions.

As the chairman has noted in the annual report, TT-Line was not immune to the impacts of the pandemic. The number of sailings decreased by 5 per cent to 806, down from 842. A number of day sailings and Sunday sailings were understandably cancelled due to low passenger demand, due to the continued implementation of Tasmanian border restrictions and a loss of demand by passengers. This meant that passenger numbers were down totalling 234 725. That is a decrease from the previous financial year of 351 224. However, freight volumes achieved record levels, in part due to the additional lane metres that became available.

The company and its employees did an excellent job in ensuring that the vessels could continue to operate continuously in a Covid-safe way. The *Spirit of Tasmania* vessels remain highly regarded on the international ship market due to the extensive and ongoing maintenance regime undertaken by the company. There have been some exciting developments this year that I would like to briefly mention. We have new ships on their way. TT-Line signed a contract with Rauma Marine Construction in April of this year to construct two new roll-on, roll-off passenger ships to replace the current *Spirits*. Final planning and technical details are being settled now, and construction is scheduled for February next year. The first ship will be delivered in to 2023, and the second is scheduled for 2024 arrival.

Most proudly, up to \$100 million will be spent on local suppliers for the vessel replacement. TT-Line has already engaged a Tasmanian-based procurement manager to work with suppliers and the ship builder on this process. We will also have new ports for our new ships. Construction has started this year on the new *Spirit of Tasmania* 12-hectare facility at Geelong Port, also known as Corio Quay. TT-Line will move its operations to Geelong late next year, after signing a 30-year lease for the site. I know that the company is very much looking forward to moving to Geelong and benefiting from the new, undercover passenger terminal, the dedicated freight terminal, a 150-truck bay and a 24-hour secure freight yard; light years from the current service at Station Pier.

TT-Line and the Government are confident the move to Geelong will increase passenger numbers from new markets like regional Victoria, South Australia and New South Wales; and this will be a fitting and impressive gateway to Tasmania. Also, work is rapidly progressing on the redevelopment of East Devonport. The Government has backed this \$240 million project by TasPorts which will significantly increase the capacity of the port. TasPorts has commenced a procurement process for the dredging and marine package of works. I am sure we will be happy to discuss that tomorrow. The project team is now shifting into the stakeholder and community consultation phase, with a number of engagement activities underway right now.

PUBLIC

The project will provide a 40 per cent increase in overall capacity at the port, which will deliver an additional \$36 million into the Tasmanian economy through increased trade and, most importantly, it will be a landmark gateway to the state to complement the new port at Geelong.

In conclusion, Madam Chair and committee, this has been a massive year for TT-Line. The pandemic has presented challenges for the state's official carrier, but the company has managed through COVID-19 and all of the challenges that it has brought. I consider they have done an exceptional job. It has continued to run as an essential link to the mainland. They have locked in the build of two new ships; locked in the development of a new port at Geelong and, contributed to the redevelopment of the current port at Devonport which has been the home of TT-Line for the past 35 years and will remain so for decades to come.

CHAIR - Minister, I am going to ask Mike Gaffney to start the questions because TT-Line berths in his electorate.

Mr GAFFNEY - Thank you; and thank you for recognising the difficulties of the last year and that TT-Line is not immune to some of those concerns. The Geelong lease for the TT-Line for 30 years, was it considered a possibility to purchase the land or wasn't it for sale? One would think that if it is there forever, buying it might have been considered; or wasn't it an option?

Mr FERGUSON - Thanks Mr Gaffney. As it is related to operational matters, I will invite the CEO or the chair or the company secretary to address it. In this case, I will hand to the CEO, Mr Dwyer.

Mr DWYER - It wasn't for sale. It is owned by Geelong Ports, a private company. It is using their facility down at the wharf area in Geelong.

Mr GAFFNEY - The transfer from where you are operating at the moment to Geelong, how long will that take, that process of moving infrastructure. Do you have to move it or will you move more?

Mr DWYER - Strategically, it is really sound because what we will be able to do is develop that wharf which is already started as the minister has said, in Geelong. We will be ready to take that over in July/August on next year. Probably two months to commission to make sure everything is right. There will be sailings before then to actually start with the commissioning of the site. The site itself, will be built with the facility ready for the current vessels but also the new vessels. Instead of us interrupting services while this is being built, it is all done and the service will not be interrupted at all.

Mr GAFFNEY - Thank you, I noticed the 7 Port 1 boat will be ready by 2023 and the second one, 2024. Because of the different length of the boats, will the new East Devonport site be ready by 2023 in preparation?

Mr DWYER - All indications are working with Tas Ports, it will be. Maybe not all structures will be in place, but as long as the berth itself is ready, we can operate out of there.

Mr GAFFNEY - I was fortunate to be at the Tourism Conference when they did a spiel on what was happening. The Geelong site being 12 hectares has a lot more infrastructure for

PUBLIC

people disembarking overnight. Is that going to be an issue in East Devonport where there is not that much land - there is more - but is that going to be a concern? How are you going to deal this at our end?

Mr DWYER - It is a very good question. The facilities in East Devonport, one of the reasons to move is not only to fitting the new ships at berth number 3, but the increased landside space for us. It is important we have a lot of landside space as we have talked about with Geelong at the Tourism Conference because these vessels have a three-tier loading and discharge which has never been done before on Rowpak's vessels. That enables us to keep passengers and freight totally separated from each other so it is safer and it allows for a less time for discharge and loading the vessel.

At the moment at Station Pier and in Devonport it takes about 3 hours to do a quick turnaround on a double sailing. Discharge, clean, load and leave, is about 3 hours. With the new facilities and the new ships in Devonport and Melbourne that will be 1.5 hours and will increase the reliability of our schedules. The schedules do not crib out over a 24-48-hour period.

What it also does is it allows us to be sailing on the ocean longer and at a slower speed and we will be saving money in relation to that. The longer you can be sailing at a slower speed, the more money you save.

CHAIR - Like a cruise more than a ferry crossing.

Mr DWYER - It will still be a ferry crossing.

Mr GAFFNEY - With the refurbishment of both Geelong and East Devonport, what will be some of the advantages to the Devonport or the Tasmanian working enterprise to access some of the funding you mentioned it is going to cost to do that change?

Mr DWYER - That is a question for TasPorts. All of the contract for the build, the wharf infrastructure and the landside will be covered under the TasPorts project. I can imagine they will only put a tender out within Tasmania, but that is not for me to say in relation to TasPorts. There is a big opportunity there for the investment required.

Mr GAFFNEY - You may not answer this, but is there anything of a concern about the new boats coming on board that is a real significance of what are we going to do here or is this of concern? Or are you comfortable with what has happened in the progress that will eventually see them?

Mr DWYER - I am very comfortable with where the plans, negotiations and the arrangements are at and also, the progress the project teams are making on this. We are very much on schedule. To be fair, the fact we had to change contract, we are probably a year later than we really wanted to be has helped really in that. We still will have some brilliant ships coming in with the infrastructure there ready for.

Mr GAFFNEY - Okay. I am not looking for a scoop here, but are they still going to be called *Spirit I*, and *Spirit II*, not *Fergie I*, *Fergie II*, or something.

PUBLIC

Mr FERGUSON -It had even crossed our minds. Now that you mention it, I will answer that, no.

CHAIR - No? It will not be *Spirit I* and *Spirit II*? What was that no in regards to?

Mr DWYER - It will not be *Spirit I* and *Spirit II*, because we already have *Spirit I* and *Spirit II* and it is bad luck to call a ship the same as another.

Mr GAFFNEY - Like *Titanic* or something

Mr DWYER - We rule that out

CHAIR - Okay, so, how will the new names be selected then?

Mr DWYER - We will make an announcement on the new names at the right time publicly.

CHAIR - It will not be like the *John Duigan* up in King Island, for example.

Mr DWYER - Duigan

CHAIR - Duigan, sorry.

Ms WEBB - Let us put it out to a popular vote.

Mr DWYER - We will consider Ferry McFerryface, but, no.

