



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESS SCRUTINY COMMITTEE B

Tasmanian Ports Corporation Pty Ltd

Friday 3 December 2021

MEMBERS

Hon Rosemary Armitage MLC (Deputy Chair)

Hon Jo Palmer MLC

Hon Tania Rattray MLC (Chair)

Hon Jo Siejka MLC

Hon Rob Valentine MLC

Hon Josh Willie MLC

OTHER PARTICIPATING MEMBERS

WITNESSES IN ATTENDANCE

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

Mr Stephen Bradford, Chairman, Tasmanian Ports Corporation (via video conference)

Mr Anthony Donald, Chief Executive Officer, Tasmanian Ports Corporation

Mr Geoff Duggan, Chief Financial Officer Tasmanian Ports Corporation

Ms Kate Dean, Executive General Manager, Governance and Corporate Affairs, Tasmanian
Ports Corporation

Ms Candice Terhell, Acting General Counsel/Company Secretary, Tasmanian Ports
Corporation

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The committee resumed at 2.14 p.m.

CHAIR - Welcome, minister and thank you very much for joining us here today for our Legislative Council Committee B with the duty of providing scrutiny for TasPorts. And we know we have the chair, Stephen Bradford on the Webex. Thank you very much for joining us Stephen, we know you are not able to be here in person, which I am sure disappoints you somewhat, a beautiful day in Tasmania today.

I will introduce my committee. At the table Jo Siejka, Jo Palmer, myself Tania Rattray, Rosemary Armitage, Josh Willie and Rob Valentine and we have committee secretary Julie Thompson and our wonderful Hansard.

Thank you very much and we will invite you to make an opening statement minister, in regard to TasPorts and then please introduce your team at the table before you start and then we will get underway with questioning.

Mr FERGUSON - Thank you and good afternoon to you, Chair and to your committee. I am pleased to introduce to you, Mr Stephen Bradford, via video, as Chairman of TasPorts, unable to travel to Tasmania. He is joining us from Melbourne. Mr Anthony Donald, CEO, and Mr Geoff Duggan, Chief Financial Officer.

As an island state, TasPorts plays a vital role in keeping Tasmania's communities, and economy moving. I wish to convey my thanks to the TasPorts Board and the management and employees for their commitment to keeping our port system operating effectively and to ensuring vital freight keeps flowing into and out of the state during the pandemic. It has been a great effort all round.

Freight volumes, I am pleased to report, remain buoyant through 2020-21 with 14.5 million tonnes transiting TasPort's multi-port system. That is up three percent on the previous year. Container freight was up seven percent to a record 594 581 twenty-foot equivalent units through our ports. Increases in retail trade, agricultural exports and large-scale manufacturing are key to the increased demand for containerised freight. These volumes are a credit to the hard-working men and women of TasPorts and shows the resilience of our economy through what has been a challenging period.

In the annual result, TasPorts delivered a trading profit of \$2.2 million. However, of course, overall TasPorts has reported a consolidated nett loss for 2020-21 of \$2.2 million due to the full cost of Bass Island Line which the Government and TasPorts introduced following the withdrawal of SeaRoad from the King Island run.

As TasPorts progresses work on its port master plan, I am pleased, as minister, to report to the committee, the Government's approval of the \$240 million East Devonport Project. This will be the largest port infrastructure project Tasmania has seen in a generation. The TasPorts master plan also includes very significant infrastructure developments at the Port of Burnie. That is the Burnie Export Gateway initiative. The Port of Hobart, the Macquarie Wharf redevelopment, and of course, the Port of Bell Bay, the hydrogen export initiative.

In December 2019, the Australian Competition and Consumer Commission announced it had instituted federal court proceedings against TasPorts. Those proceedings were resolved in May 2021, with the court making orders by consent, dismissing all allegations that TasPorts

conduct had the 'purpose' or 'actual effect of substantially lessening competition' (tbc). Importantly, the ACCC and TasPorts settled the matter with no financial penalties against TasPorts.

