

PUBLIC

THE LEGISLATIVE COUNCIL GOVERNMENT ADMINISTRATION COMMITTEE A MET AT KING ISLAND COUNCIL CHAMBERS, 10 GEORGE STREET, KING ISLAND ON MONDAY, 7 AUGUST 2017

KING ISLAND SHIPPING AND FREIGHT SERVICE

Mr GREG MORRIS, KING ISLAND TRANSPORT OPERATORS, Mr BOYD HOARE,
Mr GLENN BATEY, Mr RON CRACK AND Mr STEVE FOSI WERE CALLED, MADE
THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Ms Forrest) - Thank you, gentlemen, for attending our public hearings for the King Island Shipping and Freight Service inquiry. All evidence you give before this committee is protected by parliamentary privilege, which does not extend once you leave this hearing. If you speak to the media afterwards, you need to be aware there is no coverage of parliamentary privilege once you are outside the hearing. The information will be public and members of the public can be present to listen. It is all recorded on *Hansard*, which will form part of our committee report. Any public evidence given will be on our website once it is transcribed. If there are matters you wish to discuss in confidence, you can make that request to the committee. The committee will then consider that request, and if granted, only you and the members of the committee will be in the room while you give that evidence, which will remain confidential. I do not know if you have had a chance to read through the information for witnesses, but if you have any questions, please feel free to ask.

We have received only a brief submission from you, but I invite you to speak to it and make any further comments you would like to make. Any other members of your group who might like to make a further comment are free to do so and members will then have questions.

Mr MORRIS - The first reason I put up was the registration charges and that effect on the supply chain. Ever since the abattoirs closed, all the livestock, the meat grading and that, is generally transported on the day the vessel is in port for sale so that it can get to the sorter place in minimum time and with minimal disturbance. When the *Mersey* was running, that was often just a Sunday - it may have been six to seven hours from when the vessel came in and picked up trailers; you may have two or three trailers carted and taken back, but that was your work for the week. The fact that it needed six to seven trucks to do that meant there was not enough work during the week for other options.

Now that we have smaller vessels operating more, you might get two three-hour stints a week. Basically it is just not sufficient for the \$5000 registration charges, which basically cost me \$100 a week to operate sometimes three to six hours. We did put that to the minister when he was over last; he said it was an issue for the Council of Australian Governments. We understand that there is national registrations and whatever, but we feel that even if agricultural exemptions were applied for King Island for this task that will mitigate - not a reduction of 40 per cent but it would help with that component of it because we need maximum number of trucks. If we try to reduce the number of trucks we work, the chances are that the boat is late and then everyone is impaired, the boat leaves late, all those other issues around it. We operate [inaudible] to over-facilitate the job, basically.

PUBLIC

CHAIR - The agricultural exemption gives you like a subsidised or a reduced rate because you are not using that equipment or that registered vehicle full-time; it is just a part-time access to our road network. That is effectively how it works, isn't it?

Mr MORRIS - Yes, 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.

CHAIR - The minister said it was a matter for COAG. Did the minister give any commitment to take it to COAG, and has that happened?

Mr MORRIS - He did verbally, but we have never heard anything back.

CHAIR - When was that commitment made?

Mr MORRIS - That was 16 February.

CHAIR - So it is over a year ago? COAG would have met in that time.

Mr MORRIS - Yes. We have had no response since.

Mr ARMSTRONG - You said the registration fee is your main issue.

Mr MORRIS - Not the main issue, but it is one of the supply chain costs that we do not feel we need to bear.

Mr ARMSTRONG - If you return to a weekly service, would that would fix the problem?

Mr HOARE - No. We still need so many trucks to do a limited amount of cattle per week. The boys drive trucks on a daily basis but it is basically a three-hour turnaround trip to go right up to the top of the island to pick up a load of cattle, return to Grassy and put it on the boat. The new vessel must leave within four hours.

CHAIR - In terms of animal welfare?

Mr MORRIS - No, in terms of turnaround and wharfage costs and so forth. Therefore, we need more trucks on the run just to do that.

When we were filling 17 to 21 trailers on the *Searoad*, we basically had all day, but we could still only use those trucks for one day a week.

PUBLIC

CHAIR - The task is the same, the number of cattle being moved is the same?

Mr HOARE - More but the same, with seasonal variations, yes.

CHAIR - How many of your truck operators would have other uses for their trucks besides carting the cattle and fertiliser?

Mr HOARE - About four truck drivers, isn't it?

Mr MORRIS - [Rickett?] does a little bit for the council. There wouldn't be many. Some do a little bit of cattle moving during the week from farm to farm, but still nothing you could call a commercial return for your vehicle.

CHAIR - There are lot of trucks sitting idle a lot of time basically is what you are saying.

Mr MORRIS - Yes. When it is a quieter period, it may even sit for two months where it does not move at all. There is only enough livestock for one or two operators then. You have to carry the trucks and keep them registered all year for the peak.

CHAIR - This is not necessarily related to freight. We are looking at your rego costs. If an on-island abattoir recommences, what difference would that make to you?

Mr MORRIS - It would reduce the number of trucks required for sure. Those guys would probably be carting for the abattoir as it previously was up to five days a week. That issue would insignificant if that was the case.

CHAIR - That would actually help?

Mr MORRIS - It would mean there would be quite a few surplus trucks on the island, but that would definitely help. This has really been ongoing since the abattoir closed and it is just another burden that the islands have had to carry that we do not feel is necessary.

CHAIR - What you are really asking for is the agricultural exemption?

Mr MORRIS - Yes. It is a 40 per cent reduction in the actual tax.

CHAIR - This is applied to farm use for trucks as well as tractors and farm vehicles of other sorts.

Mr MORRIS - Yes. It is the prime mover component, which is the high one. The trailers generally belong to the other company - Page or Hodge or whatever. We are purely carting and towing their equipment for them at this end. We are providing a service, a truck and a driver basically, as required and no contract there.

CHAIR - Do you want to go on to the other points you wanted to raise?

Mr MORRIS - The other point relates to the drivers and their businesses. It is to do with the total weather dependence of the two vessels we had. Whilst the *Mersey* was on a Sunday, people

PUBLIC

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 it is just difficult and frustrating.

CHAIR - If a new vessel more suitable to the conditions was on the run, that would probably disappear again as it was with the *Searoad Mersey*?

Mr MORRIS - If it could maintain a schedule. If it was scheduled to come in on a Tuesday at 7 o'clock and it came in on a Tuesday at 7 o'clock, three weeks in a row would be a blessing, but it has never happened yet. 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.

So they say they are leaving Devonport at 7 o'clock; they don't say they will be arriving at King Island at a certain time. It is up to the transport guy here to ring the skipper and get some indication, and then he has to ring the farmer.

Mr HOARE - We all try to organise getting everyone scheduled in for a sailing, whether it is Ron or myself. Naturally we ring the farmers - 'Len will be at your place at 10 o'clock to pick up those cattle. Boat is supposed to be 9, trailers off by 10.'

If one of these vessels hits tide or wind constraints, that could put that boat back two to three hours. We have phones these days so we can do it. If the boat is an hour late, most of these boys are already down there waiting for their trailer. They are sitting there idle. The more idle time they have to endure, the cost is going to go up one day. At the moment we are pretty fortunate with that.

CHAIR - What is the cost associated with their time?

Mr HOARE - Their downtime? Yes, boat at 10, doesn't get in until 11 - that doesn't give them anything else to do for the rest of the day or anything else they have organised. It is a big constraint.

Mr CRACK - Also, while the boats are coming in later in the afternoon, the trailers might not come off the boat until between 4 and 5. Those truckies have to get out and put cattle in those trailers in the dark. That is a workplace safety issue.

CHAIR - When they drop them off and collect another ones?

Mr CRACK - No, they have to put them on the trailers in the dark and get them back down to the wharf so that boat can sail. Some of the truckies are doing it in the dark, which is not a safe practice.

PUBLIC

CHAIR - I would not imagine the stockyards are lit?

Mr CRACK - They are partly lit.

Mr HOARE - What we all try to do is pick up directly from the farm.

Mr CRACK - For MSA reasons -

Mr HOARE - Any vessel, whether it is the *Statesman* or the *Investigator* - bring the required trailers over; they are unloaded. They are taken on the farm - one, two or three stops maybe - filled and taken back to the boat.

CHAIR - The stockyards are on the farms where they are loaded on - they would not be lit?

Mr HOARE - No.

Mr CRACK - It does not matter if they were lit. Inside the trailers is dark. People cannot see. Dark and black cattle -

CHAIR - Most of them are black cattle, aren't they?

Mr HOARE - If we are going in the afternoon, we like the boat in at 2 and everyone is back at the wharf by 6 or 5, but with the timing of the tides and things like that, sometimes we get waylaid.

Mr MORRIS - The other issue is because both vessels are dependent on the weather and the tide, they are both fighting over the good days. If there is only one good weather day, they are both trying to do it on the same day. You have one vessel coming in and dropping trailers; it's got to go out and wait offshore while the other comes in and drops trailers. We have drivers trying to cast off the both vessels, and twice now the vessel has not left until 10.30. It is a huge mess.

CHAIR - Both vessels - you are talking about the *Investigator* and Les Dick's ship?

Mr MORRIS - Yes.

Mr FARRELL - So I have it clear how the whole system works, you were saying you take the prime mover down and the trailers were owned by Pages or Hodge or whoever else. They are paid for the transport on the Tasmanian side, and you are paid for the transportation on the King Island side?

Mr CRACK - No, it is one cost. The farmer pays one cost.

Mr FARRELL - Is that done through Pages or direct through you?

Mr CRACK - Through the meatworks, unless the animals go out as stud animals or feeder cattle and either Hodge or Pages would send one bill.

Mr HOARE - Whoever pays for the freight claims the rebate from the Tasmania Freight Equalization Scheme. Both works pay the freight, they pay either a Page or a Hodge or Ben's got

PUBLIC

a couple of trailers. We have an off-island, off-farm to abattoirs rate. Pages is paying you fellows on the island to pull their trailers and so is Hodgie and when it gets back to Tassie, they have their own drivers.

Mr CRACK - It is just one cost to the farmer.

Mr GAFFNEY - With the previous service - the one before the current one - you wouldn't have had those same problems with the ship getting in on time. Was it more regular?

Mr HOARE - It was always tied up, plus it left on the Saturday, you knew whether it was going to take livestock, bring livestock or take livestock. I do not think it ever missed livestock once.

Mr CRACK - It came out a couple of times it missed, but not very often.

CHAIR - Any other questions on that?

Mr MORRIS - We have some other issues, but we feel we would rather raise those in camera if possible.

CHAIR - Can you explain for the necessity for the in camera request? Is it commercially sensitive or is it confidential information you have?

Mr MORRIS - We believe it is community sensitive.

CHAIR - Is there anything else you want to discuss before we go into the next part?

Mr MORRIS - No, I do not think so. Anything else I think we can pick up on the shipping group component of it. Any other issues regarding the livestock part, I can pick up the shipping group in the open session.

CHAIR - If you want to step out for a minute and we will discuss this. If you think there are other things at the end when you come back in, we can always go back into open session if necessary.

Mr HOARE - We will probably want more detail of what our dealings are with Tasports on a day-to-day-basis. We feel a bit hard with Tasports - I mean, these boys have got to work -

Mr MORRIS - We have to go back to work with them tomorrow.

Mr HOARE - It is not a real nitpick, but there are a few things we would like on record.

CHAIR - If you would like to step out for a moment, we will have a brief deliberation with the committee members and then we will invite you back in.

Evidence taken in camera.

CHAIR - We had better leave it at that as we are a little over time. We will go out of in camera. Thank you for your submission and giving us that evidence. Your in camera evidence

PUBLIC

will remain in camera. As I said, if we feel parts of it may be useful for the report, or if we need further clarification of those matters, we will be in touch but it will remain confidential.

Mr MORRIS - If there is anything, could you put it to me as chair of the Shipping Group because I can wear it and I will pass it on.

CHAIR - If there is anything you want to pass on to the committee, send it via Greg and he can send it to Natasha.

Mr GAFFNEY - If there is any further information from your case that you thought would be helpful for us to hear, that would be great and that would be in confidence.

CHAIR - Unless you say otherwise. I think Greg is staying with us. Do you have other people joining you for the Shipping Group or are you it?

Mr MORRIS - Yes, and a bit of the chamber of commerce thrown in as well, I'm afraid.

CHAIR - A man of many hats. Thank you very much.

THE WITNESSES WITHDREW.

PUBLIC

Ms ROSEMARY HALLETT AND Mr COREY ROBBINS, KING ISLAND SHIPPING GROUP, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Ms Forrest) - Thank you to those staying at the table. I welcome the new people at the table to our hearing.

For those new people at the table, this is a public hearing. It is being recorded by Hansard, and members of the public are free to come and go as they wish during this part of the hearing. Everything you say is covered by parliamentary privilege while you're giving evidence to the committee. If you speak to the media afterwards, that is not covered by parliamentary privilege. You just need to keep that in mind. You do not have that protection. The Hansard transcript will be made public once we've actually checked it. If you want to give evidence in confidence or in camera, you can make that request and the committee will consider it.

I apologise for the slightly late start but that is because of Greg.

Laughter.

CHAIR - We have your submission and we probably will want to drill down into a number of things. We invite you to speak to your submission and then others can make comments.

Mr MORRIS - Can I speak first about the chamber of commerce? We did not get a slot for that. I want to include a little bit because Rose is on the chamber as well.

CHAIR - Okay.

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 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.

CHAIR - Can you explain what has attributed to that extra cost? TasPorts has said in its submission that it has not increased any charges.

PUBLIC

Ms HALLETT - Right. 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.

CHAIR - R&D stands for?

Ms HALLETT - 'Receivable and despatch', to load and unload trucks. On those days, you cannot take anything off the wharf so you are sending trucks from Currie down with stuff the day before the ship, coming back empty, going back down, so it is all added cost to the businesses.

Mr MORRIS - Dry runs they call it. No-one wins.

Ms HALLETT - 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.

CHAIR - Where do you go?

Ms HALLETT - I fly a lot in. You try to save costs. 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.

CHAIR - In that regard, would it be better to have what they call a butterfly service, where it goes Melbourne, King Island, Tasmania - Devonport - back to King Island, Melbourne - that route? It was a triangular route. It did not call into King Island both ways.

Mr MORRIS - 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.

CHAIR - The time is not an issue for perishables, Rosemary?

Ms HALLETT - That is another reason I stopped getting them out of Victoria. It is more days in a container. This time of the year it is not so bad, but it is in the middle of summer.

CHAIR - It is like a fridge out there at the moment, isn't it?

Mr MORRIS - Also, the chamber's concern, as with everyone, is that we have been given this promise of holding the price during this interim period. That interim period was initially for six months, until we found a second vessel. Now it is for the initial six months. We do not know if the *Investigator* is going to be ongoing after that period or if the next interim vessel will still be

PUBLIC

covered by the existing prices. Is the Government going to support it ongoing until an appropriate vessel is found? We do not know how long will be and we do not know what the price rises are likely to be at the end of that period. We believe at the moment the service is costing about double what they are charging, so we are wondering how they will make the two things meet.