Mr GAFFNEY - My last question as others will have some as part of the terminal issues. There is been regularly community comment about the difficulty of securing a place for larger vehicles such as caravans on the Spirits. That is a significant barrier to some people. Is that been addressed or looked into with the new ships? Some of the things you have known from *Spirits I* and *II*, are they going to be addressed with the new Spirits?

Mr DWYER - This is the benefit of actually building vessels, that we have never done before as a state. We have really looked at all of the inhibitors we had with the current vessels because we bought them essentially second hand. We had to modify our services around the shortfalls of those current ships, which still do a fantastic job, of course.

What we have learnt from that the width of the vehicle deck lanes needs to be wider, going from 2.1 to 2.3 metres wide. We are getting wider there, not only for the larger vehicles on the new ships, but also for passengers getting out of the vehicles as it can be really tight. With the height, instead of 2.1-metre-high, we are looking at around 2.3-metre-high for standard vehicles and up to 4.8 metres high in the double deck site. The 4.8 metres not only caters for very large caravans, camper vans and some huge motorhomes, but also freight. It is higher than the current vessels because of the new Australian Legislation for road transport coming in at 4.8 metres and we are also covering that. The new vehicles are 40 per cent larger, just in the freight cars and passenger vehicle space.

Mr GAFFNEY - Thank you chair, that is all I have.

PUBLIC

Dr SEIDEL - What are the options for *Spirit I*, *Spirit II* once they have been decommissioned? Are you considering selling them? What is the plan?

Mr FERGUSON - I might ask the chairman to address further. I can indicate from the outset the Government have been on advice of TT-line, as well as our own internal government discussions, taken the view we will sell those vessels on the open market at the conclusion of this project and certainly, allow the chair to elaborate and conclude it in timing.

Mr BUGG - I will be brief, that is the plan and as the minister have said, the vessels have been well maintained and they are regarded as been very saleable and still have good years left. And you will notice that, we downgraded the valuation quite a bit this last year, mainly because the market is not as buoyant as it was because of COVID-19. That has affected our figures, and we have to live with that. But yes, that is the plan.

Dr SEIDEL - Would that be an expression of interest process? Are there any timelines you have considered already? Or it is just work you are currently in?

Mr BUGG - It is not locked into anything yet. We will obviously will take advice.

Mr FERGUSON - I will elaborate that Tasmania expects to host Interferry in 2023.

Mr DWYER - Interferry is the international body for ferry operators around the world. We were going to host in 2021, but because of COVID-19, we have pushed that out to 2023 in Tasmania. All of the major ferry operators from around the world, and the owners, will come into Tasmania. That is a perfect way for us to get them onto those vessels. We'll work through a broker and that's the way ships are bought and sold around the world. Our broker will manage that process with us but needless to say, as soon as we announced internationally that we were building new vessels, people were interested, because these have a very good reputation in the world fleet.

Dr SEIDEL - Madam Chair, you have been approached already by interested parties with regard to *Spirit One* and *Spirit Two*.

Mr DWYER - Yes, through the brokers.

Ms LOVELL - Minister, the tourism industry has declared an ambition for Tasmania to be a carbon-neutral travel destination. Are you considering any greener energy sources for fuelling for the new ships?

Mr FERGUSON - We certainly are, and thank you for the very good question. I'll ask Mr Dwyer to respond but, yes, fuel type innovation has been a particular initiative in the decision by the Government and the board to purchase two new vessels. I will ask our resident expert, Mr Dwyer, to elaborate in fuel mixes and the variability going forward that the company are able to switch in and out of but I'd also invite Mr Dwyer to deal with the issue of how we took the existing *Spirits One* and *Two* to be international fuel-compliant as well.

We support what you're saying and what the tourism industry are saying and so the company and the Government have been moving very positively in that direction.

Mr DWYER - I am very excited to answer this question.

PUBLIC

Ms LOVELL - You look it. I'm excited to hear now.

Mr DWYER - From 1 January 2020 the world fleet had to move to low sulphur fuel. We spent hundreds of thousands into the millions of dollars on converting our vessels to low sulphur so that was finding low sulphur fuel which is being made at Viva Energy in Geelong and also modifying our vessels.

When we use bunker fuel - the old bunker fuel - you had to heat that fuel up to make it more viscous to move around. With low sulphur, you have to change your vessels and actually cool it down so it's gone the other way. We had to put coolers in so there was a lot of work done onto the vessels there.

We did a lot of testing. It wasn't as successful as some other companies around the world so we spent a lot of time on that and both vessels were ready and were operating a couple months ahead of January 2020.

In looking at new vessels very early in the piece, we made the decision that there'll be dual fuel engines so there'll be diesel LNG engines on the ships, so a much larger tank is required for LNG. That will take us forward very well. Anybody who knows about greenhouse gases, that doesn't help with the carbon side of the business. We've made sure the engines and all of the facilities that we're putting in the design and the purchase for these new vessels are able to take green bio fuel as well.

We'll be able to tap into the hydrogen and the mix of hydrogen and other fuels for those because we have to comply with international regulations - not Australian regulations, international regulations going forward. We're staying within that envelope all the way through.

It has been really interesting and really exciting going down that path. We sit on the greenhouse gas subcommittee for the international and the ferry organisation as well. So we have our say at the table about calculations, directions and making sure that we're right up with that so we know where we're going. I'll try to calm down now.

Ms LOVELL - Thank you.

Mr FERGUSON - I'd like to let the committee know, Chair, if I can in brief that in-part because of that initiative and noting that in 2021 there was a reduction in sailings but nonetheless the greenhouse emissions measured by tonnage fell from 152 000 tonnes in 2010-11 down to 130 000 tonnes in 2020-21. The reconfiguration has contributed to that.

Mr DUIGAN - Having those ships running on LNG, does that make them easier to convert to, potentially, an ammonia fuel source in the future?

Mr DWYER - The engines don't change. It's changing the way the fuel is delivered to it but it's not changing the engines themselves. That's why we are really right up with the engine manufacturers from around the world to make sure we're closely following, not the bleeding edge of technology, but we need to make sure that works.

CHAIR - Minister, I'd like to look at the funding of the said ferries or ships and we know there's been a bit of toing and froing with funding about this. In 2016-17 and 2017-18,

PUBLIC

\$40 million of dividends were paid and then \$81 million equity contribution back to TT-Line plus a little bit of interest. Then there has been a bit more toing and froing in regard to that.

I notice there's a balance of \$62 million in Finance General still that's notionally for the vessel replacement. Why don't you just give that back to TT-Line to manage their money? Are you so worried about them being poor money managers? They can't look after this money?

Mr FERGUSON - No. Certainly, that's not the explanation but the ship replacement fund was established - I would have to look back to the year but it was an early initiative by the Government on coming to office in 2014. It quickly became apparent that we wanted to secure and have a secure lock and key on funds effectively to save up for the ship replacements and, as it has evolved, things have changed along the way. We certainly have made the purchase decision to accelerate the replacement of the vessels which, by the way, are technically not due for replacement until, I think, 2028 in terms of their optimum period when you might have replaced them.

There's a lot of trust between government and the TT-Line board and certainly the establishment of that fund shouldn't be interpreted in any other way. We've a very strong and positive relationship. However, it has been a mechanism for dividends from TT-Line to be placed in a safe place for the future ship purchases.

CHAIR - Why don't you just give them a dividend holiday and let them keep the money until the ships are bought?

Mr FERGUSON - The financial arrangements for the purchase of the two new ships are very solid. We've taken significant advice from Treasury as well as from the board itself and with the arrangements that have been struck with the contractor, it's a very solid outcome for the state and a very positive one for local domestic input as well with up to \$100 million.

I must only, again, emphasise a lot of trust and a lot of goodwill. That has been necessarily the case and demonstrated not just through the pandemic but as we went through the quite difficult policy decisions to shift our second port to Geelong from Station Pier and also for the process of the purchase of the two new ships with RMC.