Key business areas that continue to be impacted by COVID-19 include cruise ships, and the Devonport airport. However, TasPorts continues to respond with strength and resilience to the many challenges being posed. Since early February last year, TasPorts have been working closely with state and federal agencies to ensure appropriate protective measures are in place at Tasmanian ports. These measures have been subject to continuous review and progressively strengthened. In addition to government measures implemented at both the national and state level, on 18 March 2020, TasPorts introduced more stringent requirements for vessels and crew calling into Tasmanian ports.

In preparation for borders reopening, in just a few days, TasPorts Crisis Management Team and Incident Management Team, have both been stood up again to ensure ongoing business and operational preparedness to respond to living with COVID-19. We would look forward to further discussion on that.

Chair, there is much to look forward to in the years ahead with new ships to be introduced into service at northern Tasmanian ports, as we expand the port capacity with major investments. We know with the growth trajectory of Tasmania's economy; the freight task will continue to grow. The development of our port infrastructure will keep pace with the economic growth being predicted, to enable the efficient movement of freight, which will in turn create jobs throughout Tasmania.

I am not sure if the chair would like to add, or if you would welcome him to add to my comments. We look forward to your questions and will do our best to answer all of those.

CHAIR - Thank you. I will invite the chair if you have anything to add, Stephen, to what the minister has already presented to the committee.

Mr BRADFORD - No, chair. I will await questions.

Ms ARMITAGE - A good question to start with is my understanding is that TasPorts has embarked on a study to determine what is the right size, functionality, given the contemporary needs of today's and tomorrow's freight task.

What savings are expected and which ones will see a lower cost passed on to the users of TasPorts services?

Mr FERGUSON - Chair, wherever there's operational-type questions, I'll nearly always defer to our CEO. I'll invite Mr Donald to respond.

Mr DONALD - I'll ask the clarifying question about the studies. You were referring to a study relating to freight?

Ms ARMITAGE - I believe it was freight, yes.

Mr DONALD - We regularly review freight forecasts. There are not many days of the year that we aren't having active engagement with our customers to understand both current

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buying forecasts and future buying forecasts. We appreciate that those exercises are quite challenging, particular in the current economic climate with trade tensions and, of course, COVID-19.

Particularly over the last twelve to eighteen months, we've become very good at accurately forecasting the freight forecasts and demand from a short-term perspective and that has come as a result of better relationships with our customers, which we've been overt about in our objectives.

Ms ARMITAGE - Are any savings expected? Is there another recent study that you're doing, apart from the freight?

Mr DONALD - In terms of savings, we're a volume-based business. The greater the volume that moves through our ports, the economies of scale suggest that efficiencies are derived through that, whether that's through the collection of our revenue from wharfage, tonnage or marine services fees. We have fixed asset costs and, relatively speaking, low asset utilisation across eleven ports.

We have approximately 24 per cent berth utilisation across those eleven ports which, from a national perspective, is quite low compared to other ports around the country.

Ms ARMITAGE - So you're not expecting or you are expecting to see any savings?

Mr DONALD - Certainly, our objective is to deliver better outcomes for the state of Tasmania and our customers. We appreciate the more we can work with our customers to grow freight volumes, the economies of scale that flow through that will provide opportunities for those customers to improve the efficiency of their supply chain movement. Whether that extends to a reduction in the rate per tonne of export, whether that's through larger ships that we can bring in or greater utilisation of assets, that is essentially our objective.

We are incentivised, we are motivated to grow volumes for our customers and to grow volumes for the state of Tasmania.

Ms ARMITAGE - I believe many customers were blind-sided by the notification that all fees and charges were increasing, and they considered that there was an absence of effective consultation. Do you have a comment about the increase of fees and charges and lack of consultation?

Mr DONALD - I will oppose the point with respect to saying 'blind-sided'.

Ms ARMITAGE - I can only use the information that's provided to me.