CHAIR - From the chamber's point of view, Rosemary, is there anything else you want to say?

Ms HALLETT - No, that is fine, thank you.

Mr MORRIS - No, not from what we put in our little submission.

CHAIR - The shipping group? Do you want to speak to it, Greg?

Mr MORRIS - Yes. I have read all the other reports. Reading what TasPorts, the Government, the minister and the Maritime Union of Australia put in, I realise we have a bigger hurdle than I thought.

I will go to where I believe it went wrong. 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.' The failure of our expressions of interest in going to market was not a reflection of the work we had done and the components we had. It was the fact SeaRoad used that opportunity to flush out any potential competitors. You will note from the second round that none of the people who put in submissions the first time around were at all interested the second time around.

I think that reflects the fact that the first time we were able to look at the expressions of interest they took to market was in this report a couple of days ago. It is also the first time we have had the opportunity to look at the Thompson Clarke report, which has never been made available to the shipping group.

CHAIR - You have never seen it?

Mr MORRIS - No. That was purely based around the assessment of what we intended as a service. They did a report. The only thing we knew about them doing the report was that we asked them to do a report on our behalf and they said they couldn't because it would be a conflict of interest because they were already working for the government.

CHAIR - You asked Thompson's to do it?

Mr MORRIS - We asked Thompson Clarke. They were put up as an option for us to do one; we got Lachlan Nisbet to do it. They were put up as an option, but they informed us - and we could not understand why - they were already doing one for the government and it would be a conflict of interest to do one for us. That was disturbing because we never had an opportunity to respond to that.

PUBLIC

Two things out of that were: first, they said a 50-metre vessel between Devonport and King Island was adequate for the weather conditions - that is, they were saying it is not as rough as going across Bass Strait. We had no opportunity to challenge that. What did they do? That is what they got - a 50-metre vessel between Devonport and King Island, not acknowledging the weather dependency of it.

CHAIR - Returning to the Thompson Clarke report then, which was provided with the government's submission - and I am glad you have been able to see and read it - that refers to lot of information about the proposals put forward by the King Island Shipping Group. You did not actually make a submission to them, they just took the work you had done previously?

Mr MORRIS - No, they had only used the document we had already put together. We were not actually asked to submit. We could not respond or clarify any of those points. We have talked about community involvement. We were saying whether we just manage the freight task or we subcontract with another provider, but that went on to say that we are idiots who do not know anything about shipping because we are only King Islanders.

CHAIR - It talks about the different options you put forward, the King Island Shipping Group recommendations. These were -

Mr MORRIS - These were never brought back to the shipping group. Whether someone at council ever saw them, I do not know, but we were never privy to those, and that is disturbing.

CHAIR - I know this is an extra task of work for you, but now that you have had a chance to look at it, are you in a position to respond to that Thompson Clarke report?

Mr MORRIS - The shipping group would love to respond to that, but the problem is that so many of the decisions have been made based on that report.

CHAIR - Yes, I understand what you are saying.

Mr MORRIS - Also, the time frame. Some of the things we agree with - the time frame on getting a suitable vessel was identified in that report has not been possible within the time frame that Port and Coastal had and were trying to keep with. I will stick with the main points and go from there.

Second, we had an issue with access to ports in Tasmania. TasPorts' response was that, yes, we could get a vessel so long into Burnie and Devonport. What Port and Coastal needed, what an operator needs that comes out of King Island, is somewhere they can lay over. It's all right to say that we can share a berth with Toll - that is, we can go in there and they will give us two hours to load in, pull aside, come back, load and be ready to go - but there is nowhere to park. Port and Coastal was told it could go to Burnie but it would have to park at Bell Bay, so it was looking at 16 hours sailing every time to use the depot at Burnie.

CHAIR - It couldn't moor offshore there?

Mr MORRIS - No, you can't. You have to be fully crewed; you can't lay down. You have to be fully crewed and then you have those other issues. You cannot actually park anywhere.

PUBLIC

It was the same at Devonport. Les Dick has been saying for years that you have nowhere at Devonport where such small vessels can operate. They get their own small vessel in and they find they cannot even take a car on or off it; they have to lift everything on or off with a crane at \$50 000 a week.

They had no facilities in Tasmania to suit the vessel they were trying to get King Island to take on. We understand that they could not afford the infrastructure on King Island, but they should have had comparable infrastructure in Tasmania, ready to go, which was not under lease to Toll or SeaRoad. We were always told we had a collective freight task we could take to market. When it came to taking it to market, there was nowhere to take it. You had three providers that were there and no facilities to use; we had nothing to sell basically because the ports in Tasmania were tied up under contracts. The vessels had to bow down to SeaRoad to get access to their facilities, and that was the end of that. Under the quest, they were told they had to have a smooth transition of service with SeaRoad, so that means you have to go to SeaRoad and beg to work together before you were even accepted in your supply. Also, you had to be able to pick up and look after Flinders Island as well in case Flinders Island became an embarrassment to the minister as well, again.

Everyone says Port and Coastal fell over on the money; it fell over because of bully tactics of SeaRoad Shipping which said, 'You will work with us or we will keep the *Mersey* going until you go broke.' They said that. Second, there was no endeavour made to reduce infrastructure and port costs on King Island and there was no facility provided for them in Tasmania. So you add the three together and it could never work - the service was bound to fail from the start. That is to say, with short notice, it was set up to fail; they just did not have a hope. Anyway, I have said enough.

CHAIR - Does anyone else on the table want to speak before we start questions? Corey, do you want to say anything? Boyd?

Mr HOAVE - No, I think Greg has pretty well covered most of it.

CHAIR - Any questions?

Mr ARMSTRONG - I noticed that you are not a committee of council now; why is that?

Mr MORRIS - When the process went to market the second time, the government knew our position basically. We were standing firm on access to Victoria. We had gone through the needs of the community and went through all the producers, the suppliers and what service does King Island need. They said they needed access to Victoria. I believe the minister has said several times now he was only interested in a Tasmanian service. I think he felt he could get the council on side, move the council through with him, go to market with a Tasmanian side only and get it across the line and we have a solution for King Island. He knew that the shipping group would never accept a Tasmania-only service so he pushed us aside because he knew that we were not going to wear what he was offering.

Mr ARMSTRONG - No, the council I am talking about - why did you leave the council? You said the minister told the council - sorry?

Mr MORRIS - I am bit deaf, sorry.

PUBLIC

Mr ARMSTRONG - You are not a committee of this council now?

Mr MORRIS - No, we are no longer because we got to the stage we were not allowed to ask questions without going through council. When the mayor and the general manager were off the island for five or six weeks during January when all this is falling apart, we were told that we were not allowed to make presentations or request information from the government or TasPorts or anything at all; we were not allowed to ask for information. We felt, from that stage, there was no point being a subcommittee of council if we were not able to deal with the issues at hand.

Mr ARMSTRONG - You said you did some work on trying to get some shipping operators when the *Mersey* was - who did you get? Did you talk to anybody?

Mr MORRIS - Yes, we had short-listed - I think - five or six initially. Toll were one of them. They even gave us the design of a purpose-built vessel they were prepared to look at.

Mr ARMSTRONG - Can you tell us who they were?

Mr MORRIS - Toll was one; the other one was - I could not tell you; I have some information at home still. After that, Port and Coastal came to us two years later. We were working with Port and Coastal on a service for King Island 12 months before the minister took it to market, but he steered them into a position where he would give them the King Island run as long as they were prepared to pick up Flinders Island as well. I have a copy of their submission, which included getting his impediments away out of Flinders as well.

CHAIR - Would that be a regular run to Flinders Island or just a backup for Flinders Island?

Mr MORRIS - No, that was to push out the existing operators.

CHAIR - That is a tidal port there; they could get into that all right?

Mr MORRIS - Yes, they were prepared to put in multiple vessels to pick up a different -

CHAIR - I see, right.

Mr MORRIS - Not the same vessel, but they were going to look at - part of reason the government might have said, 'We will let you have a look at King Island as long as you sort Flinders at the same time.'

CHAIR - It would be helpful to see that submission if you are happy to provide it to the committee.

Mr MORRIS - I will check with Port and Coastal first.

CHAIR - That would be great, thank you.

Mr ARMSTRONG - Is it still your position that the cattle should be shipped to Victoria?

PUBLIC

Mr MORRIS - Market forces need to be able to apply. That was the problem when the minister came to us and said 'This is our preferred provider', which is Port and Coastal Marine Services. We as a shipping group endorsed Port and Coastal because they offered transparency and a certain set margin, and they offered transparency within the system to us, which is something we had never seen.

We were quite enthusiastic about Port and Coastal, but we could not accept the service the minister also announced with it, which was basically two scheduled services to Tasmania and basically it really did not open the door much at all for Victoria.

We felt that there should not be any impediments on Port and Coastal. If the market demands they went to South Australia or Sydney, they should be able to. We felt that if Port and Coastal were going to be the provider, there should not be any restrictions placed on it by the Government on how it should operate and where it should go.

Mr ARMSTRONG - I asked that because I read that you produce 20 per cent of Tasmania's beef. With the two abattoirs at Smithton and Devonport, if you took that out of Tasmania, it is taking Tasmanian jobs away and could be a downturn of Tasmania's meat industry in a lot of ways.

Mr MORRIS - Yes. There is a problem there. 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 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.

CHAIR - The other point is that some stud cattle are sent to Victoria too. There are bulls.

Mr HOARE - Yes, bulls and stuff. 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.

CHAIR - So an on-island abattoir would change some of that.

PUBLIC

Mr HOARE - If they handled those bigger types of animals, but these are purposely set up abattoirs on the mainland that handle the hot-bone set up for handling larger bulls.

CHAIR - If there were an on-island abattoir, that would alter the freight task as well. I am sure Greenham's would still buy cattle from here and JBS probably too. You would have more processed meat leaving the island either way. Mainland Tasmania has markets in Victoria for it meat as I am sure that King Island meat would.

Mr HOARE - Most of it is mainland anyway, for sure.

CHAIR - You talked about the Port and Coastal restriction. Can you explain the restriction on them where if they provided the service, they could only be King Island-Tasmania mainland - Flinders Island-Tasmania mainland?

Mr MORRIS - No. Flinders at the moment. That was the original proposal. When they put it to market a second time - a lot of it may not be written, but spoke a fair bit about the government support for it, but the more we pushed for the Victorian leg, the money support disappeared. The money seemed to be there, purely from the government only lending its support to the access to Tassie. Once you opened up that access to Victoria, the support disappeared.

CHAIR - The support even for the Tasmania leg?

Mr MORRIS - From the government to the proponents. The SeaRoad part of it is fairly involved. Basically, when the joint party was set up, time ran out for Port and Coastal because of the delays and loss of the commitment from Greenham's to source their cattle or put their cattle through Port and Coastal. Their time ran out. Because of where SeaRoad was at - they were still at the position of 'We do not have to leave, we can keep running our vessel until you break' - SeaRoad had already indicated to the Government it would continue to service King Island but with a 30 per cent increase in freight rates. The problem is that when the joint entity was formed and we initially had a meeting here with Port and Coastal, the proprietors of Port and Coastal said, 'We do not think SeaRoad will be there, it will be just us', SeaRoad came to the meeting with four people and from that meeting it was understood SeaRoad won the show.

Three weeks into that partnership, Port and Coastal were still working on their vessel coming out of America. Three weeks later they still had not had a price to from SeaRoad, its subsidiary, on loading and unloading the vessel once it was in Australia. What looked like happening - and SeaRoad also indicated this to them - is that the service to King Island would be at plus 30 per cent as they had indicated to the Government previously. Under the joint entity we were still going to get a 30 per cent increase in freight rates. They thought in good faith they could not proceed as they were not giving us what they promised - equity and transparency - and they had seen the freight rate we were getting.

Basically once they had the vessel here, SeaRoad would have screwed them at both ends until they went broke and the vessel would have been suitable for nowhere else in Australia. SeaRoad would have bought it for nix and continued on at a 30 per cent increase in freight rates. The fact that it fell over had a little bit to do with the bank, but I challenged Alan Garcia on the phone. I said 'Was it just money?' - because we had no opportunity to support them moneywise - 'Was it just money - we could have found money'. He said 'No, it was more than money.'

PUBLIC

I have a lot of stuff I could say. It needs to be out there. It is the stuff we have been hearing from the government and TasPorts. It is not cricket.

CHAIR - Do you have any of this information?

Mr MORRIS - I have quite a few emails. Something else that has disappointed us is that as a community we put up the option of a cooperative-type entity a couple of times. When that fell over, I approached several major landowners on the island who were prepared to come together and form a cooperative. That cooperative was not to make money out of shipping, but to protect their existing investments on the island. They were big players. I put that to the minister at the time, Mr Rockliff - at that stage my relationship with our other minister was not brilliant - and Mr Alan Garcia, and we had no response. I believe the response was what he said in *Hansard* several weeks later, that he was concerned if the community ran the service, his intent of getting all the livestock to Tasmania was at risk. He was more concerned about jobs in Tasmania than generally about King Island's future. I believe he did not want us to take it into our own hands, and the reason he has ignored the shipping group is because we would get the service we need, not the service he wanted to give us.

CHAIR - Isn't there opportunity for jobs growth in Tasmania on King Island?

Mr ROBBINS - Yes.

Mr ARMSTRONG - Greenham's Abattoir is about the number two abattoir customer on the island. When Port and Coastal Marine Business was put up for shipping, you could not get Greenham's support for it?

Mr MORRIS - It did initially, but they were a bit more politically astute than Port and Coastal.

They could see Port and Coastal could not really do it without the full support of SeaRoad and they realised that if at any stage SeaRoad hiccupped or fell out of favour, Les might have had to pull or sell or move on - there was no second go at it. You might as well sign up to a cloud in the sky because the vessel had not been procured and it had not been proven that it was totally weather capable. That was the argument the shipping group had - we believed the vessel had to come, it had to do a good job, it had to be able to safely operate an all-weather schedule efficiently out of King Island to Devonport, then you could to Greenham's and its customers and say, 'Look, this is a vessel that is going to meet all our needs regarding containers, fertiliser, groceries, all the rest. This is where the future of King Island is.' Then you could go back to Greenham's and say, 'If your customers support this, we can do it cheaper.'

Mr ARMSTRONG - So the other producers were going to come on board first?

Mr MORRIS - Yes, to ask them to push aside the existing operator, backed them up, done the right thing by them, providing the cheaper service than SeaRoad. You have to remember SeaRoad could not supply their needs. SeaRoad never altered their schedule or carted the stock they needed.

Mr ARMSTRONG - You wanted the other businesses to get it virtually up and running and then, if it was working, Greenham's would come on board?

PUBLIC

Mr MORRIS - I believed their customers would because the customers may get the cattle through Les \$10 cheaper, but it is going to cost them \$200 or \$400 extra per container of super if they did that. They would realise that to keep the community working, to get regular service, motor vehicles on and off, the only way to do it would be to support an efficient and transparent service, not what we have now.

Mr ARMSTRONG - If a Melbourne to Grassy shipping service was proposed and offering, would that alleviate a lot of your concerns at the moment?