CHAIR - Before Mr Dwyer answers that, minister, I would ask him to also perhaps respond to the next question I have, which is the \$62 million left in TASCORP, in the fund there. I believe TT-Line has about \$112 million. How much more is going to be needed to fully fund the vessels and will it be by borrowings or will the Government provide some more support? That may be a question for you but the others about - yes.

Mr DWYER - Any of the dividends that TT-Line has paid have gone into the vessel replacement fund so having a dividend holiday doesn't really matter.

CHAIR - Because you can't hold the money on your balance sheet. It gets held on the government's.

Mr DWYER - Yes and we still receive the interest in relation to that fund as well, into that fund, so that's quite fair and equitable, of course. In the previous annual report, the report of the \$35 million, \$36 million profit from maturing hedges - unfortunately, my CFO wasn't on a percentage then so basically with the maturing eight percentage that was an increase.

PUBLIC

CHAIR - Exchange rate hedges. Yes, I thought that was quite a nice little uptick, wasn't it?

Mr DWYER - That's right. Yes. That has really helped the business cash flow through COVID-19 as well.

CHAIR - That hasn't been popped across into the TASCORP account?

Mr DWYER - No.

CHAIR - No. You've hung onto that one.

Mr DWYER - We've kept enough in TT-Line, as we always do. The board will only approve a dividend knowing what we need to have to fund TT-Line. Not only to fund the operations but also any eventualities. For example, we can have an issue with a turbocharger or one of the engines and then we need \$10 million to fix it straight away. There's always enough kept in reserve within the business by the board being very prudent on making sure we've got enough to keep that business running optimally.

CHAIR - Surely TASCORP would come to the party there? We've heard what a wonderful relationship they have with TasNetworks, their best customer. You don't get anywhere near the best customer -

Mr DWYER - Okay. That's sad.

CHAIR - They have got a bit more debt than you, yes. Surely, if that was a problem, TASCORP would - yes.

Mr DWYER - Yes, of course.

Mr FERGUSON - Without a doubt. In fact, TASCORP is part of the mix going forward in terms of some debt financing and an ambitious goal to repay future debt borrowings on the new ships over, I think, a 12-year period.

Mr DWYER - The payback on these new vessels is south of 15-year pay back, which is a really good for an infrastructure investment. That will give TT-Line another 10 or 15 years to build up reserves for replacement of these vessels. We need to keep that in mind, and what the next sort of vessels will look like. I was listening to the lower House with TASCORP and Treasury. TASCORP is very comfortable with the business cuts that Kym put together in relation to the new vessels, and what we need to borrow and what we need to fund, going forward. We are in a very comfortable position. We love TASCORP. They are great bankers for us.

Ms LOVELL - You must be second, trying to move up the ranking.

CHAIR - We will have TASCORP next year so we will ask for the rankings.

Ms LOVELL - Minister, could you provide a breakdown of how the new vessels will be funded between TASCORP and the replacement fund and borrowings?

PUBLIC

Mr DWYER - I can answer that. Kym may have figures; but it is probably too early to talk figures yet. We will draw down on the vessel replacement fund; we will draw down on the cash that is available within TT-Line; and then we will go into debt for the remainder - with the returns coming back through TT-Line repaying that debt as we go forward.

Ms LOVELL - Minister, you don't have that breakdown yet?

Mr DWYER - It is too early because exchange rates will come into account. We still need to understand from the 15 December what happens when the borders open. We have been impacted very heavily by COVID-19.

CHAIR - You have got very good bookings, I noticed that. You cannot get on to save yourself.

Mr DWYER - You have tried to get on? That is a beautiful story to hear.

Ms LOVELL - Do you know the total cost of the replacement, what that will be?

Mr DWYER - The total cost for the replacement vessels as well as the infrastructure I am sure is approaching \$1 billion. That is the total cost of this project for the company and our partners.

Ms LOVELL - Do you know when you might have that breakdown? I understand that it is too early now.

Mr DWYER - We would be in a better position to understand that ourselves probably in another six, eight, twelve month's time. Certainly, I would have thought before the next round of hearings we will understand what the market is doing internationally as well as the domestic market.

CHAIR - When is the next payment due?

Mr DWYER - The next payment would be the steel cut, which is February/March of next year.

CHAIR - 2022.

Ms LOVELL - You mentioned a \$1 billion for the vessels and infrastructure. What is the cost for the vessels only? Do you have that figure?

Mr DWYER - In Australian dollars, there is about \$800 to \$850 million.

Mr FERGUSON - We will provide it during the time that we are here.

CHAIR - With the existing ferries, how and when do you plan to sell them and I assume you will? You do not want to have them as a backup. What do hope to get for them? I know there has been a decline in the value of the existing ferries which was quite significant at \$31 million. I know you look after the vessels, they are refurbished regularly, so it is not like they are in bad shape.

PUBLIC

Mr DWYER - The vessels are valued at the moment at 61 million euro each. We will not sell them until the new vessels are here. I do not think the CEO would be here if we had a problem with the new vessels. We are not going to wait for the two new vessels before we retire the two old vessels. At some point we will be operating a new vessel and an old vessel on the run and then the vessel that comes out of service would then go on the market to be sold. It depends on the market at that time.

CHAIR - It is your intention to try and sell them?

Mr DWYER - Definitely.

Ms LOVELL - Have we asked when the first new vessel is due?

Mr DWYER - Late 2023.

Mr FERGUSON - The second vessel one year later, 2024. I indicate to the committee, we will take on notice the earlier question from Ms Lovell. We have been instructed in the past that the contract amount with RMC commercial 'in confidence', so I am not sure exactly how we will answer that question that we have agreed to take. .

CHAIR - You can provide to the committee 'in confidence' if that is your preference, minister.

Mr DWYER - That figure I talked about was a very round figure.

Mr FERGUSON - We will take some advice and provide the committee as much as we are legally able to and be as transparent as we can.

CHAIR - You can provide 'in confidence' to the committee.

Mr DUIGAN - Thank you. This is in light of the fact that in less than two weeks now, the borders reopen, as has been mentioned, and bookings look good. Noting that ferries and cruise ships and things like that have been a difficult space during the pandemic, I'm interested to know what changes TT-Line has made and had to make, to ensure the safety of crew and passengers through the pandemic. What have been the learnings?

Mr DWYER - It has occupied our minds for every minute of the day since the pandemic broke out in February-March of last year. We went very early with masks, for example, for crew. Crew were wearing masks from March-April last year and passengers were wearing masks from June last year. That was a good six or seven months before the airlines went through that. We always worked very closely with Tasmanian health and with Victorian health and we took the most stringent directions, whether it be Victorian or Tasmanian, had a look at it ourselves and then put on top of that what we were comfortable with. To protect our crew is the big one for us, as well as passengers. From very early in the piece, passengers were immediately confined to their cabins.

We worked with Tasmanian health to change the buffet to be a takeaway, and we closed down most of the bars. We did the two metre space between passengers. We reduced the number of passengers we could take; at one point we were down to about 700 or 800 passengers on a day sailing, where we normally take up to 1200 passengers on a day sailing. So we

PUBLIC

restricted that quickly. We also put in place of fogging of public areas, and fogging of cabins every trip. Once a cabin was fogged, a sticker was put across the door to say that it had been fogged and you had to break the sticker to open the door to go in again. We took it really methodically and carefully, even to the point of checking QR-codes. We are the only carrier coming into Tasmania that checks QR-codes. If you don't have a Tas-E pass, or a G2G-pass, you can't get on our ships, in Melbourne; you can't come into the state.

We can't check the validity of the QR-code, but we can check that you have a QR-code on a G2G-pass -

CHAIR - I understand there's no sharing of air between cabins, or anything is there?

Mr DWYER - All the cabin air and public space air is external, it's not recirculated. The air is too beautiful air to be recirculating in Tasmania and on Bass Strait.

CHAIR - Come down for air - that's what you're saying.