Mr DONALD - There was a lot of verbal communication with each of our customers. The written communication went out four or five weeks prior to the actual increase in prices and we've had lots of feedback from customers and industry groups with that regard.

The timing that we implemented was not different to notification over the last four to five years. We've committed to our customers and industry groups, moving forward, that we will have regular communication and a no surprises approach. We genuinely felt that we had achieved that, but we acknowledge we can always do better so we continue to have improved -

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Ms ARMITAGE - The percentage increase and the justification? How much were they increased?

Mr DONALD - Broadly speaking, it was a 2.9 per cent rate increase at 30 June. Interestingly, there's often a comparison to CPI when people look at rate increases. CPI for TasPorts is interesting. Perhaps it's not as relevant as some may suspect.

As I said, we're a volume-based business with fixed costs. Some of our costs are associated with our labour costs, and we had commitments within our enterprise agreement for an increase in employment with 2.7 per cent increase. We are an infrastructure-based business, so a lot of our costs are linked to material supply. I am sure anyone in Tasmania or across Australia that's currently renovating a property would appreciate the cost escalation in materials and labour associated with infrastructure development; it's probably around 20 per cent. Those are some of the costs and challenges we face as a business. We selected to pass on a 2.9 per cent rate increase. We believe that was very appropriate and was determined via a rigorous assessment.

Ms ARMITAGE - Is it a fact that TasPorts gifted land at Burnie to an external company?

Mr DONALD - Not to my knowledge.

CHAIR - I am sure you would have known.

Ms ARMITAGE - Perhaps it might have been the option agreement.

CHAIR - Has there been some land exchanged?

Mr DONALD - Not that I am aware of. I would be happy to examine that further.

Ms ARMITAGE - I will make some further enquiries.

CHAIR - Was that Bell Bay, not Burnie?

Ms ARMITAGE - I thought it was Burnie.

CHAIR - Was any land exchange at Bell Bay?

Mr DONALD - No, not that I am aware of.

Ms ARMITAGE - My understanding was it was Burnie. I shall make some further enquiries while this committee goes on.

Mr FERGUSON - I am happy to pick that up if you would like to clarify further, name a parcel, a property or a business interest, that might help us.

Ms ARMITAGE - I shall, yes, that would be good.

Mr VALENTINE - Regarding freight - it's 5 per cent below the record of 5.44 million tonnes - that's page 15. You say you are a volume-based business, yet your consolidated net

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profit has fallen by \$7.3 million. Your freight is up but your consolidated net profit is down, can you explain why that is the case?

Mr DONALD - Certainly. The three key areas where we've experienced some challenges have been the cessation of cruises, number one, and I think everyone would agree we haven't seen a cruise ship for quite some time. Our costs associated with supporting that industry remain. The second one would be some significant challenges associated with the Devonport Airport. We had a significant reduction in flights and passenger movements through that airport. The third one is probably the forestry sector, where there's been a softening of volumes being exported from Tasmania. Of course, there's a lot of movement within all the others. I'd probably suggest there's both up and down movements with some of the other commodities, heavily influenced by trade tensions, the value of the Australian dollar and seasonal impacts.

Mr VALENTINE - I am interested in the port of Devonport. You're looking at a \$240 million upgrade to the port of Devonport, which has just been announced. To what extent is the capability of the port of Devonport constrained by the depth and width of the channel through the Mersey River heads? Has that ever been brought up as an issue?

Mr DONALD - It certainly has. You would appreciate, in the delivery in of an infrastructure project but, just as importantly, in the ongoing role we have in ensuring marine safety, we need to make sure that all risks are appropriately managed. Part of our business and role is not to completely remove risks; we are a business that essentially manages risk. It's about making sure those risks are appropriately managed. The vessels that will be coming into Devonport, from a design perspective, are vessels that will be the maximum size I would expect will visit Devonport for the next 50 years. The only thing that would change that would be significant advancements in technology.