Mr MORRIS - Yes, it still has to be sustainable. We acknowledge the small freight task, we know that things have changed since we last took it to market. We believe there are some opportunities for some tourism-type operations, which means more vehicles and caravans; perhaps there are some opportunities for a new type of vessel. The problem, as far as the shipping group is concerned, is that we have offered to work with TasPorts in regard to the selection of a vessel and whatever, but that has been not only ignored but refused. We also offered to have a working group on the island to help overcome the initial settling-in processes.

That was accepted but ignored. One of the shipping group's PR officers got in touch with me and wanted the core of the contact with all our members, wanted to come to the island and meet with them. I said, 'Wouldn't it be good to meet with the shipping group?' They said, 'No, we may do that later.' All they wanted was our contacts; they were not prepared to meet with the shipping group - they were only prepared to meet with every operator individually but not the group. There has been a definite push from somewhere to exclude us from the process; it has come from the minister's office and a bit from council, but I think that was in their ignorance. We have been working on this for 10 or 15 years. To push us aside at that stage was ridiculous and we are paying for it - the community is paying for it, not them. No-one else in Tassie is paying for it, only us.

Mr ARMSTRONG - Is the shipping group still pursuing its own shipping service to the island?

Mr MORRIS - Yes, 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 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.

CHAIR - Do you still have some of your backers on board? You talked about having your backers previously, with some of your major producers on the island. Are they still backing you on this?

PUBLIC

Mr MORRIS - I believe so. We recently needed some cash to send someone across to a co-operative conference in Adelaide to understand this process. We put out requests for pledges for \$500 from some producers and got six or eight of those, which is all we needed to cover those costs. We felt that until we incorporated the co-op and people understood whether that \$500 goes toward a share or whatever, we have left support at that. Word-of-mouth, there seemed to be good support for that, yes.

CHAIR - You have not established a formal co-op yet?

Mr MORRIS - No, part of it is, through that process, the program will fund all those costs involved if we are accepted in the second round. We have not actually decided whether we will go under Victorian legislation or Tasmanian legislation at this stage because apparently it is an option.

Mr ROBBINS - 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.

CHAIR - We are a bit over time. Rob, do you have more questions?

Mr ARMSTRONG - If a commercial operator came on board, do you reckon there would be lower or higher freight costs?

Mr MORRIS - I hate to say it, but a lot has to do with the behaviour of TasPorts, to be honest - and how they structure their port charges down here and how they operate their ports and the access into Tasmania. We know Victoria is a different kettle of fish. We do not feel we can go with the big operators there. To get a slot into Melbourne may be difficult; we think perhaps Hastings and seasonally into Geelong, where the fertiliser comes from, and, depending on whether there is livestock going north, maybe Welshpool. Flexibility needs to be built into the service and that would be a smaller operator or, if it is a triangle of service, it would need to pick up freight out of Tasmania to make that work, and that is still seasonal. I think some big players in Tassie may support us by allocating so many containers as a contribution, if the freight rate is reasonable. I do not think we can match the newer vessels, which is part of the problem. That is why the *Mersey I* is no longer there because it can no longer be competitive on the strait. If we are looking at a smaller vessel, it will not be able to match the freight rates but if it can break even in the relocation costs, as long as it gets to Melbourne and it is not losing money on that leg, it can then still operate as a triangle. It does not need to make money on the north-south leg, it just needs to be able to reposition itself at limited cost.

Mr ARMSTRONG - If it was losing money, would you expect the Tasmanian government to subsidise it?

PUBLIC

Mr MORRIS - We would; that would be a damn sight cheaper than what they are doing now.

Mr ARMSTRONG - Would you expect it?

Mr MORRIS - Well, we would not envisage it; that is the last resort.

Mr ROBBINS - We would expect to be able to make some savings by the shipping group managing its own freight. We would have savings in empty container movements because the shipping group would be managing its own freight. We would not be worrying about the personal interests of some smaller companies. Empty container movements going either way would be reduced because we would be looking at maximising all the containers being moved north or south. In any trailer movement, the group would be looking at maximising every space they have. We would be looking at reducing costs.

Mr MORRIS - There is no incentive and that is the bottom of our SeaRoad service. Because of the way the loadings are on the vessel, they need empty containers to make it work. They can only put two heavy containers on each cassette. To fill their vessel they needed empty boxes, so they were always bringing in boxes and waiting for empties to go out because it maximised their return. There is no incentive to reduce the number of empties and any opportunity to reduce the number of empties by the community were thwarted by SeaRoad. There was never an option there.

CHAIR - Any closing comments from you?

Mr MORRIS - I apologise for doing all the talking and not giving you much space.

CHAIR - Thank you for that, and I appreciate you could provide some of the other information and communication we have had with various parties. Now that you've had a chance to look at the Thompson Clarke report, if you have an opportunity to respond to it, that would be helpful.

Mr MORRIS - The King Island Shipping Group needs to get together and look at that. The shipping group is still operating under the entity of King Island Regional Development Organisation; we are still meeting but have been snowed under. We have spent a lot of time on this submission to Canberra et cetera, and we are running on a shoestring.

CHAIR - We understand and appreciate your contribution and the workload it puts on you. Thank you.

THE WITNESSES WITHDREW.

PUBLIC

Mr DAVID KERR WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - I will explain to you how this works. The evidence you give is all recorded by Hansard. It is part of the public process and will be transcribed and put on our website at a later time. Everything you say is protected by parliamentary privilege. If you speak to the media outside the hearing, you do not have that protection; it is only while you are giving evidence to the committee.

If there are matters you think should be raised in confidence or in camera, you can make that request and the committee will consider it, otherwise it will be all public information. I assume you were given the information for witnesses and have had a chance to read that. Was sent to you?

Mr KERR - No, I never received it.

CHAIR - There is a copy of it here if you want to read it. It tells you some of the things I just mentioned anyway.

Mr KERR - Thank you, Madam Chair and members of the Legislative Council committee. I am here today basically to support the concept floated by Incat several years ago and promoted by Senator Lambie last year. It was not given a lot of credence and was regarded as a blue sky-type of proposal. I am here to revisit that concept and give supporting evidence of some calibre that might give that submission more credence.

I have been a resident of King Island for about 25 years. My financial interests are based on tourism and I am the proprietor of one of the local motels.

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. The control SeaRoad has had over this island for many years has given no reliability and no guarantee of supply.

The catalyst for us came back in 2010-11, when we made our first submission and employed a maritime consultant. That was when SeaRoad made it clear they were not going to give a regular supply under any agreement. It was purely at their discretion. We, as an island, have been basically at their control for a long time and they have pretty much a monopoly situation.

Personally, I had some concerns with SeaRoad as president of the Tourist Association back in the 1989-90 era when Jim Bacon was premier. At the time, we initiated a partnership agreement with a film company off island to promote the destination. That was achieved without any funding from the state government and, on the basis of a partnership agreement we struck, became self-funding.

When we tried to get that promoted by the TT-Line, TT-Line would not cooperate and have it on their boats to Melbourne. I may have said SeaRoad then; I was getting a bit wound up against TT-Line with their lack of cooperation at the time. We found that very disappointing as a tourist association, and we were on our own.

PUBLIC

That continued on. It is still there today in disk form as an example of what you can do as a small community that is self-funding and not relying on handouts from government all the time. I am coming from this background of self-funding and being independent, which is what lots of islands are. Too many people have the attitude of just expecting handouts all the time, which is not a long-term solution.

Another of our incentives was looking at the independence of the port authority on the Chatham Islands, east of New Zealand. We had the opportunity to go to a small island conference on Lord Howe Island some years ago and met the Chatham Islands representatives there. They provided some incentive to us by demonstrating they control their own shipping and electricity. It was community owned and financed. Being part of New Zealand, there were some similarities in the sense that they are a long way off the coast like we are with mainland Tasmania.

Back in 2011, we employed Allan Tom, a maritime consultant, who looked at the situation then and came up with a concept the shipping group would support; namely, that the island needs to control its own destiny and not be subject to off-island control.

I think I sent you that particular report, but it was out of time so I don't know whether it is part of the evidence.

CHAIR - Yes, it came in.

Mr KERR - So you have both; good. Did you get the Incat one as well?

CHAIR - Are there two different ones?

Mr KERR - Yes. I sent the Incat one before the cut-off date, but the other was sent after that.

CHAIR - We receive them both. I am not sure if we have a copy here. We will make sure all committee members have a copy of both.

Mr KERR - I became aware of the Incat concept and was quite excited to see that it included King Island as part of that concept, based on a fast daily ferry service between Burnie and Victoria, which was predicted to reduce the time factor and also lower the costs. Incat are obviously promoting their own product. I appreciate as a parliamentary committee you have to look at things objectively and independently, not favour one company but, to me, it is a good model to consider, given that it would employ Tasmanians and provide a service that would be fantastic from a tourism point of view. The TT-Line cannot come here at the moment even if it wanted to because its boats are too big and the harbour is too small and we are told it is silting up. Whereas the Incat-type boat is being sold all over the world and would have no problem using the existing Currie harbour, so there would be no demands to improve the harbour, except for loading facilities, which would have to be tailor-made for any boat like that.

CHAIR - So Currie rather than Grassy?

Mr KERR - Sorry, I meant Grassy. It is like the other boats now. They can turn in their own length, so a boat of 90 or 100 metres is quite within their capability and they have already

PUBLIC

been built to that size. In talking to Incat, I had extensive discussions with Richard Lowrie. I understand he is a senior executive in Hobart; he has been quite cooperative and supportive over the years. We have had our ups and downs in terms of enthusiasm towards the concept. He has indicated Incat would be quite happy to have freight-only services. It doesn't have to be based on passengers at the same time. If there were a problem with cattle that might be offensive to some passengers, they could certainly do that.

The proposed trip was going to be daily to Burnie and to King Island initially twice a week - that was the concept. King Island to a certain extent would ride on the back of the economy of scale developed through Burnie with its high volume of freight and passengers. I believe there is certainly something there worth looking at. In terms of looking at it in more detail, I have been encouraged by conversations I have had with the CEO of the maritime college in Launceston, Dean Cook, who said the AMC would be quite interested in doing a feasibility and logistical study for the Incat concept, and that they had in-house staff very capable of doing the vast majority of that study to a high independent calibre. He said that where they didn't have in-house staff, they would sub that out to free enterprise. He mentioned one particular new professor from Greece with a maritime background who he said would be ideal to lead this type of independent investigation by the AMC.

Getting back to what I said originally about putting your money where your mouth is, I have sounded out a couple of people on King Island with commercial interests in tourism who have asked to be kept advised. If a fund were required as suggested by Senator Lambie last year - a figure of \$150 000 was mentioned for the study - if that were verified by the AMC as a fair figure, I am sure we would find people on King Island prepared to contribute to that study. Our motel for one would certainly be happy to start that off with a few bob in the contribution.

I think that from an equity point of view, it would be reasonable to expect a contribution from the City of Burnie. We have a good liaison there through our former CEO who is now the CEO of Burnie City Council, so we have a foundation to build. Anything like that would obviously be of high value to Burnie and good for Tasmania as a whole.

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.

CHAIR - Thanks, David, I really appreciate your thoughts on that. Obviously this will have quite a lead time if AMC were to do some work on it. We know a catamaran going from George Town to Welshpool had a particularly rough trip, with most of the passengers becoming seasick. I have never been it myself because I do not like to travel that way when it is so rough.

Mr KERR - I think it had a very negative name in the end.

CHAIR - I am sure these vessels are more stable now than they were.

PUBLIC

Mr KERR - They are, yes. They have a service going across the Irish Sea at the moment and the Irish Sea is quite turbulent, I think, equivalent to Bass Strait. Certainly some scheduled sailings would have to be cancelled with rough weather, no doubt about that, but we had that with the *Searoad* anyway.

CHAIR - That is true, yes. Do you have any idea of how long this would take? We have a vessel on the route at the moment which is not really reliably meeting needs, according to most users of that service. TasPorts has a slightly different view on that.

Mr KERR - It is all in their concept, which I will send to you. From memory, it was about double the speed and it also had the advantage of being twice a day.

CHAIR - But I am talking about the lead time to get a vessel built and on the run.

Mr KERR - Sorry, two years approximately is the idea.

CHAIR - I am not saying we should not do that; we just need to understand what that is.

Mr KERR - I am not qualified to give that; I am just giving an opinion. I know the construction time is about a year when they put it up, but I am allowing 12 months for planning and feasibility, yes.

CHAIR - You have had discussions with the shipping group - what was its response? We know the shipping group has looked at a number of proposals over the last few years. They have had some financial backing from the community at times to look at their own shipping service or through a co-operative or that sort of thing. What discussions have you had? If you have not had discussions, would you look at that to try to get a more coordinated approach to this?

Mr KERR - Of course, it is common sense that the locals - we are a small community and we have to pull together.

CHAIR - Have you had discussions with the shipping group?

Mr KERR - I originally did. The report you have there was submitted to the shipping group, as you can see by the cover. At the time, to be honest, the reaction from the shipping group was delayed, and I was disappointed with its response at that time. I don't think it regarded that proposal with great enthusiasm.

CHAIR - So you will take up that opportunity again now?

Mr KERR - Of course. We all know one another. I have not spoken to them as a group in recent times. When that proposal was put to the shipping group, it was about six months before I even had a response. Considering we funded that inquiry ourselves, we were disappointed with the shipping group at that time.

CHAIR - With golfing taking off in King Island and set to expand potentially, do you think it is an option to bring people out of Victoria as well as mainland Tasmania in terms of passenger transport?

PUBLIC

Mr KERR - Of course. Even before the golf courses started up, it would have made sense to have packages where you could get reverse sailings and combine the shipping with aircraft and do your packages going backwards and selling them in advance as they do in New Zealand when they had surplus capacity.

There is no reason that cannot be blended into TT-Line's existing runs anyway. It would be packages for travel coming from Burnie and flying one way or shipping and going backwards. It would grow the pie. There are certainly no two ways about that. It would be a long-term solution to combining freight and passengers on the one vessel.

CHAIR - In terms of ports, we have Grassy port here, but what about Victoria and what about Tasmania? What ports do you think are most suitable for this type of service?

Mr KERR - We were looking in the concept as the base port for Tassie to be Burnie, and in Victoria, to be Geelong and Hastings. I have read other suggestion made in discussion between Senator Lambie and Lindsay Fox. He was talking of trying to get a port established at Avalon. They could link in with the airport there so fresh fruit, veggies, crayfish and packaged meat could be taken there by boat and flown out to China and Japan on a daily basis. I read that Fox is chasing those types of logistics.

Mr ARMSTRONG - Yes. Avalon would be good because you are only an hour out of Melbourne by road.

Mr KERR - Exactly, yes.

Mr ARMSTRONG - You would not have any idea of the cost of a ship like until you have done all feasibility and other studies?

Mr KERR - Ballpark. I understand it would be something in the nature of \$50 million to \$75 million.

Mr ARMSTRONG - \$50 million to \$75 million?

Mr KERR - That figure could vary by many millions of dollars depending on how it was fitted out. It needs to be remembered that this type of boat would not require cabins like TT-Line nor would it would not require extra facilities for crew because it would be over and back on the one day. It would not need to supply overnight accommodation.