Mr DWYER - A lot of processes have been put in place. We made recommendations to DPIWE and biosecurity about how that process should work out of Melbourne into Tasmania. They've followed those from day one, because nobody knows our business better than we do. The checks we could put in place alleviated a lot of the pressure that would have been put into Devonport, as an example. We're very proud of our crew and what they've done and it really has changed hour-by-hour from when it first started.

Mr FERGUSON - Also, to let the committee know, because Bernard will be too humble to admit this; as a Government we've been very closely working with the company and throughout the entire period the company has been very responsive. They immediately and without hesitation moved to implement measures that were difficult for them from a financial point of view. It has been a seamless process. About three months ago we had a contractor in Melbourne with a COVID-19-positive diagnosis; they had been working in the ship, in the engine area. Because of what TT-Line had implemented, I was quickly able to communicate to public health and to the Premier and others that it was contained, because of those strong measures, including the fogging of those areas. Everything that could have been done, with the benefit of hindsight, was already happening. It was a great example of how the virus was prevented from travelling to Tasmania because we all know that when the virus moves it moves on freight, and on people who are using shipping or air services. It was a great example of proactive work.

CHAIR - Sarah did you have one on this and we'll go back to Mike.

Ms LOVELL - Minister, we have heard about the measures been put in place to deal with the pandemic so far. Is it the intention those measures will continue as borders open up, will they change at all? What is the plan, particularly over the summer while we start to bring more people into the state?

Mr DWYER - Much to the delight of Biosecurity, we said we are not changing our processes at all. You still will need to have a pass verified by the Tasmanian authorities to come into Tasmania otherwise, you cannot buy a ticket or get on to the vessel. We will still be doing everything we are doing now. It is pretty much ingrained now into our business. Even from the point of view, when a couple of months ago that incident happened we immediately

PUBLIC

implemented then all contractors had to be double vaccinated before they could come onto the ships, well before anybody expressed that. This was in Victoria and Tasmania. We did not let any contractors work on one ship and then on the second ship the next day. They have to change their crew again to put as much barrier as we could. As you are all aware, we fall under the Victorian guidelines and Victorian Health directions that anybody who operates out of Victoria has to be double vaccinated. We achieved all that well within the timeframe required.

Ms LOVELL - That is your staff?

Mr DWYER - That is our staff. That is any contractor that worked for us, all of our staff that work in Victoria who attend Station Pier, all the crew, no matter where they come from, that attend Station Pier, anybody like myself who attends Melbourne has to be double vaccinated. Out of 650 odd equivalents, we only had 30 that were not double vaccinated. Yesterday, we announced the remainder of the Devonport staff needed to be double vaccinated by 14 December to make sure we have everything in place. Most of those 30 odd we were chasing, we asked them to volunteer their information and some of them had not volunteered it and starting to come in as well. From 14 December everybody will be.

Ms LOVELL - And masks will continue on board?

Mr DWYER - Yes, masks will continue, in the terminal also. I cannot go into the terminal in Devonport through security into my office. I have to wear a mask to go into the terminal, temperature checked, all the questions asked before I go back of house and all our staff have to do that.

CHAIR - Can I ask what it has cost the TT-Line to put in place these measures?

Mr DWYER - To be honest we have not really got it as a dollar figure.

CHAIR - It is the cost of not doing it, I accept that.

Mr DWYER - There is a huge risk in not doing it. With the progression of the business through COVID-19, we lost 85 per cent of our passengers on day 1 and they came back gradually earlier this year with the free car campaign, massive. Then the Victoria and New South Wales borders closed again and it dropped off again. We have put a lot of measures in place to save money or reduce our costs. For example, we stopped sailing on Sundays. We took out all of the double sailings but there was not the patronage around. We changed our schedules. We normally leave at 7.30 at night and arrive 6 o'clock next morning. We changed those schedules to leave at 6.30 at night and get in a bit later in the morning because it was not impacting freight or passengers and that save something like \$140 000 a week in fuel purely by changing that 1.5 hours.

CHAIR - Swings and roundabouts?

Mr DWYER - Definitely. It is great management by the board.

Ms LOVELL - Is there a contingency plan for if a sailing needs to be missed if there is a COVID-19 case? What would be the contingency for freight and passengers then?

Mr DWYER - The benefit we have of running two vessels is the second vessel would then do doubles and able to run at a more regular pace. If we are in the middle of the doubles season that will be trickier, but what we have implemented is we only do two days of double sailings in a row and there is always a third day to catch up in case there is an issue. That will give us a better mitigation against if one of the vessels come out. Also bear in mind by clearing a vessel, potentially removing all that crew and putting a new crew on you would come back pretty quickly.

Mr GAFFNEY - Following on with some of the COVID-19 implications, you made mention you went from a buffet to individual packaging and that sort of thing and slowing down the sailing so you saved some money. Are there learnings from the COVID-19 experience you as a board and as a group are thinking, maybe this is something we should do full time for our new boats and ships. Maybe it is a better way of operating. It is cost effective, that sort of thing. Are there any issues there or anything that might impact positively on future sailings?

Mr DWYER - Certainly, the slowing down of the sailings. We will be very careful on what we do in our future schedules. We need to be careful with that, certainly in relation to freight. We are the last to leave out of Tasmania or out of Victoria and unfortunately, when there is an accident on the Midlands Highway, for example, freight can take longer to come into the north-west of the state. We will actually hold the sailing up for up to an hour to make sure that freight gets on, because that is a huge impost on our freight customers, if they do not get to that market the next day. We still need to be very flexible, but we will push the envelope on all of those things we have learnt, in relation to business to make it more efficient.

Mr GAFFNEY - Thank you. You mentioned the Bringing Your Car for Free campaign, the \$6 million federal government initiative. The Tourism Industry Council of Tasmania is asking federal politicians to extend the Bass Strait passenger scheme, a move that could offer free car passage ad infinitum. What are your thoughts on this and if it has value, how as a Tasmanian could we support it?

Mr FERGUSON - Bring Your Car for Free campaign was very successful but it was also a point in time intervention by the federal government, which was really very welcome for us. Noting it had been by a policy point of view explained by the federal government there had been a saving in the Bass Strait Passenger Vehicle Equalisation Scheme. As we were heading into last winter there was an opportunity to try to bring more tourists to Tasmania when it was safe to allow them to do so. I am more than comfortable for the CEO or the acting chair to answer further, but it is very clear that right now, particularly post 15 December, bookings are very hot. We are pleased the old situation of having an underspend being made available to double down and make passenger vehicles come for free was great at the time. We welcome the continuation of the scheme in the future. No doubt, it is making a contribution to the bookings we are already experiencing. Mr Dwyer, if you want to add further, that is great.

Mr DWYER - Certainly, we would welcome anything that encourages more people to travel in and out of Tasmania, certainly using our service.

The neat thing about that free car travel was no extra dollars went to TT Line at all. The mechanics of that were really the Government paid us the component on top of the normal BSBBS and we did not charge the customer. Really that money went straight into the customers pocket.

PUBLIC

I love talking to our passengers and can remember one gentleman at Station Pier who had just spent two weeks in Tasmania with his vehicle and was heading back. I asked him why did he come into Tasmania. Purely because he could save \$200 on getting his car here. He spent two weeks, all the accommodation and food and beverage and everything, but the real tag, was he could take his car for nothing. It really was a unique and very clever campaign the federal government facilitated at that time and was important to kickstart tourism back into the state.

CHAIR - Maybe that is something y could be reconsidered by the state Government for the winter seasons, because tourism does drop away. At the moment it is red hot, you cannot get a seat or a vehicle place for weeks.

Mr DWYER - The tourism season is not dropping away like it used to over winter anymore. The shoulder periods are getting longer and longer. We are finding we need to keep more and more sailings going and even our double sailings we have to keep more of those going in the year. It is a red hot place in winter.

Mr GAFFNEY - The winter escape tourism. I am looking at the last couple of questions about drug detection and animals and transport. Be prepared.