Mr WILLIE - I am interested in how it is going to be paid for. Will TasPorts borrow the full amount with a guarantee from the Government, and if so, do you have to increase your loan facility? It is \$45 million now, through you, minister. It is a sizeable project. Whether TasPorts has the capacity to fund it, is the big question.

Mr FERGUSON - The chair will want to respond as well; but the business case that has been provided has been reviewed by Government and also reviewed by Treasury which provides advice to shareholder ministers. I won't be discussing the contents of the advice but I can say that the Government is very enthusiastic about what is a game-changing investment for one of our key assets, being the port of Devonport. I invite the chair and the CEO to respond in that detail.

Mr BRADFORD - Thank you minister. Am I coming through double sound? I will let Anthony in and I will come back in.

CHAIR - Sorry, Stephen, we are losing you.

Mr BRADFORD - I will come back in.

Mr DONALD - It is very important that we deliver infrastructure that is supported by sound commercial business cases with a positive return on investment, so you can expect that there will be appropriate commercial arrangements in place to support that level of investment.

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Historically, the level of debt that TasPorts has held has been quite small in terms of national infrastructure businesses. Debt is not scary; debt is only scary if it is not appropriately managed and if there is no commercial basis for taking out that debt.

There are risks associated with infrastructure delivery and the delivery of large infrastructure projects. Our role is to ensure that we manage and deliver those projects well. Our plan, optimistically, is that we will continue to look for further debt for large infrastructure investments that support growth of freight volumes for the benefit of Tasmania.

Mr WILLIE - How much debt can the business carry, minister, in regard to this project? Are you borrowing the full amount?

Mr DUGGAN - Yes, we are borrowing the full amount. You were correct with your \$45 million. We have a general debt facility of \$45 million and we have had that for some time.

CHAIR - We take good advice.

Mr DUGGAN - We manage our recurrent capital, including fleet and infrastructure program within that. Our debt at June 2021 was \$22 million of that \$45 million and we have got a repayment program in place for that debt to be retired by 2025.

Devonport East, as has been referenced, is a \$240 million project. That is supported by a very strong business case with strong commercial aspects to it. That has been through review by government, by Treasury and also by TASCORP. TASCORP approved the full borrowing of \$241 million in addition to the existing \$45 million facility, but that was conditional on Government providing a guarantee for that amount. Government, through Treasury, has subsequently agreed to that guarantee and the appropriate guarantee documentation is currently being prepared.

Mr WILLIE - What are the terms around that borrowing? How long until it is paid off?

Mr DUGGAN - The discussions we have had with TASCORP, because it is a large infrastructure project, it's long-life infrastructure, therefore it's long-life debt and we have got an outer parameter on that of 2051; but we will commence repayment and retirement of that debt much earlier than that.

Mr BRADFORD - You would expect, as a port infrastructure provider, that we would have large amounts of debt on our balance sheet. We haven't had historically, because there hasn't been a recent port infrastructure project of this size that has come towards us. What is driving it, is the increase in the size of vessels visiting Tasmania, and both the major tenants at East Devonport have ordered and are receiving larger vessels. That requires a complete realignment of East Devonport and as Anthony mentioned, the dredging and widening of the Mersey. It effectively takes it to the widest and longest capacity available for the river. What underpins East Devonport is commercial agreements with the two tenants who will repay us and we will repay the debt. Being a government body, we pay income tax and we repay debt to TASCORP. You would expect this amount of debt will reduce as the user pays it off, but then will increase as we undertake other infrastructure projects, particularly in places like Burnie and Hobart.

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CHAIR - TasPorts will be the post box. The tenants will pay off the debt, it will not come out of any of the TasPorts' funds. Is that what you are telling us?

Mr BRADFORD - More than the post box. We developed the critical infrastructure that is required to the port and then we lease it back to the tenants to use. It is our expertise that drives the development, the dredging and the completion of the project and then the tenant, being a shipping company and the container users pay for it over a period of time.