Mr ARMSTRONG - You were going to touch on what you thought how long it would take to go back and forward to Burnie.

Mr KERR - The estimated time in reasonable conditions was six to eight hours.

Mr ARMSTRONG - That is return?

Mr KERR - One way.

PUBLIC

Mr ARMSTRONG - One way. Talking to some of the locals here, the cost of getting off the island is a big thing. A passenger ship, would be cheaper than flying, so it would be good for the island.

Mr KERR - Yes.

Mr ARMSTRONG - It would take a bit longer.

Mr KERR - Again, even if we had the passenger connection to Burnie, that in itself would be fantastic because it would enable a lot of tourists already coming to Tassie to have packages to come here and then fly back or whatever. It would generate a flow-on affect.

Mr ARMSTRONG - Was there any thought in your submission about taking it into Stanley? Stanley would be a lot closer.

Mr KERR - We have been completely open. This is not only up to logistics, but also to the economics of making it viable. Going from one extreme to the other, if the economics stack up, there is no reason the government itself could not consider a vessel like that becoming part of the TT-Line. The other vessels are under lease from Greece anyway, aren't they?

Mr ARMSTRONG - I am not sure.

CHAIR - The other benefit of sea transport is you do not have the weight limit. You have a weight limit on the aircraft - how much luggage you can take with you - which is a challenge at times.

Mr KERR A lot of locals have been saying for years that it is cheaper to fly to Fiji or Bali than it is to go to Melbourne or Hobart from King Island. It sounds funny, but it is the truth.

Mr FARRELL - The costings have to be worked out, the fares as compared to airlines.

Mr KERR - Yes, but that would be part of the Australian Maritime Council study we propose. It would be a matter of finding out from AMC exactly what the study would cost. As to the other figure, I am only quoting from what I read about Jacqui Lambie last year. I have been in touch with her office but I have not spoken to her personally. I am sure they could look at the federal side of things and see if there was any help there with a contribution towards a study. It would make sense if we could clarify that first with AMC. I was very encouraged by the enthusiasm of AMC to look into this independently of what any individual company like Incat might be promoting for its own gain.

CHAIR - A Tasmanian business employing Tasmanians making a Tasmanian investment for Tasmanian purposes would be good.

Mr KERR - It is a no-brainer.

CHAIR - It is something for others to ponder. Thanks David. We will consider all those suggestions. We are not experts in shipping.

Mr KERR - Neither am I; I am just a layperson.

PUBLIC

CHAIR - Any closing comments, David?

Mr KERR - No, but thank you for the opportunity to address the committee. I wish the committee well on its deliberations. I hope you recommend what I have been trying to promote here today, a common sense solution through the AMC. Thank you.

CHAIR - Thank you very much, David.

THE WITNESS WITHDREW.

PUBLIC

Mr NOEL COOKE, Mr MARK COOKE AND Mr GARY SUTTON WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - We have your submission and the additional material you have just provided. If each of you wishes to speak to that, the committee will then ask questions.

Mr NOEL COOKE - We are talking about the future vessel. Basically, the replacement for *Investigator II* should have a cargo hold and should also be able to withstand Bass Strait conditions. We request a direct service from King Island to Victoria.

I emailed the government, the opposition and the Greens requesting a yes or no answer on King Island to Melbourne or Victoria. Labor did reply; I had an eleventh-hour request for more information from the Greens, but have had no reply from the government.

CHAIR - Noel, when did you contact them?

Mr NOEL COOKE - Last Monday. Currently we are not able to get our lambs into Victoria. We were able to until about eight years ago because the *Mersey* used to do a reverse sailing. If Swift does not reopen, which seems rather unlikely - hopefully I am wrong - it will -

Mr SUTTON - Swift is the small stock chain at Longford.

CHAIR - Yes, I understand that.

Mr NOEL COOKE - Then we are going to be left with [inaudible] lamb. Currently Swift's is purchasing and sending 5000 lambs out of Tassie per week to Brooklyn.

Mr MARK COOKE - That was in the *Tasmanian Country* a few months ago.

Mr NOEL COOKE - It is much more economical for them to process from there. It is a much bigger plant overall so shut Cobram down and that's a permanent shutdown. We will find out within a couple of months, I reckon, whether they are going to reopen at Longford or not.

CHAIR - They haven't given you any indication even though you are potentially a supplier?

Mr NOEL COOKE - No, they won't indicate one way or the other at this stage.

Mr MARK COOKE - We haven't approached them.

Mr NOEL COOKE - Any question from the media and they won't commit themselves. In 2015 110 000 lambs were transported to Victoria from Tasmania for slaughter.

Mr SUTTON - I can't find that information again. When I was convalescing last year, I found the figures but Mr Google has let me down this time.

Mr ARMSTRONG - That was from Tasmania?

Mr SUTTON - From Tasmania directly to Victoria for slaughter.

PUBLIC

CHAIR - Did that include any King Island sheep?

Mr NOEL COOKE - No. On that matter, we are requesting access to Victoria so that we have a level playing field with the rest of Tasmania.

It is important to raise that it may not be impossible to work with Flinders Island using a replacement vessel. It makes make common sense to me that the one vessel could work both islands.

Mr MARK COOKE - We would need an upgrade of the port of Flinders Island.

Mr NOEL COOKE - Yes. A chap indicated to me that you would be looking at about \$5 million to put in a deepwater port on Flinders Island. I have never been there so I do not know the island. He has been there for many years and is very experienced in that industry. That is his belief so maybe that is worth investigating.

Mr MARK COOKE - Another issue, maybe the sheep and cow issue should be handled more federally because the state government has a conflict of interest. They are more interested in the needs of mainland Tassie than our needs.

CHAIR - On that point, are you making that point based on the fact that the government required that the service would only serve King Island and back to Tasmania and not to go to Victoria?

Mr MARK COOKE - Yes.

Mr SUTTON - Now we have a have a change of vessel, we get charged for both legs of freight. With the previous service, if our produce was going to Melbourne on a southbound sailing, we were only charged for the one leg. Now, of course, there are two operators so that does not continue. King Island has traditionally been a northern trader. SeaRoad would usually take three weeks to get a container full of general freight over. By not having a direct leg into Melbourne, we will continue to pay out a fair bit of money. In Noel's situation, he expects his costs would increase by \$50 000 a year by sending his lambs to Victoria.

CHAIR - Including stock loss?

Mr MARK COOKE - Yes. Price per kilo.

Mr NOEL COOKE - Price differentiation.

Mr SUTTON - With the extended journey, the stock lose a bit of weight.

Mr NOEL COOKE - 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.

Mr ARMSTRONG - Noel, how much weight would they lose on the one leg to Tasmania?

Mr NOEL COOKE - Very little. Especially if you can get them processed the next day.

PUBLIC

Mr ARMSTRONG - It is just the other leg that takes the weight off them?

Mr NOEL COOKE -Yes.

Mr MARK COOKE - For our type of mutton, there is no market in Tasmania at all. We would have to go around.

CHAIR - They are not meant to be seafaring animals.

Mr SUTTON - They are a bigger sheep, not a small merino, for which Tassie is the main target market.

Mr MARK COOKE - They will not kill unless their kilo is - I think the last group was about 75 cents compared to \$3 or \$4 in Victoria.

Mr NOEL COOKE - We cannot afford to process in Tasmania; we have to do the two legs.

CHAIR - From your perspective for sheep - and it is only sheep we are talking about, I think for you, is it?

Mr NOEL COOKE - Yes.

CHAIR - Where would be the most appropriate Victorian port for them to go into or does it not matter?

Mr NOEL COOKE - Geelong.

Mr SUTTON - Geelong probably. The berth is probably not available in the Port of Melbourne for a small independent vessel.

CHAIR - What is the length of the journey from King Island to Geelong? I know it depends on the size of the vessel, but just an average?

Mr SUTTON - I have sent about five trailers out as the livestock agent. They could be in Warrnambool by 2 o'clock on the Monday afternoon when we had a northbound sailing from King Island on Sunday afternoon.

Mr ARMSTRONG - Would they lose any weight in that one trip?

Mr SUTTON - Yes a little bit, but not a significant amount. Not the older sheep; it is more the sucker lambs that will shed the weight.

Mr ARMSTRONG - How many prime lamb farmers are there on the island?

Mr SUTTON - About five.

MR MARK COOKE - Prime lamb farmers, probably two or three.

PUBLIC

Mr SUTTON - Yes, sorry, prime lambs there would be two or three; there would be three, yes.

CHAIR - How many head of sheep does that relate to?

Mr SUTTON - There are fewer than 20 000 sheep on the island now.

CHAIR - Yes.

Mr SUTTON - In 2001 when I moved to the island, there were 58 000 sheep. I am quite sure the number is down under 20 000 now.

CHAIR - So if there was a direct link to Victoria, is it likely farmers would increase their stocking?

Mr SUTTON - Yes.

CHAIR - The absence of an abattoir on the island obviously makes it a challenge because you do not have any other option but to get them off. If an abattoir were opened on the island and did sheep, would that solve the problems or would you still want access to the Victorian market?

Mr NOEL COOKE - That is a bit of a difficult one. 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.

CHAIR - So the cost would be too high to make it worthwhile?

Mr NOEL COOKE - Yes, that is what I am saying.

CHAIR - Even if they [inaudible] for you and the sheep business on King Island is northbound sailing to get them off?

Mr NOEL COOKE - Yes.

CHAIR - Okay.

Mr ARMSTRONG - Noel, I see you were a member of the shipping group at one stage?

Mr NOEL COOKE - Yes.

Mr ARMSTRONG - You are no longer a member of that?

Mr NOEL COOKE - No.

Mr ARMSTRONG - Why did you move away from being a member? Just too busy?

Mr NOEL COOKE - I had been chairman. I had been vice chairman. When I was chairman, it could take up to two days a week. I got tired of it in the end and felt it was time to hand it over to other people.

PUBLIC

Mr ARMSTRONG - While you were there, did you ever look at a commercial opportunity for moving sheep off the island? Would that be commercially viable? It would not be with the numbers you are talking about, would it? Putting a commercial operator in to ship them to Victoria, the numbers would not be enough, would it?

Mr MARK COOKE - You mean Les Dick for example?

Mr ARMSTRONG - Yes.

Mr MARK COOKE - We are currently looking at that, perhaps in the future.

Mr ARMSTRONG - You are?

Mr MARK COOKE - Yes, if we can't get a main [inaudible]. He would only go into Welshpool, which is a long way.

Mr ARMSTRONG - Yes.

Mr NOEL COOKE - At that stage, while ever the Mersey was operating, they did sometimes do a reverse sailing and we would try to get on the back of that if we could.

Mr MARK COOKE - It was usually short notice.

CHAIR - Swift was also processing small animals in Longford, too. You could just send them to Tassie.

Mr MARK COOKE - Which is what we have been doing recently.

CHAIR - Yes, until they stopped doing it.

Mr MARK COOKE - The price was a couple of dollars a kilo below Victoria this year.

Mr ARMSTRONG - Two dollars a kilo? A big difference.

Mr NOEL COOKE - Up to at one stage, yes.

Mr SUTTON - When I started doing the livestock agency business, the *Mersey* was on the northbound sailing and we used to sell a lot of castrate sheep in the Ballarat market on Tuesday. They would leave here on Sunday; they would be spelled in the paddocks at Ballarat until Tuesday morning and drafted, bang. It suited us very well; that would be a good scenario if we could do that again.

Mr NOEL COOKE - One Sunday about 12 years ago we sent nine trailers of lambs and sheep direct to Victoria. I do not know whether it will ever get back up to those numbers again. I cannot imagine it will. If it did, maybe an abattoir might look at putting in a small animal chain. That is a problem.

PUBLIC

CHAIR - Any more questions? No, then thank you. I know your submission is fairly specific to sheep, being sheep farmers, which is fine, but it helps us understand the challenges you face, particularly since JBS Swift has stopped doing small animals.

Mr SUTTON - Direct sailing to Victoria would also help a lot of the bullock or steer factors. They source their store cattle in Victoria and it is becoming quite difficult and expensive for them to continue to do that.

CHAIR - We also heard previously that some of the cattle needing to go to feedlots need to go to Victoria at times.

Mr SUTTON - Yes.

CHAIR - Stud bulls and things like that, yes. Stud rams. Do you have stud rams?

Mr MARK COOKE - We have cull rams that we sell; there is no market for them in Tassie either.

CHAIR - Right.

Mr NOEL COOKE - It may well be an advantage for Flinders Island if they were to go directly into Victoria as they have larger numbers of sheep.

CHAIR - Does it necessarily have to be the same boat or can it be a service that provides for each island?

Mr NOEL COOKE - It could well be the same vessel.

Mr MARK COOKE - Or something similar.

Mr NOEL COOKE - To me it would make a lot of sense if the one vessel could service both islands.

Mr SUTTON - More utilisation of a big investment.

CHAIR - Thank you very much. We appreciate your time and your submission.

Mr NOEL COOKE - Thank you.

THE WITNESSES WITHDREW.

PUBLIC

Mr DON STORY WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - Thank you for your submission and for participating in our public hearing. These are public hearings. Everything you say is recorded by Hansard and will become part of the public record. You're covered by parliamentary privilege while you're in front of the committee, but not outside the committee. If you want to give any evidence in camera, you can make that request and the committee will consider it, otherwise it is all public information.

We received your submission and appreciate the amount of detail you have provided in that, particularly around some of the costs. I would appreciate if you could speak further to that or make any other additional comments.

Mr STORY - Thank you for the opportunity to contribute to this important inquiry. Most of what I have to say is contained in my written submission, but I have some extra information I hope will allow you to better understand the damaging impact freight costs have on the cost of doing business on King Island and the cost of living.

First, the grocery table included in my submission did not reproduce in its entirety. It left off a very important part, which was the comparison between King Island grocery prices and those in Burnie. If I can tender that, it would be good; otherwise, not.

CHAIR - That is fine.

Mr STORY - Basically it shows that, for example, the cost of a 500 gm block of Devondale spreadable unsalted butter is 41 per cent higher on King Island than in Burnie or elsewhere and a 1 kg of Black and Gold plain flour is 117 per cent higher. It goes on like that. That was a small basket of goods I selected as being representative of what somebody might buy.

I also produced a bar chart of our farm production costs. I found it quite frightening and demoralising to have a bit of a look at where our money goes. It accounts for 44 per cent of our production costs last year and shows the top line there is 'known freight costs', against all the other inputs. It does illustrate the impact of freight on us.

CHAIR - Is that now?

Mr STORY - That is in the financial year just finished four weeks ago. It grows on size, so it is all relative to everyone else. For one large farmer, who recently left the island, his freight costs were to get cattle off the island and fertiliser to the island was \$500 000 a year. It is a telling number to look at.

In a bid to improve our productivity, we plan to import store cattle to the island from Victoria in 2017-18. In my submission I go into our options at the moment. The cattle available to us to buy, the best cattle from the best farmers - and they tend to keep their cattle, we provide a mop-up and opportunistic service to take cattle, but I cannot afford to buy those cattle any more. Some of the cattle we have bought on King Island, it has taken us up to 16 months to finish to slaughter weights. That is too long. We should be able to do it in eight to 10 months. It is the breeding, as well as the management of those cattle available to us. We are much better off going to Victoria and buying there and paying \$7500 to \$10 000 per load of 60 to get them here, either direct from

PUBLIC

Victoria via Les Dick, by buying with a couple of other producers who do the same thing, or, if we have to, sending them to Devonport and then up to Smithton to be spelled there before they come across backloaded on trailers.