The Spirits are an obvious conduit for smuggling of illegal contraband into Tasmania just because of the nature of the beast, for which we see the crucial role of the drug detection dogs. Passengers are also aware of the detection dogs and how it screens passengers and vehicles? What statistics have been shown in the last twelve months or whatever about illegal entry, those who have been caught? Is it higher or lower? Do you have any comment to do with how you're dealing with that possibility to protect Tasmanians, especially not illegal substances but environmental harm protection and that sort of thing?

Mr DWYER - It really would be a question for the commissioner about figures on the number of people being caught. We don't know is the honest answer to that. We can see the overt when a car is pulled away and I can't go into the details but a lot more happens in relation to this than just the dogs. I must leave it at that. We work with all of the authorities around the nation.

Mr GAFFNEY - If one of your staff members picks up on something that they think is suspicious, the chain of command there, are they to alert somebody and how is that handled from an on-ship capacity?

Mr DWYER - We have a gentleman in charge of risk within the business. He's been full-time, I have to say, on COVID-19 at the moment and he's working with that. He is the key contact of the company in relation to all of those law enforcement agencies as well as what we would do in relation to that.

I can give an example. If we have an unruly passenger who's affected, we do have a brig on the ship so they are put into the brig and as soon as anybody goes into the brig for whatever reason then police on either side of the water meet with the ship.

CHAIR - What's a brig? It's like prison, is it?

PUBLIC

Mr DWYER - It's a jail cell. With the new vessels, we have two jails and that's not because we anticipate an increase but we noticed on the Irish ferries that they used to charge the police departments for carrying criminals across on the brig so we thought we'd try to get some revenue by putting an extra one in. We'll see how we go.

Mr GAFFNEY - This question is to do with the missing dog and the polo ponies. That was some time ago but I still think it needs to be aired and I'm mindful of ongoing legal proceedings. Would you update the committee on where that is with the missing dog situation and the polo ponies?

Mr DWYER - I'll cover Ester. Ester was the only dog that the company has ever lost. We've never had a lost dog before in the history of the company so that has been quite traumatic for the crew and ourselves. We've worked very early in the piece with the owner. We contacted all of the authorities within Victoria and kept up to date with what was happening in Victoria. Unfortunately, there just has not been any insight as to how that dog was taken off the vessel.

We always review every incident on the vessels as well. We've worked with the RSPCA specifically over the last couple of years and they've changed the majority of their kennels out. The majority of our kennels used to be aluminium or stainless-steel kennels but they're now kennels that we've bought from suppliers of veterinary surgeons, the plastic kennels. We've replaced the majority of our kennels with those. After that incident we've put another piece of security in place. There's a roller-shutter - so plenty of air goes through - that comes down in front of all the kennels with about a one-and-half inch gap so that even if a dog tries to push the kennel open, the cage can't open at all. We've done everything we can from a security point of view. That is updated every time we have an incident, which is not regularly.

Mr GAFFNEY - So the same sort of thing in the new vessels, are they going to have these?

Mr DWYER - I cannot wait for the new vessels in relation to pets. With the new vessels, the pets won't be on the vehicle deck. The new vessels will have the pets in what we call the centre-casing, the centre part of the vessel that vehicles don't get to will have its own air-conditioned area specifically for pets, cats, lyre birds, pheasants, whatever people will take into the future.

Ms LOVELL - I don't think it's legal to keep a lyre bird as a pet.

Mr DWYER - I won't go there but passengers will be able to come down at any time through the sailing into that area as well because it's not on the vehicle deck. From a legal point of view and a safety point of view, they can do that.

We've also prepared 10 cabins for the future that may end up being pet cabins, but not from day one. But we will certainly have those facilities built in for future enhancements of the vessels really, as well.

CHAIR - I do not think the assistance dogs do not fit into this.

Mr DWYER - The assistance dogs can go, well, it is assistance animals, you can actually take a pheasant with you, or a guinea pig.

Mr GAFFNEY - And the other one was the polo ponies situation.

Mr BUGG - Look, with the polo ponies, the litigation is spread across a couple of courts at the moment. The prosecution, which is being run on the north-west coast in the Magistrates Court, is on hold because there is an appeal that has gone through the various steps relating to the structure of the charges against TT-Line. On counsel's advice, that has gone now to the High Court and a special leave application is being heard in the High Court tomorrow morning. I really cannot comment much more than that. It is sub judice and far be it for me to suggest how that might happen tomorrow. We will know tomorrow and we could probably talk about some aspects of it then.

That won't remove it completely from the Magistrates Court. It is quite a technical issue in relation of the structure of the charges, but it will ultimately finish up back in the Magistrates Courts. That is why it is on hold. The other matter is a civil claim in relation to the loss through the deaths of the horses, and that is proceeding, but in no way, related in a sense to the timing of the prosecution. In one sense, some of the expert evidence, which is relevant to both, will maybe affect the timing on that. Once again, before the courts we cannot say much more.

Mr GAFFNEY - Thank you, I have no more questions on that, but I was going to go to sponsorship if people are happy with that?

CHAIR - Let us talk about North Melbourne. They have to get off the bottom of the ladder.

Mr GAFFNEY - Let us talk about the JackJumpers. Very exciting that the TT-Line, what do you see is the benefit for TT-Line sponsoring a team like the JackJumpers? It needs to be put on the record. How do you see that advantaging and being beneficial for the state and TT-Line to jump on board that exciting initiative?

Mr DWYER - Absolutely, there are two prongs to that sponsorship, as it was, and we talked about many times in the upper House in relation to North Melbourne. There is community and the children, children in sport, and pathways for them to aspire through. We see that as a very important piece and you only need to see how palpable the excitement is around the JackJumpers in Tasmania, across all areas of Tasmania, I must say as well.

In relation to the cold hard commercial terms for TT-Line, that will get our brand in front of a whole brand-new audience nationally, with the number of games, with the broadcast over three or four different networks, I think they are starting from tomorrow night. That is palpable, what that does for our brand. Also as we move forward into a brand of younger people who are travelling around the country. So it is very crucial to our whole strategy of brand management going forward.

Mr GAFFNEY - Thank you. My next questions here - and it might sound a bit parochial. How does the TT-Line engage local councils, business, and community organisations to maximise partnership opportunities? Take for example, the Paranaple Centre and the new conference building being built in Devonport, on the shore where the boat comes in. Hopefully that will attract greater conventions or other activities. How do you play a role in that space?

Mr DWYER - We actually met with some key proponents of the new hotels that are being developed in Devonport, probably six or seven years ago. They came to us and we talked

and shared with them our vision of numbers. We also talked about the potential for conferencing and for high-level sales reward trips out of Victoria, as well, as a gateway through Devonport into the rest of Tasmania very easily, out of Melbourne as well. We've been involved over many years talking about that as a market and how we can assist. We've not heard from many councils about what they want to do; we're always open to do that. We don't go out and drive it with the councils; we are more than happy though.

Mr GAFFNEY - My last question regarding sponsorship is there are other codes of different sports in Tasmania that are being looked at. I will call it soccer, but Football Tasmania for people listening; the Devonport Strikers have a very good record especially with their women's teams. In levelling the playing field, if there were to be a national competition and Tasmania was able to host some international or national sports, would that be something that would be of interest to the TT-Line?

Mr DWYER - We would always evaluate it, absolutely, yes. Absolutely.

Mr DUIGAN - In terms of marketing - I went to a JackJumpers game the other day and it was great; everyone was excited, and kids were running around with their jerseys on. I note in the annual report there was a reasonable a downturn in marketing spend last year, understandably. What is happening in that space? Has that ramped up? With borders opening, what are you doing to keep the brand front of mind?

Mr DWYER - The JackJumpers -

Mr DUIGAN - Yes.

Mr DWYER - No, no. More than that. As part of being more efficient in what we do, there is no point marketing to a market that can't come to Tasmania. There's a lot of discussion internally now, about how hard do we push into the market because there is so much latent demand now. I wouldn't like to see us putting a lot of marketing dollars out there when the people are going to come in anyway, so we need to be really smart on how we do that.