CHAIR - Are telling us there will be no cost to TasPorts in upgrading this infrastructure. It will all be paid by the tenants?

Mr BRADFORD - It will all over a 30 year period be paid for by the tenants. Yes.

CHAIR - I do not think will be around here to check, but I will leave a note for someone.

Mr WILLIE - What impact is that going to have to the business with any future projects? Are you going to have a guarantee from government? Are you going to have an increased debt profile if another project comes along it is going to be reliant on government to fund it, isn't it?

Mr BRADFORD - I would not think so. I would think we would raise further debt based on the commercial viability of the project before us. The most likely ones are in Burnie and Hobart, which would have paying tenants. If of course, a project comes up that is community based, one of our community ports, that is a different matter, but that is not currently before us.

We are effective like a toll road. We build major infrastructure to last for a generation and we keep building it based on sound commercial contracts with reliable users.

In East Devonport, you would call TTLine and SeaRoad bankable tenants in the highest order, quality companies.

Mr WILLIE - I understand that, I am just asking the questions.

Mr BRADFORD - I hope I am not sounding aggressive. I wish I was there with you.

CHAIR - Thank you. It would make it a lot easier if you were.

Ms PALMER - Minister, I wanted to ask you about the impacts of COVID-19 on TasPorts operations. You did touch on cruise ships in your opening comments. Wondering what the initiatives that the company may have taken to mitigate the impacts here?

Mr FERGUSON - They have been very considerable. It would be fair to say TasPorts was one of the first phone calls the Premier made in those early days in March. An island state with 99 per cent of the state's freight tasks moving through the multi-port system. We are so reliant on shipping and the very fact the virus moves through ports, whether they are air or seaports with people and potentially, freight. It was a primary phone call to ensure TasPorts were on the job and the response was phenomenal.

I do have a brief on this and in addition to government measures implemented at national and state level, the business introduced stringent requirements for vessels and importantly, for crew calling to Tasmanian ports.

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These measures are still in place and they include prior to entering port, all ships are required to provide full information about crew health with focus on COVID-19 symptoms and confirmation of their monitoring practices on board those vessels, along with the biosecurity health declaration.

Any vessel arriving in Tasmania with crew on board that has come from outside Australia or has been in the last 14 days from the planned vessel arrival date into Tasmania, is restricted from entering Tasmanian port limits. This has been quite a challenge for the business and some of the crewed ships, as they have struggled but, nonetheless, have complied with those rules. It is very testing for the people on board. However, it is necessary to keep the state safe.

In addition to all of the above, all crew arriving in Tasmanian regulated ports are required to remain on board while in port. If required to disembark for critical vessel duties alongside, they can do so, but they are required to wear PPE and minimise contact with port staff. Any crew that disembarked a vessel to travel home to their place of residence must be approved and it be undertaken in line with the State Controller's rules.

Briefly on freight, TasPorts has not seen a material impact on freight movements. If anything, we have seen out of a strong Tasmanian economy an increase in demand, so that has been positive. The freight volumes overall increased by three per cent on the previous financial year, even though we have been through the pandemic.

Briefly on cruise ships, not only have we not seen the cruise ships in this period, but we have not wanted to. Cruise ships were deliberately suspended to Tasmania on 15 March last year. The federal government also announced a human biosecurity emergency declaration period 12 days later on 27 March. This declaration provides restrictions on cruise ships entering the country as well and that has been extended until coming 17 December. A further direction beyond this time has not been announced. There are no Tasmanian cruise ships booking prior to that date. There remains a high level of uncertainty regarding the ongoing impact of COVID-19 on the cruise ship segment, which Mr Donald has already referred to and when cruising in Australia will resume. Cruise lines are providing rolling updates on cancellations of calls in line with ongoing developments.