That basically increases our production costs, our freight component, from \$32 000 to \$50 000. I have not worked out a percentage increase of that or a percentage of our total costs, but it is significant.

In my submission I said we have to, as prudent managers of our farm, give serious thought as to where we are heading at the moment. If we cannot make a quid, it is all over. In saying that, our farm, as I said in the submission, is not suitable as a breeding operation, but it is and can be viable as a finishing operation. It is important to make that distinction. We cannot just change and buy breeding cattle. We are too small for that to be an opportunity.

In closing, thank you to the committee members who were able to visit the multi-species abattoir this morning to learn of this community-driven and -funded project and its importance to King Island.

There may be a model somewhere in there for a boat later on. Shipping and the cost of freight is an issue for King Island that goes back generations. Finding a solution will not be easy but must involve the introduction of real competition, a more flexible and customer-driven approach, and perhaps even a community-owned boat that services King Island from both Tasmania and Victoria in an affordable and timely way. I am happy to answer any questions.

CHAIR - Thanks, Don. On the freight task, we have talked a lot about the shipping of cattle but with the work you are doing with mixed species abattoir, a lot of things need to be brought onto the island to complete the refurbishment of that because you do not manufacture any of those things on the island.

Mr STORY - No, we have had to bring in all the chiller panels, chiller units and all sorts of other equipment, some of which has been donated to us by Tasmanian Quality Meats and Greenham & Co. All that has to be got here, but we have - not been forced to - chosen to use Les Dick and his boat because the government boat was way too expensive.

CHAIR - Do you understand why there is such a difference? We have read in a number of submissions that there is a significant difference between the freight costs associated with Les Dick's shipping as opposed to the Bass Island Line service.

Mr STORY - 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 hemorrhaging money. It sounds to me like their cost structure is just way too high.

CHAIR - We heard earlier that in the interim where there was some uncertainty about who would provide the service when *Searoad Mersey* was taken off the run, and *Searoad Mersey* increased their freight charge by 30 per cent, according to a witness we heard earlier. Is TasPort using that 30 per cent higher freight charge or are they using what was previously being charged?

PUBLIC

Mr STORY - I don't know. 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.

CHAIR - It has been suggested there should be an upgrade or reconfiguration of Grassy port to allow larger vessels or a variety of vessel types in. Port upgrades are never cheap, several million dollars at least. Is that something that should be considered rather than looking at a particular vessel? Obviously we need a vessel fit for purpose for King Island's freight task, but would that become less of a strict criterion if the port were able to accept different vessels?

Mr STORY - 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. As to upgrading the port, I am no expert in maritime port construction and the cost et cetera. Certain controls are now far more stringent there than they ever were. It is a sort of sealed unit now; you cannot get in there unless you have special permits and licences. When Greenham was taking boats on the *Statesman* in open decks, some farmers had accreditation to drive their trucks onto the dock to unload - that was about it. I guess there are, quite rightly, various occupational health and safety concerns there, but the reconfiguration of the port is something beyond my knowledge.

CHAIR - We have heard it takes quite a while to unload the ship when it arrives, much longer than it takes in Stanley, for example, particularly with cattle in trailers. I do not know whether that is something you can comment on. There appear to be some hidden costs in the freight charges that TasPorts are charging. Time is money, obviously.

Mr STORY - I heard the other day that it took 13 hours to load a boat. I do not know why that would be the case. They may have had a breakdown; I do not know if that was one of the things.

King Island is absolutely rife with rumours when it comes to shipping. A lot of people have opinions but probably do not know. It is Chinese whispers - it changes and goes on.

CHAIR - So they are questions for TasPorts.

Mr GAFFNEY - Thanks for your submission. We did get the grocery list in the -

CHAIR - Not the percentages, though.

Mr GAFFNEY - You said that you contacted the ACCC.

Mr STORY - Yes. I was angry one afternoon.

Mr GAFFNEY - I can well imagine. You said that the ACCC is so interested in the latter two points being unconscionable behaviour and cartels - verbally, or is there any written information? Was it just a phone conversation?

PUBLIC

Mr STORY - No, it was a phone conversation I had with an ACCC officer. When I said a series of monopolies operate here, he said there is nothing illegal in Australia about monopolies. I said, 'Well, okay, price gaps. We are being ripped off.' He said, 'Sorry, there is nothing illegal about price-gouging.' Having read their website and done a little bit of homework, I said, 'Well, okay, we are talking about unconscionable behaviour.' He said, 'Ooh, hang on, I'm interested'; I said, 'Well, okay, what about cartels?', and he said he was very interested. But I could not back up any of my queries with any facts on what we were being charged because I did not know at the time. That is where that conversation ended, but they were interested in the two of those four points.

Mr GAFFNEY - You said here it is hoped the freight inquiry will get to the heart of the matter. Do you believe so on the cartel and unconscionable behaviour issue?

Mr STORY - The whole issue is around freight because, again, there seem to be so many stories getting around King Island that finding the truth out is impossible. I attended a Cradle Coast Authority meeting here two or three months ago to identify impediments to King Island. The first item identified was shipping and freight, the second item was housing, and the third item was services such as the internet, schools and so on, to attract people to the island.

I mentioned, during our discussion, the cost of fuel on the island. I had been told by Port and Coastal that we were paying 32 cents a litre more than we should because at the time, under the old SeaRoads service, diesel and petrol was being shipped from Melbourne to Devonport, decanted to us into ISO containers, and shipped back to Melbourne to then be sent to King Island on Sunday. I was told by Port and Coastal - where else do you go to as a reliable source of information - that this was adding 32 cents a litre to our fuel price.

I mentioned this at that meeting and I just told them in no uncertain terms by two people, 'No, that is not true'. I asked what the truth was, and they said, 'No, that is not true'. Again, people who claim to know probably do not. When the report of that meeting came out, shipping was in the hands of the leadership group. In other words, there is no issue. Housing was being worked on and there was hardly any mention of fire services, so what was the point of having a meeting?

Mr GAFFNEY - You said that you came here with your wife in 2015 -

Mr STORY - It was in 2014.

Mr GAFFNEY - Had you been here before so you understood some of the background?

Mr STORY - I have been here many times over the last 40 years as an agricultural journalist. I knew a number of people on the island and did a fair bit of research but there are a lot of things you cannot find out until you experience it first hand and/or over a couple of years.

Mr GAFFNEY - I suppose this question is slightly leading. Given your experiences here over the last three years, do you think what you have experienced because of the freight issue limits other people from mainland who want to purchase homes and start businesses here?

Mr STORY - They probably do not know until they get here. It is not something King Islanders want to talk about as the downsides of the place too openly.

PUBLIC

It would be a matter of doing your due diligence and finding out about some of these things. There is enormous demand for farmland on King Island from the mainland and there is no supply so things are obviously good, but they could be one hell of a lot better given an affordable cost structure.

Mr GAFFNEY - It is a 400-acre property?

Mr STORY - Yes.

Mr GAFFNEY - Would you think farms of about 400 acres are not large properties?

Mr STORY - It is not a large property by Australian standards any more.

Mr GAFFNEY - No.

Mr STORY - It has high productivity, but, as I say in the submission, it would not be suitable as a breeding operation because it just does not have the scale. It can be very profitable as a finishing operation, given a cost structure that would allow it to be so. If I were on Flinders Island, my fertiliser would cost \$60 a tonne rate. I spoke with a friend of mine at Orbost in Victoria and he pays \$50 to \$60 a tonne freight from Melbourne. We were paying \$142; now we are paying \$160 so the costs are against us. It is not the scale of our operation that is the problem, it is the costs against it.

Mr GAFFNEY - Thank you.

Mr STORY - We have to produce bullocks around 330-odd kilograms; we only really start to make good money when we are above 300-kilogram dressed weight. At current prices, or what were the prices until two weeks ago, 605 cents a kilo, which is \$2000 for a finished bullock. At 280 kilos, our return is down to \$1750; that is \$250 a head difference. Over \$37, that is \$10 000 a load. Hence the need to get cattle that are efficient and can grow and meet those specifications in the shorter time. A lot goes into being profitable in a beef operation such as we run.

Mr ARMSTRONG - Is that why you buy breeding stock from Victoria?

Mr STORY - I am not in any way being disparaging about King Island, but the best cattle are kept by the better breeders and finished themselves, and the cattle available on King Island tend often to be not as good. We are opportunistic in what we buy. We really should be in and reselling. I sold a line of 37 a couple of weeks ago and bought 33 straight back in. I sold another 37 this week and hopefully today I have been able to buy a line of 60 from Victoria. They will be coming to King Island on Les Dick's boat as part of a six-trailer consignment with two other finishers on the island. That is what we have to do to get a supply of good quality cattle. Tasmania is not a source of cattle for us, because they tend to be locked up by JPS and Greenham's for their own supply or suppliers; they do not want to ship them here so they ship them back again.

PUBLIC

Mr FARRELL - With the domestic market for King Island beef, when it was grown and slaughtered on King Island, you could always rely on probably some of the best beef in the world. The process now is to take it live?

Mr STORY - Some cattle are slaughtered on the island for domestic supply, some are imported. There was a sort of a deal with JPS that some of the King Island beef would be returned to King Island for sale. I am not sure whether that was the high quality beef. I do not know; I have not really sampled terribly much of it. Greenham's actually supply some known King Island beef through Heidi Weitjens, the provedore down here. I think that has ended but you can still get it; you have just got to pay for it to be shipped over.

When tourists come to the island they all want to sample King Island product and take some home with them. It is very questionable about what they are getting and there is an opportunity - we mentioned earlier the multi-species abattoir. We intend to supply some high quality beef to residents and tourists that is of known King Island providence and to get a certain scale we will have to supply some of that. Not all the carcasses have endless supplies of cube rolls or porterhouse steak and whatever. We will have to ship a lot of the secondary cuts and manufacturing beef off the islands to suppliers to be viable.

Mr FARRELL - We have mentioned the multi-species abattoir. It was great to have a tour this morning to see what your plans are and hear that some really good stories could come out of King Island around innovative new ventures. With the wildlife species you are planning to put through the plant, what sort of growth do you see for the island as far as job generation? Will that be impacted by the current freight service?

Mr STORY - As far as freight services go, Anthony Gibbons, the manager, is going to address that part of this process later on this afternoon. He will tell you we will probably buy our own truck and use that to roll-on, roll-off Les Dick's boat. Drop the truck down at the port and somebody will collect it and make deliveries all the way down to Launceston, including manufacturing product to places like Casalinga Gourmet Meats. There it will be turned into high value product. Some will be brought back on the truck for sale to tourists and residents and so on.

Freight has been a significant issue for the little abattoir, just bringing equipment to the island. We used Les Dick's boat to achieve this because the other was way too expensive.

There have been a couple of impediments with the various claims that nobody has a ticket to handle containers on a side loader et cetera, which delayed us on a couple of occasions. That has all been sorted out. We were told by TasPorts that it would not handle 10-foot containers, so that is part of the reason we have chosen to go down the truck path.

If we dropped a 40-foot container load of quality meat, for example, into Tasmania, it would flood the market. We have to dribble the supply out rather than do it all at once.

We are probably looking at novel approaches to it. We have even thought of buying an aeroplane to do this. Again, that is high cost and desperation.

Mr ARMSTRONG - Would a Victoria to Grassy service solve a lot of these problems?

PUBLIC

Mr STORY - It would - not only for us bringing the cattle to the island, but for at least two other producers here who do the same. We need an on-demand service. In other words, when we need to buy cattle, we need to be able to get them here rather than having to wait. As they say in the classics, time is money and it depends on mouths on the ground. You cannot make money if you do not have cattle in the paddock, only wait.

As far as supply of other products goes, there are times when you cannot get hardware on the island, because the boat has not brought that container. That problem affects the tradesmen in a major way. They all bring in their containers full of hardware - timber, roofing iron, you name it - and there are times when you cannot get it.

I have been a couple of times to order some roofing iron, but, 'No, come back and see us in a month's time.' There are serious impediments to doing business on the island.

Mr FARRELL - You mention in your submission what at the time seemed to be a sensible answer to the problems, and that was the Port and Coastal Marine Service.

Mr STORY - That was seen by a godsend by many who thought, 'Beauty, we are going to be shot of SeaRoad.' Again, a lot of people blame different segments of the chain, whether it is SeaRoad, the Union Port or TasPorts et cetera. It is probably a combination of all those things, but Port and Coastal was, for a while, a godsend.

When it fell over there was a lot of disappointment, indeed shock. Again we still haven't had the full story about what happened there. Many rumours are floating around about why it happened. Hopefully the truth is out there.

Mr FARRELL - Maybe if the truth was out there it might help base any future planning on what went wrong with that proposal, which was spruiked as the answer.

Mr STORY - I noticed in the submissions I quickly looked at this morning a belief among some that we need a big abattoir here. That totally changes the shipping freight task. Instead of trailers of cattle going out, you have one third of the area or less in containers. Whatever ship is assigned to the task, there is that possibility.

Mr FARRELL - What is your opinion on, as has been mentioned by another witness, passenger transport by sea?

Mr STORY - I don't think passenger transport mixes with live cattle transport.

Mr FARRELL - No, but as a separate issue, do you think the market has grown to a point -

Mr STORY - I don't know. It would be a novel way to get here. It would be great to put the car on the boat, travel with the car to Tasmania and then hop on the ferry to Melbourne. I used to be able to send my little jeep out on regular basis and I would bring back tonnes of food, loaded up to the bottoms of the windows. If you go any higher, they charge you more. It is a punitive charge.

CHAIR - Don, I don't know how much time you have had to read TasPort's submission, which says -

PUBLIC

Since 1 July, TasPorts has:

1. Reduced the wharfage rate for 20-foot and 40-foot containers by 40 per cent.
2. Reduced the wharfage rate for 20-foot and 40-foot livestock trailers by 40 per cent.
3. Reduced the 'on the hoof' livestock wharfage rate/stock facility levy by 40 per cent.

Since 2012 - that is over a period. It seems that the costs have been higher than in the past, anecdotally. When the more recent problems occurred, in comments on page 10, under 'Supporting Customers', it says -

Bass Island Line is committed to supporting its customers in the King Island Community. That is why BIL has taken 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.

It is claiming there haven't been cost increases because it has held them down.

Under 'Commercial Challenges of King Island Shipping Service', it says -

6. Maintaining charges: BIL is operating a dedicated service between King Island and the mainland Tasmania at a higher cost than SeaRoad but has maintained the same freight rate levels. This is generating shipping service financial losses.

'Haemorrhaging costs' is one term people have used.

How does that all relate? I am hearing that freight costs have gone up. I have talked to people in the supermarket and the various shops in the main street. They say it has gone uphill. Grocery basket prices look horrendous. Has it always been that way? Is it worse now? What is going on?