We do a lot more marketing now in the digital space and the social media space as well and we really do promote on Facebook. Please follow us on Facebook; every day there's something about different areas of Tasmania across all of Tasmania, really showcasing the state. We keep our brand out there, but we're really introspective at the moment on how much we do need to put out into the market because of this latent demand that's going to happen.

All of our research shows over the next two to three months most of the demand will be people coming into Tasmania to visit friends and relatives. That's who they want to catch up with, and come home. There will be a second wave when people then start thinking about where they want to holiday. They will want to catch up with their families and relatives first and then we need to make sure we are right in the front of everybody when they do that second wave especially of holidaying.

Mr GAFFNEY - If you go back to the chair's comment about the AFL - North Melbourne - getting off the bottom, at least their women's team is coming over and will probably be stronger than the men's team.

Mr DWYER - The women's team are going very well, yes.

PUBLIC

CHAIR - The women's team is very good, yes.

Mr GAFFNEY - Yes. They have already announced two more games, today. My last question - sorry, minister.

Mr FERGUSON - I think the committee would find it useful and I'm surprised that Mr Dwyer didn't mention, one of the greatest marketing assets that the company holds, and that is the internal database of past customers.

If I recall correctly, something like 97 or 98 per cent satisfaction ratings from passengers who then retain contact with the company. That is effectively a free form of direct marketing. It is a massive database which is a big asset for the company. Direct email marketing is engaged very successfully to previous passengers, who are pretty keen to take up those special offers and seasonal campaigns as well.

Mr DWYER - In my career it's one of the best databases I've seen and also we can measure the effectiveness of our campaigns within 24 , 48 hours. By pushing out to our database we measure who comes into the website, where they are in the whole purchasing funnel and it really is that quick.

When we get back to normal - whatever normal is - we project all of our sailings forward and if there's a hole in any of those, we will put a marketing campaign out to that database and we will get traction straight away. Unfortunately, my marketing team don't let me email them every week, because that's what I would try and do, but it is that efficient and the responses we can measure out of that database are amazing.

CHAIR - With regard to the database, obviously it is a pretty sensitive and valuable asset. In terms of your cyber security protection around that information, what have you done and are you pretty confident?

Mr DWYER - We have gone to the point now, we have a cyber security expert on staff and that is their full-time role. You would be surprised at the amount of attacks that we get every hour of the day, and from what countries those attacks come from. We have almost three levels of a ring of steel that they need to penetrate to get into our systems. We take the view, that should be taken, is that you will never be 100 per cent.

CHAIR - There are two types of companies, ones who know if they have been hacked and ones that have been but don't know.

Mr DWYER - The way we take it is if we are attacked we have to be able to recover quickly. That is the key.

CHAIR - So your backups and all those sorts of things?

Mr DWYER - Absolutely; and being able to recover quickly is the key in our business because someone will get through somehow at some point. I will touch wood.

Dr SEIDEL - Specifically, it is probably a cloud-based system that you have and is it hosted in Tasmania or is it hosted elsewhere?

PUBLIC

Mr DWYER - We have two separate data centres; in case there is anybody watching the video I won't say where they are; but they are Tasmanian based, our data sources.

Mr FERGUSON - If there is any further information requested on that we might be happy to do it off record.

Mr DWYER - Not that we are paranoid.

CHAIR - You have to be careful; we are talking about cyber security.

Mr GAFFNEY - My last question is to do with media and PR. There is strong interest in the *Spirits* but there is also competition from the airlines; although I would like to think that it wasn't competition, it was healthy for Tasmania. If you go back to the comment made by the chair regarding a lull in the winter, do you look at events like Dark Mofo and think, we should be offering something before that so we can trade on that concept and get people here for the 10 days instead of two nights over? How do you manage that side of it?

Mr DWYER - We have partnered with Dark Mofo before, for marketing campaigns to promote it and using our vessels to come across and spend more time in Tasmania. We keep a close eye on all of the major events in Tasmania 12-18 months out. It has been difficult because so many events have been cancelled. Our sailing schedules are set 12 months out, but they can be modified. We put out what we believe is the right mix of sailings but there are opportunities to add more sailings in, especially day sailings. If there is a need or a want and a partnership we will do that. I remember three years ago, we put a sailing on purely for Targa Tasmania. To facilitate that we put a day sailing on and moved two vessels to do that.

Mr GAFFNEY - A question I forgot to ask with the Geelong move. Initially you heard some comments from people in Tasmania about, how dare they move it; and then more recently people saying thank God they have it out of there so we don't have to go through Melbourne at peak hour or go the wrong way, up the wrong street or that sort of thing. Have you done any marketing on customers' feelings about the Geelong move?

Mr DWYER - We have done research over eight years, about the Geelong move and new vessels as well as port relocation. We have put different concepts out to customers. We have done the A and B testing of customers. We have looked at their feedback. We have talked to the caravan association. We have talked to the motor home association. They have been down to Geelong to have a look. We were supremely confident that, while there is always the initial shock of change, when people sit down and have a think about it this will set TT-Line up for the next 30, 40, 50 years so that we are not landlocked and we are providing a much better service in Geelong for passengers. As an example the Geelong terminal can house 300 vehicles under cover. Once those vehicles get into the Geelong terminal they can get out of their vehicles, which you cannot do now, they can go into a café or a childminding area. They can walk their dog, cat, pheasant, lyrebird. It is a much better facility there for passengers coming in and out of Tasmania.

CHAIR - Will TT-Line operate those cafes and other facilities or will they be contracted out to others?

Mr DWYER - It is actually all under our lease and what we are doing. As part of our commitment to local community, it could very well be run by a charitable organisation in

Geelong. They may run that and actually use that as a bit of fundraising for themselves. We have not finalised that yet, but that is the intent. We would have control over quality and all those things, but would like more of a service opportunity.

Mr FERGUSON - It is a really important question, although some time has now passed, best part of the year, if not a full year - when was that announcement made, well over a year now? When that decision was taken it was one the Government faced some criticism for and a number of individuals were pot-shotting at it, the simple fact is it was a transformational decision not taken likely by Government and the TT-Line board. Definitely the point you have already made of congestion and the lack of facilities at Station Pier has been one that customers of TT-Line have been reporting for a long time. It has come, as you have already pointed out, Mr Gaffney, as a big relief, not just to the passengers and those towing caravans and motor homes, but the freight sector has welcomed this. Noting there is a lead-in time and time for businesses to adapt. By far and away the majority of the feedback we have had has been really positive and very affirming of that decision. Not the least of which, apart from the location, geographically, but it is also the base available there, including the ability to drop-off and pick-up over a 24-hour period, which at the moment the car park at Station Pier would be not much bigger than the one out the front of this building. The facilities are very poor and truckers have had to face the challenge of meeting their very small windows of arrival and take-away and often missing those on the other end. It is a big plus for the business and really set us up for decades to come.

Mr GAFFNEY - Thank you.

CHAIR - On page 23 of your annual report, it gives a break-up of revenue from passengers and freight, 50 per cent of revenue came from freight, which is because of COVID-19 in this particular year. What is the break-up and their respective contributions to the bottom line? This year is an unusual year, but I am just trying to understand what it is on that. This year and normally?

Mr DWYER - Normally it is a pretty rock-solid 60 per cent, 40 per cent split between passengers and freight.

CHAIR - So 60 per cent passengers?

Mr DWYER - 60 per cent passengers and 40 per cent freight. It sat probably for the last 12, 14 years in that range. This year has been extraordinarily different because of not being able to take passengers but maintaining that service, not only for freight but we needed to maintain the service for passengers, essential workers and people needed to get to the mainland for medical treatment.

CHAIR - For some people moving.

Mr DWYER - That is right. That really has not changed in a normal year and that will maintain, even with the new vessels. When we say the new vessels are a 40 per cent increase, it's actually a 40 per cent increase across everything in that. It is not an uplifting freight and no change in passengers from the new vessels.

CHAIR - What was the breakdown for this year, passengers and freight, percentage wise?

PUBLIC

Mr DWYER - Can we come back to you with that.

CHAIR - Was it significantly different? I imagine it was.

Mr DWYER - We lost 85 per cent effectively of our passenger business from day one, but we can come back with that split.

Mr FERGUSON - We should offer to take that on notice, because we actually have our key people at the table. I wonder if we could take the earlier question on notice also and provide them back to the committee.

CHAIR - Which one?

Mr FERGUSON - On the costs of the new vessels.

CHAIR - Oh right, yes, sure, we will do that.

Mr FERGUSON - If you could place them on notice, unlike other Estimates, we have departments sitting, listening, but today we do not. If we can do that.

Mr DWYER - Happy to do that.

CHAIR - By comparison, does a dollar of freight revenue contribute more to the bottom line than a dollar of passenger revenue?

Mr DWYER - Passenger revenue is not related purely to the lane meters. Freight is purely related to lane meters but passenger revenue is lane meters with their vehicle plus what they spend on accommodation, food and beverage.

CHAIR - Is there a comparison? Freight takes up more space, if somebody does not travel with a vehicle, they have not even got their vehicle/

Mr DWYER - Freight is allocated onto the vessel and there is always the similar allocation for passenger vehicles. We are very clear on what the lane meter revenue is between that. It still comes back to that 60 -40 per cent I talked about is not the volume, that is what it is worth to the business, 60-40 per cent.

CHAIR - That is the optimum financial return?

Mr DWYER - Yes.

CHAIR - Right, that is what I was trying to establish. I want to go to another area. Do you know what your gender pay gap is across the business?

Mr FERGUSON - I can possibly take it on notice. It is not available immediately, chair.

CHAIR - The reason I ask is because TasNetworks described theirs and their gender pay gap is extraordinarily low compared to the Australian average, which is great for them. Do you even know what it is? If you do not will you make a commitment to finding out what it is and then monitoring it?

PUBLIC

Mr DWYER - We can certainly make that commitment.

Mr FERGUSON - We will make some further inquiries.

Mr DWYER - We are under an EBA not set by gender.

CHAIR - No, that is not what the gender pay gap is about.

Mr DWYER - I understand.

CHAIR - To the Auditor-General's report, looking at TT-Line. Either you, minister, or someone mentioned it in your opening comments. He notes in that the new vessels have a contract that includes a commitment for a target of \$100 million to be spent on Tasmanian Australian content. I think it was Mr Dwyer who talked about having a procurement officer appointed.

Mr FERGUSON - I mentioned that, yes.

CHAIR - You mentioned that, yes, sorry. A procurement officer appointed to fulfil that role, could you tell me more about what that procurement officer will actually be doing and how the decision is to be made about what is Tasmanian and Australian content and where?

Mr FERGUSON - Bernard, again, is the right person to respond but I will invite him when he is doing so to also outline the steps he and I have taken together with Mr Fleming around engaging with the Tas Maritime Network.

Mr DWYER - We have engaged Simon Fleming. Simon has had 20 years in procurement in maritime in Tasmania. He knows most Tasmanian businesses in the maritime and the next round of businesses around maritime. He has employed or paid by TT-Line, but he is actually the RMC representative in Tasmania. He is right in the middle of that process.

CHAIR - He is not employed by RMC, he is employed by TT-Line.

Mr DWYER - We pay him, but he actually works for RMC in Tasmania. He is RMC's representative in Tasmania we pay for. It is a lot easier across borders and all those things. As soon as Simon was onboard, we put an expression of interest out across all regions of Tasmania. We had over 150 businesses register in that expressions of interest. We then ran forums in each part of the state's south, north and north-west of the state. Simon via video conferencing in meetings like this with suppliers to talk about what the opportunities are for those suppliers.

Simon's role is to really facilitate that. I would not like to count how many companies he has seen in the last two or three months. He is very much on the road working with those companies and really trying to come up with some innovative ideas. For example, if we are dealing with a company in relation to chairs we have talked about with previous contracts, some of those companies may come to Tasmania and have those chairs made for them in Tasmania.

CHAIR - Like an international company.

PUBLIC

Mr DWYER - A national company might actually say, we will make sure the manufacturing happens in Tasmania for those type of things and that is only a very rough example.

CHAIR - In those sorts of examples would that company establish their own warehouse and manufacturing or would they try and find a Tasmanian company that could do that?

Mr DWYER - It was as rough example and we are not even three quarters of the way down the path yet and I would be assuming what they would be doing. It is trying to make sure we find as much Tasmanian content as possible and I have to say Australian content as well because not everything can be manufactured, produced or services in Tasmania.

We talk about the \$100 million is a target, and that's contracted but the bigger prize that most of the suppliers in Tasmania have recognised, is the ongoing maintenance and support of these vessels. They talk normally about four-and-a-half times the cost of a vessel over the next 25 years is what you spend on it.

We've said let's say it's two-and-a-half times, that's \$2 billion in the next 25 years purely to support and maintain the vessel going forward. The prize isn't the build; the prize is making sure that when we get materials for the vessel, when we get the major components of the vessels, that we find Tasmanian businesses that will pick up the OEM support, the engineering and maintenance support, all of the support out of Tasmania. That's the big prize and that's something we're absolutely passionate about - the \$100 million is important but it's the bigger picture that's much more important for businesses in this state.

CHAIR - Can you give the committee an indication as to whether it's the chairs or whether it's the fit-outs of the cabins, what sort of areas are we talking about? Obviously, it's not the hull.

Mr DWYER - It's not the hull. It's the art work, the wood finishes in the vessel.

Mr FERGUSON - Mattresses, soft furnishings.

Mr DWYER - Tables, table-tops. We're talking about some of the electric motors all around the vessel that are required that could potentially be done out of Tasmania. Some of the fabrication could still be done out of Tasmania. There's no defined area, there really isn't. Even making electric cables and the fittings on the cables because it needs to be Australian we'll do it here and set them up.

CHAIR - You need a hull and you need a motor to get it here before you can do anything else to it and I'm sure there's other things like navigation, equipment and all that sort of stuff.

Mr DWYER - And the steering wheel.

CHAIR - Yes and probably some other sort of electronic equipment to make sure you don't hit an iceberg or something on the way. I'm interested in how bare a vessel we're getting.

Mr DWYER - You can't bring out a bare vessel so we take delivery of the vessel in Finland. All of the sea trials, everything has to really be on the vessel to do the sea trials

because it has to be right weight for them to fit into the speed and the efficiencies test that they need to pass for us to accept the vessel.

The majority of everything needs to be on the vessel. Where things may change, mattresses for example, we may say x number of mattresses - there might be 800 mattresses per vessel so 1600 mattresses weigh this amount, put the mattresses on here and make sure you put that weight on the vessel to make sure you've got that in the speed trial.

CHAIR - The same with the chairs. You estimate the weight of the chairs and put that on the vessel.

Mr DWYER - Chairs may be slightly different. You may manufacture them here and we fill a couple of containers and send them over. There's nothing wrong in doing that so they install them there.

Ms LOVELL - In an example where it's part of the fit-out that needs to be installed directly onto the ships, so some of the finishings maybe or something that can't be done like the chairs manufactured here and transported across, whose responsibility would that be to do that in Finland, presuming they'd have to go?

Mr DWYER - The fitting-out in Finland?

Ms LOVELL - Yes, if there's a Tasmanian component that has to be installed in Finland, is that then up to that company to be responsible for getting across and doing that?

Mr DWYER - I would certainly see that there would be workers coming out of Tasmania and going across to do the install because they need to be installed to their specifications and they also have to guarantee that to the ship builder as well for warranty when the ships come out here as well.

Mr FERGUSON - There's an overview response I'd like to offer as well to the committee which I was about to offer earlier but the question now prompts it, which is that RMC are responsible for all of the delivery. As Mr Dwyer has pointed out, it's RMC that's engaged the local procurement manager, Mr Fleming. The obligation sits with RMC to meet that up to \$100 million Australian local content. It's our responsibility to help ensure that information is shared around and that there are access points for local suppliers to make available their product and services.