Mr STORY - I don't know if it has always been worse that way. I did a similar study a couple of years ago on a basket of goods and it came up with exactly the same percentage

PUBLIC

increases. I don't know who along the chain is benefiting from those high prices. There is a belief on King Island that what TasPorts says and what it does are two different things.

With fertiliser, in my submission, TasPorts may not have put up its freight rates but container hire is \$7.70 per tonne and wharfage at Devonport is \$4.22 per tonne extra, so I am told. The empty return of that container is \$2.35 per tonne. The reduction in container capacity is equal to \$3.26 per tonne, which means there is a total of \$17.53 - I rounded that up to \$18. That is a 13 per cent increase in fertiliser freight since TasPorts took over the shipping. I am told that will go higher.

CHAIR - They are saying they have not increased it; they have held it down. You are saying the experience -

Mr STORY - They may not have increased it, but the people in the background who supply containers, who supply everything else -

CHAIR - It may be that TasPorts is not the problem? It could be others?

Mr STORY - Yes.

CHAIR - So you do not get a breakdown in the freight costs to understand where -

Mr STORY - No, all we do is get a per tonne price delivered to Grassy. In our estimates, this year it was \$510 per tonne for the fertiliser delivered to Grassy. That included, after a little bit of research, \$142 per tonne of freight.

CHAIR - It makes it hard for anyone to figure out.

Mr STORY - There is no transparency.

CHAIR - Thank you, Don. If you would like to make any other, please do. The freight task could also change if an abattoir is built on the island.

Mr STORY - It has to be taken into account by government or whomever is going to invest in a boat and operate a service. As a comment, that alters everything. That is what was told to me by a couple of people who have studied this in detail. They are no longer on the island but the freight task is something that has to be determined before you start selecting a boat.

CHAIR - There will still be the need for live cattle transport -

Mr STORY - Very much so.

CHAIR - Even with an abattoir, that is not going to go away.

Mr STORY - A lot of store cattle go off the island, a lot of surplus cows. Bulls and sheep go off the island. I and others need to bring cattle here to operate our business models.

CHAIR - And stud cattle go off?

PUBLIC

Mr STORY - The live cattle trade is very, very important to King Island.

CHAIR - If a Les Dick-style of arrangement managed the live cattle, particularly in the instance of an abattoir being built, would there be a lesser task for live cattle transport?

Mr STORY - I do not think Greenham or JBS would give up their share of the King Island market.

CHAIR - Okay, so that is not going to diminish regardless.

Mr STORY - I think they would respond in a way that would ensure their supply was maintained.

CHAIR - I am going back to the question Craig raised about passenger transport, you could always do different sailings. You do not have to have live cattle on every sailing.

Mr STORY - I think live transport is an issue that needs to be properly managed, appropriately, with animal welfare in the highest standards et cetera, but it still does not matter. I think a lot of people would find it difficult to come to grips with standing on the deck with their glass of champagne looking at a deck-load of cattle.

CHAIR - It depends how rough it is, whether champagne might stay in the glass.

Mr STORY - Precisely, or down.

CHAIR - Or down the front of you, if not your coffee. I appreciate that. There are a lot of things to consider in all of this and there is no an easy solution.

Mr STORY - There are so many facets to this. It is multilayered. The more you dig, the more you understand the complexity of the freight task and all the issues that are part of it.

CHAIR - Thank you for your time.

THE WITNESS WITHDREW.

PUBLIC

Mr DARYL FANNING WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - Thank you for your submission, Daryl, and the time you have spent preparing to present before the committee. For your information, this is a public hearing. Everything you say is recorded by Hansard and will be transcribed as part of our public record and will be put on our website at a later time. Everything you say here is covered by parliamentary privilege, which does not extend to anything you may say when you leave this room and speak to the media or anyone else. If you want to give any information in confidence or in camera, you can make that request and the committee will consider that. I assume you have had a chance to look at the information for witnesses?

Mr FANNING - Yes.

CHAIR - We have your submission and you have given us another bit of information, which we will go through. If you could speak to your submission and this other additional information you have given us, it would be very much appreciated.

Mr FANNING - The basis of the problems we have experienced with the port of late is that it is getting shallower.

In about 2013-14, TasWind put a proposal up that it would create a new harbour. The base price of that was \$35 million. That never went public because the submission never proceeded.

CHAIR - Was that proposal at Grassy?

Mr FANNING - Yes. If you look at the first photo, you can see the harbour where it is and in red you will see where the *Mersey* actually ran aground. The TasWind proposal is to go off north, off the leg. It is near the petrol -

CHAIR - We are going there tomorrow to have a look at the port.

Mr FANNING - You will see the area there. Photo number 2 is of the current ship. You can see there that its engines are running; it is unloaded and loaded with the engines running - the same as Les Dick's boat. That, we believe, is what has moved the sand - the fact they are there for hours with the engines running.

The next photo was taken from the deck of the *Mersey* on its last voyage. You can see how shallow the area is there at the bow of the boat.

The next photo is again off the *Mersey*, looking north. You can see where the proposed breakwater would be; it is sheltered by Bold Head in the background. They proposed a 250-metre breakwater.

CHAIR - TasWind did?

Mr FANNING - Yes. The next one is of the *Mersey* coming in on its last voyage. You can see there how she goes out into the turning circle, turns and nudges right in with the bow. We get

PUBLIC

a line aboard and then she pivots on that line and goes into the ramp deck, which is the next photo, and she backs into the buffers.

The next one is dated 5 December, before the abattoirs closed, and you can see there a load-sheet we did of the ship going out. It was, in those days, heading to Melbourne so it was heading north, and the marked containers are actually reefers, so that is beef and cheese.

The other plan at the back is of the top deck. You can see the number of semitrailers there, and they will all have cattle in them.

The next one is dated 8 January. Again, you will see a lot fewer reefers; they will be in the majority, with cheese. Again, in the top deck, you have livestock and a few other hazardous cargoes.

The next one dated 14 January 2006 is the one I gave to the foreman. The highlighted area he does not take off - that is through-cargo going to Melbourne. At this stage, it was running Devonport-King Island-Melbourne; likewise with the top deck. You can see from that we were roughly using half of the boat.

However, coming into 2016, you will see we are using just about the whole boat - all for King Island on both decks.

CHAIR - That was because the abattoir shut down?

Mr FANNING - No. Generally our cargo rates had gone up. Certainly the last two boats were all for King Island; there was no through-cargo on it. That was the advantage: I'd go down there on a Friday and I'd book how much space I wanted for Sunday and then Melbourne or Devonport would leave me that space. It is very seldom you will get an exact amount to go in and out. The only time that would occur is when you have sand running because they take 20 containers at a time at 32 tonnes and no sand has been sent off the island since the *Mersey* stopped.

CHAIR - Why is that?

Mr FANNING - They have not produced enough in winter; it is still wet.

CHAIR - Do you expect that will pick up again in the summertime?

Mr FANNING - No, because this boat could not carry 700 tonnes of sand.

CHAIR - What will they do?

Mr FANNING - I don't know.

The next piece of paper is Bass Island Line edition 13, and they are telling everyone what they have carried since the boat went on. They are talking about the number of cattle at 4400; the *Mersey* would have taken 8000 off in the same amount of time. Equally, the number of containers we would have taken off and brought on are about a thousand, if not more.

PUBLIC

CHAIR - This is over the same time period, with the *Mersey* only coming once a week, and this goes several times?

Mr FANNING - Yes, three times - well, it is scheduled down here on this one to do two of cattle and one of general cargo. There have been banks of general cargo, and they are stuck at Qube so Bass Island Line would say they would not have anything there, but it is sitting at Qube. Qube are the stevedores for TT-Line.

CHAIR - Where are they, geographically?

Mr FANNING - They could be in Devonport or in Melbourne. They could be in either place.

CHAIR - On that point, I assume they are prioritising livestock and perishables over other freight?

Mr FANNING -Yes. Even though they say they kept up with the super, in the end Vernon Philbey would not take any more orders for super because it was costing the rental of the container. If something was in Melbourne on Thursday, it would be on the ship on Sunday. That would be available to pick up either Sunday afternoon or Monday, whereas now, if the ship is in today, you cannot pick any cargo up, you have to go tomorrow.

CHAIR - Because of the reloading of the vessel?

Mr FANNING - They are using the same forklift, so if three ships are coming in during the week and one of them is not on a Sunday, you have limited times you can pick cargo up.

CHAIR - What happens if the one forklift breaks down?

Mr FANNING - You have a problem. I believe today they brought a new one in, 53 tonne, whether they are going to do R&D, I do not know. I have included a wind rose there. Does everyone know what a wind rose is?

CHAIR - Which direction the wind comes from.

Mr FANNING - Which direction and intensity. You have one at 9.00 a.m. and 3.00 p.m. When the *Mersey* came in, she generally started the run at 7.30 a.m. to be docked by 8.00 a.m.; there would usually be a lull about 7.30 a.m. if the wind was blowing hard. The next two - one is a letter I put into the local paper and the other is a letter I sent to Justine Keyes. I believe you have a copy of that.

CHAIR - Not part of the submission, no.

Mr FANNING - No previous, yes.

CHAIR - Is there anything else you wanted to add, Daryl? Do you want to say anything else while you go to questions?

Mr FANNING - No.

PUBLIC

CHAIR - What do you see then as the necessary requirements to meet the freight needs on King Island into the future?

Mr FANNING - The only way I believe it can happen is to produce a new port and then leave it open to Toll, SeaRoad or whoever wants to come in.

CHAIR - The figures I have seen range anything from about \$35 million, to 45 million to \$160 million, quite a range there. Some years ago King Island Scheelite suggested using some of their over burden. It did not get going at the time because of the tungsten price, which is a bit better at the moment, and they are still not in operation at this stage.

Mr FANNING - Well, there is a meeting on today with the Scheelite shipping committee and they are talking about taking ore in barges to Tassie for refining.

CHAIR - We can ask them about that because they are coming in to speak to us tomorrow. The issue here is with the cost of a port upgrade, something the Australian Government should be considering as a major infrastructure project. The question is that the cost would be significant but it could open it up and make the type of vessel less of a limiting factor. Is that true?

Mr FANNING - That port down there was originally built by Peko Wallsend Limited at a cost of \$1 061 750. The Tasmanian government came up with the price to do the same wharf at \$9 867 000.

CHAIR - At the same time you are talking about?

Mr FANNING - Yes. In the end Peko Wallsend said, 'We are going to go ahead and do it', and they did. The state government said, 'You'll be up for a \$100 000 a year to maintain the breakwater.' I was there 11 years and I never saw any money spent on the breakwater.

CHAIR - It is still there.

Mr FANNING - It is still there.

CHAIR - In your view the port operator is the way to go. Obviously, that takes time and planning and there needs to be funding for it. Whether it is funded by government or however, those things take a while to organise. In the interim, what are the important aspects of a shipping service for King Island? We have heard about Grassy-Tasmanian mainland-back; we have heard about the need to go north to Melbourne, have a triangulated service, and also information in a couple of submissions about a butterfly service. If the port is not upgraded in the short term, what sort of service would be necessary to meet the needs?

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 is fuel because TasPorts buy its fuel at the government contract rate so that comes out of BP. Origin chose to send the gas across from its depot because it is around the corner from where the *Mersey* used to pull in. They are virtually the only things. You will get a little bit of

PUBLIC

groceries out of Tasmania - mainly potatoes, onions and that type of thing - but otherwise the supermarkets all come out of Metcash in Melbourne. The other thing happening now is that you can leave your cheese down there and not be sure when it is going to Melbourne; it might take two weeks by the time it gets across on TT, so therefore they are flying it out.

If you look at Bill's figures. they are only doing three-and-a-half containers a week. We always did minimum of six containers of cheese, so much is being flown out, upping the cost. They have already cancelled the Stonehaven Cup because they cannot get the dinghies across for the kids. I have been told they are talking about putting the cheese factory in caretaker mode.

CHAIR - So things like dinghies for the kids for the Stonehaven Cup are not priority items obviously in terms of the shipping task?

Mr FANNING - SeaRoad always used to bring them across for nothing. We would supply a container and they would pack the dinghies in it; likewise they would be turned around here and our kids would go across every second year and we would again supply containers for them to go across.

Mr ARMSTRONG - Horseracing on King Island is another big social event. What effect can you see the current situation having as far as getting horses on and off the island?

Mr FANNING - At Justine Keay's meeting one of the audience had been quoted \$1700 to take a horse from Melbourne to King Island; our charge used to be \$321.

Mr ARMSTRONG - I would imagine prize money would not be that much.

Mr FANNING - No. This is what happens is they are limited; they are only allowed to win so much money on the horse's head, then the horse has got to go off the island. Whether it goes to Tasmania or Melbourne, whatever, the horse carnival is in doubt because there will not be enough horses on the island to run in it.

Mr ARMSTRONG - Daryl, if the port were upgraded and larger ships could come in here, do you reckon they would, because the *Searoad Mersey* used to accommodate the amount of freights.

Mr FANNING - I believe they would. The *Mersey II* is 182 metres; the *Mersey I* was 91.5 metres before it was extended. The photo in the submission is of the *Mersey* before it was extended and you can see it is just ploughing into the next wave. The lashings were breaking on the cargo and the cargo would be sprawled around the boat; by lengthening it, they got into the second wave and stabilised the whole performance.

Toll boats are about 170 metres. They are looking at buying two bigger boats. The *Tamar* will probably go next year and that will be replaced with another *Mersey II*. All the boats plying the strait are going to be 180 to 200 metres. They won't get smaller.

Mr ARMSTRONG - Do you think they would come even though there is not the freight demand?

PUBLIC

Mr FANNING - You would do what we did with SeaRoad. You would put half on the vessel going to Devonport and you put the other half for King Island at the back. You take the back stuff off and put on what you are sending through.

The other problem you have now with freight coming from Melbourne is that it comes across with TT-Line, for example. You pay wharfage in Melbourne, you pay wharfage in Devonport. You put it back on another boat in Devonport and you pay wharfage there and you pay wharfage here. We now have four lots of wharfage on every container where we used to have only had two. We have that handling because SeaRoad Logistics are alongside SeaRoad Shipping. It was delivered through the fence, as we used to call it. The Terberg would race into logistics, grab four containers and put them on the ship.

You can fit roughly 150 cows in a container, frozen or chilled. I get four containers on a cassette. That takes me six minutes to load. You get around about 38 to 40 head of cattle in a trailer. I have to unload the trailer, which takes me eight minutes. I have to load it back again and that takes me eight minutes. The logic is not in sending live cattle, even if you are bringing them in for breeding or that type of thing. There is no logic in spending the time and money trying to load cattle.

Mr ARMSTRONG - Is it about \$160 million you are talking about for a ship and port upgrade?

Mr FANNING - *Mersey II* was \$110 million.

Mr ARMSTRONG - There is another \$60 million for an upgrade.

Mr FANNING - Why would you buy a boat when you have operators there who already have boats? You upgrade your port and then you say to the boys, 'Here it is. When the *Straitsman* was running, the government could not make that pay. That was a dedicated ship and it lost every year. In the end they even had Brambles come in with *Challenger B*. They ran for a year and they didn't want to know it. The freight task here are not big enough for a dedicated boat. You have to use someone else's boat.

CHAIR - You also have the seasonal fluctuations, the variations. You have a significant increase in fertiliser. You have the export of cattle at one time of year.

Mr FANNING - This is what happens in spring when the cattle are all ready. This boat would never cope. If it did a trip a day, it wouldn't cope. We haven't seen the spring yet. They are struggling to keep up with winter and half the guys can't get into their paddocks in winter to get the cattle out.

CHAIR - It was very wet when we flew over yesterday, the worst I had seen it for a while.

Mr FANNING - You also see increased traffic around Christmas time, in sheer container numbers. That is why we had what we termed reverse sailings. Normally the *Mersey* would leave Melbourne on Saturday after lunch and arrive here Sunday morning. Then it would go from here down to Devonport for Monday morning. To fit a reserve sailing in, we would bring the *Mersey* here on the Sunday and send it back to Melbourne. That allowed the *Tamar* to get out of

PUBLIC

step and do another run per week. Especially around Christmas time, this means you get another ship.

CHAIR - As we have heard from other witnesses, Cradle Coast Authority has had another look at the challenges for King Island. Shipping was top of the list. Housing was an important area. We have seen the increase in golf tourism. I note personally the cost of accommodation has gone up on the island. A number of homes have been turned over to Airbnb and things like that, which takes them out of the housing stock.

This is expected to increase with the popularity of golf, the popularity of these courses and the plans for another. In terms of accommodation, whether it be hotel accommodation or residential accommodation for the workforce, you need to bring building materials onto the Island. We don't have them here. Would you not expect that if things continue as they are, and possibly expand as predicted, the freight task will be higher across the board?

Mr FANNING - Definitely. Since I have been working down at the wharf, every year we have sent more containers off and we have brought more containers on.

CHAIR - Are there more going off empty to be re-filled?

Mr FANNING - If you look at those plans, you will see some cassettes are six over 12, there are four empties.

CHAIR - Okay, right. I am not used to reading the long sheets, so it is a bit hard to know.

Mr FANNING - No. We put the weights on them so you can identify what they are without moving them. If you see a cassette that is heavy, you know it is meat freight. All the empties are returned to Melbourne and that has been another problem for Bass Island Line. They did not have the stockpile of containers SeaRoad had.

CHAIR - They bought some themselves. It was 20, from memory, in their submission.

Mr FANNING - They leased them. They did not buy them. SeaRoad were always buying containers.

Mr GAFFNEY - I was pleased to hear that you were down to the minutes. Six minutes for this and eight minutes for that, so timing is really important at the port for the turnaround. Have you noticed any areas where more efficiency could be implemented in the transfer of goods?

Mr FANNING - Are you talking about the current boat?

Mr GAFFNEY - Yes, or what the difference has been -

Mr FANNING - For them to get a container off - I timed it one time I was down there - they are talking about 12 minutes for a single container. I was doing four in six minutes.

CHAIR - What is the problem?

Mr GAFFNEY - What is the difference?

PUBLIC

Mr FANNING - They are loading with a forklift individually, one at a time, whereas we had them on cassettes and pushed them straight into the ship.

CHAIR - You need a roll-on, roll-off for that.

Mr FANNING - Yes. Roll-on, roll-off is the only way to go for this type of operation. There is a big demand for semitrailers to go from Tassie into Melbourne, especially when your produce is coming on. With the *Mersey II*, you attach the trestle to the trailer and the new Terbergs take the trestle and the trailer comes in and drops them on the deck. They lock on the deck. That has saved all the lashing of the trailers.

CHAIR - Thank you very much, Daryl, for your information. It is good to have someone with such inside knowledge about how things work. Thank you for your time.

THE WITNESS WITHDREW.

PUBLIC

Mr DAVID RAFF AND Mr ANDREW RAFF WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Ms Forrest) - Thank you for your submission. I don't need to remind you of the procedure; you've heard it all before. I must admit I had not thought about a breeder here sending very highly prized bulls off. I come from a dairy and beef farm myself so I understand the value of these bulls. You sent an email earlier today too, with more information.

Mr DAVID RAFF - There is another one here I'd like to table later.

CHAIR - That would be great. I invite you to speak to your submission and add any further information you want, including the tabling of the other communication you have provided.

Mr DAVID RAFF - First of all, thank you, Ruth, for initiating this inquiry, and members of this committee. We certainly appreciate the opportunity to express our point of view. I must confess, as I have said in the opening, we have only been on the island for two-and-a-half years. This makes us probably a little bit naive of the internal politics, which might be an advantage in this situation. We see things from a fresh angle without blinkers on.

From the outset, we appreciate this opportunity because we have never had the opportunity to express our views before regarding the shipping. There has not been a venue for us to have an input into it.

I believe the whole process has not been handled well at all. We are a family partnership. Andrew and I work together with the cattle. I will let him go through the submission and hopefully I will have the opportunity to say a few words at the end.

Mr ANDREW RAFF - Again, thank you for the opportunity.

Two years ago we sold our business in Queensland having found King Island for what it has to offer. We trucked down 600 stud cattle, my wife, four children and Mum and Dad; it has been a whole move, which has been fantastic. We see King Island as an absolute land of opportunity. Every corner I turn, I see opportunity. It is a wonderful time of its life; I think the island has just been discovered. When Mum and Dad came down prior to us, within six months of them living here, they said that it is like what the world used to be as far as the environment, and that is exactly what it is. But in the two years we have been here, we have already seen massive changes. We all must remember and be mindful, as it is just being discovered, logistics and the freight side of things, as the last gentleman just touched on, there is going to be a lot more goods and people to move. Accommodation is going to be 300, 400 or 500 more beds over the next period, give or take a few, and that is all more freight.

When we first moved down with our seed stock business being in Queensland for 50 years, the first major question in our move was 'How are we going to get our cattle back to Queensland?' At that time there was a direct sailing route from King Island to Melbourne. It did not and does not worry us where the cattle end up in Melbourne, but we assumed that this would occur for the rest of our life as such and would not be a problem.

Last year, having just moved down from Queensland, we were selling several hundred bulls in a transition period, so last year we only sold 30-odd bulls back up to Queensland. We are

PUBLIC

building our stud numbers up and we will be selling a hundred-odd annually, plus breeding females and what not.

Last year, the first year, we sent direct as far as Blackwater in Queensland and every bull arrived there safely. They were loaded on-farm here, then into the truck, onto the boat, off and headed north straight away, so there were not any concerns there.

In May this year we sent a full trailer-load and they obviously had to go via Tasmania. They were loaded here, put on the truck -

CHAIR - How many is a full trailer-load?

Mr ANDREW RAFF - It was 36 bulls for this load. We have used both Page Transport and Hodge Livestock Transport and are comfortable with their business and the way they handle their cattle. The unfortunate thing this year is that the bulls had to stay in Tasmania at Hodge's yard for a two-, three- or four-day period. Bulls being in that confined space were headed for nothing other than disaster. The bulls arrived in Melbourne; 10 had to go to Singleton and the other 26 went directly up to Queensland. The outcome of that was on arrival a number of bulls were extremely lame. One bull, after treatment, had to be put down. He received a shoulder and foot injury, we can only assume, while in the holding yards in Tasmania. A second bull that went to Singleton is still 'watch this space'. He has - I have video footage - a severely lame front and back foot. I have just got word of a Queensland bull today that received a massive abscess in his foot from a piece of steel or a stake penetrating the bottom of his foot and X-rays revealed that the bone is dying, so he is going to have to be put down as well. Of those three bulls - that is \$36 000 - two were insured, one was not. Not only we, who are passionate about the cattle side of things and have love for each bull with what goes into them, but our clients were pretty distraught by that. There was emotional strain on vendor and purchaser. There was a financial strain so far as we had to look after those clients at a loss and we paid for their insurance. We paid for all the veterinarian costs and we will work something out for the next bull. Then they lost the breeding value, the genetics. The bull that was put down was the last of a sire line that we had and this fellow desperately wanted it and that bull has gone, so there was a financial loss there. There is absolutely no doubt whatsoever that it was caused whilst in the yards waiting for the connecting boat.

Once bulls are on a truck, there is no room and there is no way for injury. They are in a confined space, whether they are mates or not. It is once they get out into an unfamiliar environment into yards that have thousands of different cattle within them on a weekly case, opening up to all sorts of bacteria in the ground, and as soon as there is a skin breakage of some description, it is destined for disaster.

CHAIR - Why were they held there for four days, Andrew?

Mr ANDREW RAFF - They were waiting for the connecting - for Rob Hodge to have empty trailers to get back across to Melbourne. That, for us, is disastrous. I have veterinarian reports on the two bulls and a sheep case, which I will touch on. We know that we will struggle to maintain some of those clients because they will simply throw us into the too-hard basket, so there is a financial loss there as well which has to be considered.

PUBLIC

The other side of things, being the land of opportunity, we have got into sheep and pigs. Twenty ewes came down from Pittsworth to Melbourne and across to Tasmania. They were held in Tasmania for 10 days until we could get a space to bring them over. We are still treating three of those ewes - massive abscesses broke out and one, I think, is going to lose a hoof in the next day or so. Again, it was just the period where there was not a direct sailing, and not directly from sale gate to farm gate.

For us in the future, whilst it is not a large number of cattle we will be transporting, they are highly valuable. It will be up to 100 bulls plus we are planning to sell 100 stud females a year, which equates to probably only a handful of trailers. For us with our business, and making such a decision with the mindset that we were going to have a direct sailing, there needs to be absolute consideration for that.

CHAIR - Andrew or David, have you considered using Les Dick's service direct to Melbourne?

Mr ANDREW RAFF - We have used Les's. We had heifers come across from Tasmania and we have used all three. Les is now onto trailers on the one boat; that will be fine but we do not know how reliable they will be.

We would like to know, if we truck out in the spring and the autumn, that we have a set sailing at a set time of year because we have lots to commit to with our planning. We need months in advance to coordinate everything. The current services are a little bit too irregular to commit to that.

CHAIR - The purchaser wants the bull at a particular time.

Mr ANDREW RAFF - And cost, so we need to compile enough bulls to justify a whole trailer and to spread the per-head cost. This year to send a double-deck straight up, the cost was \$150 cheaper per bull than last year when we sent two-thirds of a deck or half a load.

CHAIR - Are the sheep and the pigs sorted on the island?

Mr ANDREW RAFF - These are stud ewes. We saw an opportunity to breed rams for the island's requirements. Ideally I would like, with my endless optimism, to have another farm to run a large number of commercial ewes for fat lamb production.

CHAIR - What about the pigs?

Mr ANDREW RAFF - Pigs are the big fellows.

Laughter.

CHAIR - Are these studs as well?

Mr DAVID RAFF - Yes.

CHAIR - Right, okay. Diversification is important.

PUBLIC

Mr DAVID RAFF - We see such huge potential on the island for island-produced produce. This is where our business is focused. We are aiming to produce a unique brand of island product, of beef, lamb and pork.

CHAIR - Will most of your stud pork and sheep go to Victoria or will some go to Tassie?

Mr ANDREW RAFF - Wherever. At the moment we only have 20 stud ewes so it is in its early days and that will supply us. We have four children and they eat half a lamb a day. We will be able to service our own needs but in the long-term picture, Melbourne is just there. Look at the population. Look at the number of foodies who have this vision of eating clean and green, and here we are in this most pristine little environment. That is the long-term future.

CHAIR - Any service, from your perspective, requires a northbound leg as well as a southbound, from here?

Mr DAVID RAFF - Absolutely, yes. The important part of it is that bulls have a unique temperament and they cannot be mixed with other cattle. If they are off-loaded in the facility or holding facility where the cattle have been, they literally go berserk. It is something you cannot do with bulls because of their social behaviour. As Andrew said, put them on the truck and they can find space. Leave them in their pens and while they are in motion, no problem at all. Once you unload them into a strange environment, they literally go berserk.

CHAIR - They cannot be in those confined places for too long. They have to be fed and watered.

Mr DAVID RAFF - They are. They do a good job.

Mr ANDREW RAFF - We have noticed in Queensland, the same mob, and if we have a slight adjustment in feed, let alone environment, they start to ride each other and find who is dominant. That was the case. The bulls that sustained injuries were from the same mob from birth to trucking out. There are dominant animals and they like to beat up the next one, second in charge, and this is the outcome. The bull that we had to put down had four broken ribs.

CHAIR - He was not the dominant bull?

Mr ANDREW RAFF - No. The dominant was the one that is 'watch this space'. They were in the yards, a confined space, with half an empty stomach. Instead of green grass they had been fed a bit of hay. It is absolutely essential for our business that we have a direct route. Once they are on the truck they go straight from our farm to the mainland farms.

Mr GAFFNEY - Are there many other bull breeders or stud breeders on the island that you work with, or are you the only Angus?

Mr ANDREW RAFF - There are other seed stock breeders here but they generally work for the local environment. A lot of the commercial producers here buy bulls from the mainland. Now they have to go to Tassie, which is even worse for them. One or two bulls from each sale - generally there are five, six or seven in a pen - do they put three different groups in the one pen or do they keep those two separate? A person said this morning that it cost them over \$1000 to get

PUBLIC

their bull from the mainland last year. The general rule varies enormously, it is \$300 to \$600. There is a 40 per cent increase because of the lack of direct sale.

Mr GAFFNEY - You mentioned that the one you lost was a certain line of breeding. Do you also need to update your lines down here with stock from the mainland?

Mr ANDREW RAFF - Yes, definitely. For the short term we are selling more embryos instead of our top-end cows because it is easy and safe. We are not sending our top cows. We are not sending them to Tasmania to then go to Melbourne. It is easier to keep them here, extract the embryos and send the embryos in a tank. There is far less risk.

Mr GAFFNEY - What would you prefer to do? If you had a direct line, cattle are much easier?

Mr ANDREW RAFF - Absolutely.

CHAIR - You send sperm as well?

Mr ANDREW RAFF - Yes, collect here and freeze.

CHAIR - You do all that?

Mr ANDREW RAFF - No. Specialists come in for embryo collection.

Mr GAFFNEY - Did you keep the property in Queensland or have you sold it?

Mr ANDREW RAFF - Whilst we are shifting to a percentage commercial, we will still be selling those 100 bulls. One of the first questions in considering moving here was how we were going to get them back to the mainland. At that time we had that direct sale.

Mr GAFFNEY - You also mentioned reputation means a lot when you are selling at that level across Australia and internationally.

Mr ANDREW RAFF - Only embryos or semen can go internationally.

Mr GAFFNEY - So this last incident could be quite -

Mr ANDREW RAFF - If it gets out. The animal welfare issue is big. A lot of people say that it is wrong and several have said that sending live cattle off the island is wrong. I do not see a problem with it. The MSA - Meat Standards Australia - compliance on having cattle that have to be shipped across Bass Strait in whatever weather environments is as high as anywhere in Australia, even travelling over water, compared to western Queensland. Cattle would be on trucks for whatever many hours and they would be lucky to get 40, 50 or 60 per cent MSA compliance.

Mr DAVID RAFF - In 40 degree heat.

Mr ANDREW RAFF - In 40 degree heat. As dad touched on, coming down from outside this environment, the transport of cattle and the few unfortunate incidents that have occurred here

PUBLIC

have hit the headlines because they are in the public eye. How many road trains have incidents out in the middle of Queensland and Joe Blow picks them up -

Mr GAFFNEY - You had no trouble with your bulls at all before this last incidence?