Directly to your question, Ms Lovell, ultimately it will be RMC's responsibility to take full responsibility for delivering and if that means they are bringing in some Tasmanian or Australian content then it is coming in under their oversight but they have gone out and purchased a Tasmanian input. I wonder if you would agree with way I have outlined that, Mr Dwyer?

CHAIR - How would they report that to you, minister? It is there in the contract but how will they be held to account for that?

Mr FERGUSON - I will definitely again go to the CEO but I was asking him to check the way I had expressed that, that it is correct?

Mr DWYER - That is absolutely correct.

Mr FERGUSON - I would like to be clear about it and I also make the point that it is an enforceable provision within the contract. While the contract itself is commercial-in-confidence, we are able to describe how it will be enforced.

Mr DWYER - The minister is spot on. It is RMC who are building the vessels. We have a fixed-price contract, which I am so glad we have looking at steel prices. We have a fixed price contract for these vessels to be built and it is up to RMC to deliver those vessels for us to take delivery in Rauma and for them to do their sea trials, everything else that is required under the performance of the contract in relation to that. It is up to RMC to hunt down the Tasmanian/Australian content.

We are watching it like a hawk because we are so invested in that aspect of this project as well, but also any component of the ship. For example, there are 15 crucial pieces of componentry that I have to sign off on and for me to sign off on the yard has to give us the full specifications that we take to our naval architects to double-check it as well. As part of that, we make sure we see who is maintaining it in Australia, how is it maintained in Australia, that ongoing tail that I have talked, that huge piece of work, is crucial in all of those decisions about what we put on the vessel as well.

It is up to RMC to deliver it but we are in there making sure that this ship can be supported in Australia because once it comes from the yard it won't go back to Finland to fix something. It has to be fully supported out of Tasmania and the mainland of Australia.

CHAIR - So you can refuse to take delivery of it up until then and refuse to pay final payments until then?

Mr DWYER - In relation to the vessel, it has to pass all of the specifications for sea trials.

CHAIR - Before you pay?

Mr DWYER - Before we do the final payment but also there is a tail to that as well. There is a 12-month warranty period for the vessel as well. This doesn't finish as a project until late 2025 when the last ship has been delivered, 12 months after that we are still very much engaged with that yard to make sure we are getting it.

CHAIR - Is a 12-month warranty a usual sort of warranty you would expect on this?

Mr DWYER - Yes, 12-months from the yard but some of the equipment could have a three, four or five-year warranty. That warranty is then transferred across to us from the yard once the 12-month period has gone.

Ms LOVELL - I would like to go back a step if I may, minister, you mentioned Mr Fleming is the RMC rep in Tasmania but I thought Mr Dwyer said he was paid by TT-Line?

Mr DWYER - Yes.

PUBLIC

Ms LOVELL - Why is that if it is RMC's responsibility to undertake the procurement? What is the relationship there?

Mr DWYER - We wanted to make sure, we made sure it was the right person. That is something we offered, to make sure this works and it is easy then we have a little bit of guidance we can give Simon as well. In the scheme of a \$1 billion it is not a lot but it gives us more control and more insight into what is happening for this local content. That is important to us.

CHAIR - Is Simon a Fin?

Mr DWYER - No, he is Tasmanian.

CHAIR - So he knows the local area.

Mr DWYER - He is starting to learn Finnish.

CHAIR - Good on him. A question from your financials, page 20, I was trying to understand the cashflow statement there. You have an investment list as \$30 million there under financing. I would have thought it would have been under investing so why is it under financing rather than under investing activities? It's on page 20 of the financials. That's why I like hard copy. It's quicker to get there.

Ms SAYERS - We've got cash flows from investments being financing activities.

CHAIR - Yes, the investments would normally be under 'investing activities'.

Ms SAYERS - I'm going to take it on notice, if that's okay.

Mr FERGUSON - Yes.

Ms SAYERS - Only because I believe there has been a change in the legislation as to how you report it; but I want to confirm that before I give you an answer.

CHAIR - Sure.

Mr FERGUSON - We will take that on notice and thank you, Kym.

CHAIR - You may also need to take this one on notice, relating to your financials, minister. [inaudible] was pleased to see that TT-Line has generated \$22 million cash from its operations in spite of all the various challenges we've discussed and that was underpaying tax - income tax equivalents of \$20 million to general government. That's on the same page.

I remember looking at the budget papers and noticing that - I went and checked - that the TT-Line, it's not reported in the budget papers as paying income tax equivalents. I'm wondering if you could check that as well.

Mr FERGUSON - Happy to.

CHAIR - Yes. This may be a problem with the budget papers rather than TT-Line's reporting.

PUBLIC

Ms SAYERS - I can't comment on -

Mr FERGUSON - It's separate to a dividend payment as you, I think, have implied, so that's correct in my understanding also. How the Treasury, presumably in Budget Paper No 1, would present income tax equivalents from GBEs is something I'm happy to take on notice and to ensure that it lines up as you've identified.

CHAIR - Yes. All right.

Mr DWYER - We can't comment on budget matters but can they have a -

Mr FERGUSON - No.

CHAIR - No, no. But you did pay just over \$20 million in income tax equivalents.

Ms SAYERS - This is a cash flow statement that we're talking about. We paid the tax relating to the prior year, the 2019-20 year in the 2020-21 year from a cash flow perspective.

CHAIR - Yes.

Ms SAYERS - I can't comment on the budget papers but that's what that reflects in our financial cash flow.

CHAIR - Yes, I appreciate that.

Dr SEIDEL - Minister, you're reporting the percentages of purchases from Tasmanian businesses and you have done that for many years now, which is great. It is now just around 24 per cent. Do you believe that's pretty much the ceiling we've reached in your industry?

Mr DWYER - Of local content? I believe that will increase, especially with the new vessels and we talk about maintenance, we talk about [inaudible] support, so more of that will be coming out of Tasmania going forward.

Mr FERGUSON - Are you prepared to discuss the fuel arrangements, or is that too early?

Mr DWYER - We're under contract negotiations so I can't talk about fuel at this stage.

Mr FERGUSON - Okay. Yes. But we can say that we're engaged in a range of industry segments and looking to maximising Tasmanian provision.

Mr DWYER - We're absolutely passionate about spending as much as we can in Tasmania and I know the normal chairman, who sends his apologies because he is in America at the moment, and our deputy chairman are passionate. I can't put it any more strongly than that.

Mr FERGUSON - We all are.

Dr SEIDEL - Apart from fuel, are there any other areas you're actively looking at to increase the percentage for buy local products?

PUBLIC

Mr DWYER - Certainly. Maintenance, as I've said. That's on current vessels as well as new vessels. We spend a lot of money on our door maintenance, for example, and ships mechanical beasts and a lot of things happen on them.

For example, nearly 24 months ago now, there was a business that was doing a lot of work for us in Melbourne that fell over. They didn't have enough work to go on. A Tasmanian business bought them out and now most of that is being done out of Devonport rather than out of Melbourne. We're looking at those opportunities all the time.

Dr SEIDEL - You would be looking at long term strategic partnerships with those local businesses?

Mr DWYER - Absolutely.

CHAIR - No other questions, minister. I'm just planning out my questions on notice for you.

Mr FERGUSON - We will do our best to turn those around as quickly as possible.

CHAIR - Yes, we do need them fairly promptly because we have to report before 17 December, as I recall.

Mr FERGUSON - Very good.

Mr DWYER - We will need to get them done quickly because on the 15th we will be too busy.

CHAIR - That's right.

Mr FERGUSON - We will have the answers to you within five working days.

CHAIR - I'll send them through. Thank you, minister, and your team and thank you all for all coming with answers. It is appreciated.

Mr FERGUSON - A pleasure. Thank you.

The committee adjourned at 4.45 p.m.