Mr ANDREW RAFF - The last bulls we sent all got there. They were footsore from being off wet dirt to cement. No abscesses, no injuries, no broken bones; nothing.

Mr GAFFNEY - How many lots of bulls have you sent out?

Mr ANDREW RAFF - This is only our second lot. We have another load to go as soon as we get a direct sale.

Mr DAVID RAFF - Which we are very nervous about.

Mr GAFFNEY - You no control over when you can get your bulls on during the holdover in Devonport or wherever it was in Tasmania? Can you send them the day before knowing they will go the next day?

Mr ARMSTRONG - It appears it is a simple solution. If you have a King Island to Victoria freight service, it would fix all your problems.

Mr DAVID RAFF - Absolutely, yes.

Mr ANDREW RAFF - Again, it is not just for the bulls. You have heard the traders there. It seems as if within a certain hierarchy in the Tasmanian government, King Island must or should shop with Tasmania because we are under the Tasmanian banner. Look at the New South Wales-Queensland border. Is that guarded and stopping Queenslanders heading south into New South Wales because they have the right to?

CHAIR - While Donald Trump is not president, probably not. It is part of Tasmania and Tasmania trades with the mainland.

Mr DAVID RAFF - It is a restriction of trade practices.

Mr ANDREW RAFF - We need the market diversity for our business, 95 per cent of our seed stock sales will be to mainland Australia.

CHAIR - Any more questions, Robert?

Mr DAVID RAFF - I think we have covered most of it. Apart from our cattle side of it, there is the freight component for fertiliser which has been touched on by others.

It is a big implication for us and economic madness to have fertiliser go from Melbourne to Tassie and back to here. The previous speaker talked about all the double-handling, with four instead of two lots of wharfage. None of it makes sense to me. It is worth looking at our air services - three operators, daily services, competitive, efficient for passengers and freight. A fourth one they bought with Charter Ferguson Freight. Free enterprise, deregulated industry,

PUBLIC

operating and providing efficient service. Why can't the shipping industry do it? That is all we are asking. Thank you for your time.

Mr ANDREW RAFF - Could I clarify the previous speaker's comments on the Stonehaven Cup Regatta. I just recently joined on the committee and was at the meeting. The decision to pull out of running the Stonehaven was simply just the uncertainty, not whether they had new boats to sponsor containers to bring boats over - it was just the uncertainty of the shipping.

Mr DAVID RAFF - That applies to our business too - the uncertainty of whether we can get a boat or when we can get a boat.

CHAIR - Certainty is important for all your producers anyway, even people who are trying to build a house.

Mr ANDREW RAFF - King Island produces 20 to 22 per cent of Tassie's beef. The *Progressive Farmer* suggests there is room for a 20 to 30 per cent production increase, so we need to be mindful of that. If a big abattoir is built here and is consuming a lot of cattle, if the island catches up at a production level that extra 20 or 30 per cent, it will still be there and still have to go off the island. We must remember that for the future.

CHAIR - Yes. Thank you very much for your time.

Mr ANDREW RAFF - Thank you. I tabled these few vet certificates. Do you need to see them or there is no point?

CHAIR - Yes, we have them in an email.

Mr ANDREW RAFF - The veterinarian's report on the bull's injuries.

THE WITNESSES WITHDREW.

PUBLIC

Mr ANTHONY GIBBONS WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - Welcome, Anthony, thank you for coming along. Did you hear my introduction previously about parliamentary privilege?

Mr GIBBONS - No.

CHAIR - When you are giving evidence to the committee, it is all part of a public hearing. It is recorded by Hansard and will become part of the public record and be published on our website at a later time. Everything you say while you are presenting to the committee is covered by parliamentary privilege, but if you repeat or say anything outside the committee hearing, you are not covered by that privilege. If you want to make any comments in confidence or in camera, you can make that request to the committee and the committee will consider it, otherwise it is all public.

Mr GIBBONS - I am the plant manager for the King Island multi-species abattoir, which is a new industry on the island. We were set up by over 100 individuals and families. They have made pledges, donations and shares, and have raised a large sum of money to try to work through the issues of the island. These issues include unshippable cattle, wallaby, cows and bulls. Also setting up our plant to have an insurance policy so that if anything happens to our boat, we can process cattle and can still supply the island with meat rather than go hungry. Basically that is what we are doing. The process is probably five or six weeks away from starting. I have only been on the island for six months and the biggest problem I have found is that we have had to renovate a plant not up to export specs.

We are not going to operate under an export standard; we still need to have that export standard. We have had to bring everything in containers because nothing can be shipped loosely or the cost of it was not viable. Les Dick goes into home port at Launceston every three or four weeks; I purchase a 20-foot container, fill it up with whatever I need to and bring it over, then on-sell the container.

At the moment I am a bit out of sync with Les; he has had to come in a little bit earlier, and I have some material sitting on the port in Devonport. It has been sitting there for three weeks because it is not a priority. I do not know what the priority is, but work has come to a standstill at the moment. Building material is not a priority, but I do not know what the priority is; they cannot answer that question.

We are probably lucky in one respect - we are in a set-up phase where I can work through all these issues about getting product off the island. I first touched base with both the previous shipping - the current one and Les Dick - about using chilled 10-foot containers. But apart from Les Dick, the other two told me they were not interested because it was too hard to handle. A kilo of wallaby trim is worth \$4.50, so if I put 20 tonne in a 20-foot container, the price would be quite a slightly less. It would probably be \$2 a kilo, which is going to cost me \$1.40 a kilo to pay the shooter, to pay my workers and to pay the overheads to produce. I am selling it for less than what I can get for it; it is not good maths. It is not good management for me to put a 20-foot container of wallaby trim meat into Launceston, Melbourne or anywhere else; it is just not viable.

PUBLIC

Then I have the issue of skins. It is much the same; I could not get a straight answer on a timetable, and the priority thing came back in, too. At the moment we are looking at using a van in the drive-on, drive-off situation. I have done the sums on flying, which seems to be the most economical. For me to produce a kilo of wallaby trim costs me \$1.70 all up, and I can sell 20 kilos for \$90; for me to put it a single carton of wallaby into Launceston actually costs me dollars. Plan C for me is to buy a chilled van and drive-on, drive-off. Les Dick has given me a price. At the moment the other group has not come back to me with a price so I cannot say whether it is viable or not. At the moment it is with Les Dick, but it is not with the other one, because I do not know what their price is.

Mr ARMSTRONG - Anthony, did you say Les Dick would let you take a 10-foot refrigerated container?

Mr GIBBONS - Yes. He even asked if I wanted him to purchase it and just lease it back off him, with probably two or three in the system, so that as I am loading one, he is transporting one and we have one in Launceston being unloaded.

He was quite happy to source them and to lease them to me if need be. That would be the most economical, because down the track we are looking at processing cattle, lambs and pigs as well so we could get fresh product into Tasmania on a weekly basis at best. It would be another domestic product that butchers could have - another King Island premium product we could sell.

If I had to go into Victoria for that, it would not be worth it because bone-in products have a shelf life of only 14 days. For me to get a bone-in product back into Launceston or into Devonport and then back over into Melbourne that way, the shelf life would expire before I would get it on the shelf.

Mr ARMSTRONG - That's fresh, is it?

Mr GIBBONS - That is fresh, and a lot of butchers still want the fresh rather than the Cryovac. You can go down the ageing process but then you have to have sulphur-filled vans. In a chilled situation, it is fresh.

Mr FARRELL - To clarify, to currently add value to your product and turn it into processed items, it needs to go to Tasmania?

Mr GIBBONS - Yes. As I said, we are in the stage of setting up a new business. At present 10 locals have become accredited harvesters. We are going to send our product to Rob at Casalinga Gourmet Meats. He has put on a new staff member and he has another one in the wings being trained up.

I did not think a new business needed to try to take too much on in the first instance; I wanted to be able to get the one percenters going, get the basics going and then grow the business as we saw fit. In doing that, I wanted to outsource the best people for those jobs - tanning skins and such - down the track. I did not see that we needed to take on everything in the first term. It was just to get our basics right and make the business work. Part of that process was sending trim to Casalinga to be processed. We would then sell some product there under our King Island brand, and some product would come back here to be sold to one of our target markets, which would be tourists.

PUBLIC

CHAIR - With skins, would you not look at tanning them yourselves to start with? Where would they be tanned?

Mr GIBBONS - I have contacted a couple of people. Nobody in Tasmania wants to do it at the moment. The guy in South Australia wants 10 000 skins at minimum and \$25 a skin to do it, so it is a lot of money.

CHAIR - A new business for the island perhaps at some stage.

Mr GIBBONS - I believe so. I would like to think we could encourage somebody and probably financially invest in them to take up a new business - not just skins but leather as such. Some would be fur on-product and some would be a leather product - leather gloves or handbags or something, rather than all fur on-product.

Mr GAFFNEY - Nobody in Launceston was interested in skins?

Mr GIBBONS - I talked to a guy at Hadspen but he did not have the capabilities. A university study done here a few years ago indicated that there is apparently 500 000-plus wallabies on the island. To keep the status quo, we need to process 30 per cent, which is 150 000 wallabies. That is a lot of wallaby skins.

Mr GAFFNEY - Were they interested at Lenah Game Meats? They process skins.

Mr GIBBONS - I was production manager at Lenah Game Meats for a number of years. We actually sent our skins to Turkey.

Mr GAFFNEY - Okay. They used to make Ugg boots too from those, didn't they?

Mr GIBBONS - Yes. At the moment, John gets some skins processed in Melbourne, but it was not viable so we used to freeze them and send 20-foot containers to Turkey to get processed. The unfortunate thing was that not all of them came back and they did not pay you, so -

Laughter.

Mr GIBBONS - It did not work out to be viable. That is something we are mindful of. We spoke to a guy a couple of weeks ago about sending skins to China but it would be the same. At the end of the day, a lot of time and effort will be put into preparing those skins and I could not afford to lose them.

Mr GAFFNEY - This island has rabbits, doesn't it? Or do neither of the islands have rabbits?

Mr GIBBONS - I do not know about the other one, but we have them here.

Mr GAFFNEY - Skins from Flinders Island are ferret, I have heard. There are no rabbits on Flinders Island.

Mr GIBBONS - I don't know.

PUBLIC

Mr GAFFNEY - Deer?

Mr GIBBONS - Yes, there are some deer here, but you cannot process deer as such. That is another issue for another day. There is not enough here to be viable to set up that industry anyway for market.

Possums are the other problem we will look at as well. If we take Bennett's wallabies out of the ecosystem and you leave rufous wallabies and possums in there, all of a sudden they will become a problem. We are going to process all three of those to try to tackle them and head them off all at the same time. Potentially they eat 40 per cent of the grass on the island as well. If we reduce that number, potentially we can grow more prime beef.

Mr GAFFNEY - I don't think they are a threatened species, are they?

CHAIR - Not here then.

Mr GIBBONS - The other thing is the biosecurity of what the wallabies actually do. With feral cats being a problem here, wallabies carry toxoplasmosis, so that is an issue. Shooting the wallabies and leaving them on the ground - there is botulism and everything else. Cattle will chew on bones from time to time and then you have liver fluke as well, which is passed on to your own domestic pets and sheep and lambs. There are other issues.

I spoke to a guy the other week, a professor at UTAS in Launceston, Professor Roger Stanley. In 2015, an Asian exporter branded King Island wallaby [inaudible]. It is potentially another industry outside of the domestic market, but I am loath to investigate it because of transport issues - the price of transporting things to mainland Tasmania and then back across and everything else. When you look at selling wallaby to him for \$4.50 per kilo, a 20-foot container, which is 590 cartons, I don't think the end would be that you have an extra trip of wallaby everywhere. But it is another market if we can get our transport sorted out. Potentially it is more employment for this region and for others. It is not beyond the realm of possibility that people would come to King Island to live and to work; it is not just the people who live on King Island who want to live here and work.

We ran an ad, probably eight weeks ago, for expressions of interest. We had 14 people reply and six of those people were King Islanders who had left because of JBS, and they wanted to come home. If we cannot expand, there is not the potential for people to come back home either. It goes into other issues of housing. If we could expand into export wallaby, there would be another great niche market for King Island and Tasmania and it would create jobs. The uncertainty of transport on and off the island is something that would severely hinder that.

CHAIR - I am hearing you say, and correct me if I am wrong, that you need a consistent, reliable service that goes both north and south?

Mr GIBBONS - Yes, I do. 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. Out of a wallaby, you are still looking at 50 to 60 per cent trim. From an average wallaby here, you would get about 12 kilograms of meat. We need to look at other markets. To

PUBLIC

get up to big numbers to make it viable, I do not think the Tasmanian market would hold it. As I said before, if I put a 20-foot container of wallaby trim into Launceston or Devonport, I would think a lot of it would end up in pet meat.

Mr GAFFNEY - When you say trim, that is the meat part. How do you get rid of the carcase? Where does that go?

Mr GIBBONS - The bones? At the moment I am talking to a pet food place. They will take that.

Mr GAFFNEY - That is in Tasmania?

Mr GIBBONS - No, that is in Sydney. That is the other issue. Down the track when we process sheep and cattle, we can on-sell offal for pet food. That will be the next challenge for me - to try to get those into those markets. The pet food market is bigger than the human consumption market because people tend to look after their pets more than they do themselves in a lot of areas.

Bones will be minced up and frozen into a 20 kilogram box. Then when we have enough -

Mr GAFFNEY - It is interesting. On an aside, Huon Aquaculture, when they set up at Parramatta Creek, they started initially sending their parts of the fish in ice blocks to the mainland for pet food. They have now come up with a system where they grind it all up and it is done on the place so 100 per cent of the fish stays on and is used at Parramatta. It was a way of getting into the market. They knew they could do it, but it was finding the door to get into to take that product. I understand what you are talking about.

Mr GIBBONS - You can buy pet food biscuit-making machines where you put the raw product in one end; it gets cooked and comes out the other end as a dog biscuit. Those things are on the market, but I don't really need to start this up in the infancy of our business. I need to be able to make the right choices and move it off, but you can't when you haven't got that reliable -

Mr GAFFNEY - You can't even start the conversation if you don't have a way to get it off the island. That is the issue. A number of businesses have highlighted that already.

Mr GIBBONS - 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.

Mr GAFFNEY - But for the livelihood of the island, the wallaby is a pest?

Mr GIBBONS - It is a pest but it is a pest we can end up turning into a high-end product by making the right choices. At the moment, you can't make those choices. You can, in a small niche market but not everything. For the wallaby on the island, that niche market needs to expand quite rapidly and the by-product of all that needs to be shipped off, but I can't do it at the moment.

Mr GAFFNEY - King Island's own wet, windy wallaby.

PUBLIC

CHAIR - Any more questions? King Island has many opportunities and it is great to see some of them getting a few legs underneath them. We understand the need for certainty of the service when you are working with a perishable product.

Mr GIBBONS - Yes. Thank you.

CHAIR - Thank you, also for the opportunity to visit the site this morning, which was very helpful.

THE WITNESS WITHDREW.