Briefly, in employee management and looking after our staff, TasPorts is supportive of the state and federal governments' positions regarding strongly encouraging vaccinations. It is also providing regular communications to employees that encourages the vaccine uptake. I joined those calls because our staff were largely in phase 1A and phase 1B of the first round of the vaccination rollouts, being critical freight sector staff. At this point in time the TasPorts business is continuing to monitor industry and government developments in this area.

It has also been undertaking appropriate risk assessments, noting from a whole of government point of view, taking government agencies and GBEs, which does include TasPorts, there is work being supported and it will be part of the announcement the Premier will make, presumably next week in response to those risk assessments. I do not know if you have anything to add to that.

Mr DONALD - I would just like to take the opportunity to thank our staff for what has been a very challenging period. There was a period, of course, where we asked them to work from home and office-based staff to work from their kitchen tables.

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My assessment is we saw an increase in productivity associated with that and that is not because people do not work hard when they are working in the office; I think the business hours were stretched for a lot of people. What I continue to see in our team is pride with respect to their role to facilitate freight movements and keep our ports open. We have men and women out in the middle of the night in extreme weather conditions getting wet, bringing in ships.

CHAIR - A supplementary, Ms Siejka.

Ms SIEJKA - On related matters of staffing, minister, as I imagine COVID-19 would be stressful for some working in the industry on the frontline and things like that, what strategies have been put in place to manage staff retention and turnover and do you have any figures on staff turnover since COVID-19 came along?

Mr DONALD - I might ask where I get that figure. I have seen that. I know that it is relatively low. In terms of retention of staff, our objective over the last number of years has been to improve the culture and performance of the business and pre-COVID-19, we invested heavily in creating a stronger foundation around our values. One of our particular values is care.

That, in itself, was quite positive and relied upon by the workforce with respect to dealing with some of the challenges. Some of those challenges were, perhaps, more critical for those who felt a little bit isolated working from home.

Ms SIEJKA - Do you have any numbers?

CHAIR - They're on their way.

Mr DONALD - I will ask if they can be provided to me.

Ms SIEJKA - I am also interested in stress leave numbers, EAP, workers compensation claim numbers, that sort of thing.

Mr WILLIE - Redundancies.

Ms SIEJKA - Yes.

CHAIR - The full suite of general employee questions. Employee costs were up. What were the drivers? You talked about people working from home and you also have some incentive payments as well. You might like to speak to those as well, minister.

Mr FERGUSON - There's a lot in that. During the course of the hearing we're going to obtain all of that information, as best we can provide.

Mr DONALD - Regarding incentive payments for the financial year, there were no incentive payments made.

CHAIR - Short-term incentive payments, it says here on page 72 of the annual report, note 21, key management personnel. Even though I have my glasses on, it's still difficult to read your annual report when it's printed for us like this. It definitely provides for short-term incentive payments. Not everyone was fortunate.

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Mr DUGGAN - To clarify, they were incentive payments paid during that financial year in relation to performance for the prior financial year.

CHAIR - That's what we're looking at here. We only have this annual report, thank you, though. I guess, the next question is, who determines the incentive payments provided?

Mr DONALD - That process is very rigorous. There's a government guideline with respect to executive payments and incentive payments. There's a requirement to deliver on all of the key performance objectives. In addition to that, there's a requirement to deliver on stretch targets. That's almost a pre-condition to be considered for an incentive payment, which would reflect delivery of something which is above and beyond the delivery of the performance objective and the stretch target. All of these are considered robustly by our board and approved or otherwise accordingly.

CHAIR - The chair might like to make a comment in regard to short-term incentive payments for key management personnel?

Mr BRADFORD - It's a very good question. At my page 69, note 21, for 2021 has no short-term incentive payments, but when I turn the page to the previous year there was \$113 000 paid based on performance in that year.

Mr DONALD - The previous financial year.

CHAIR - As I have stated, I have page 72 in front of me. I will check and make sure I have the right year. This is the annual report of TasPorts, Connecting Tasmania to the World, 2020-21. This is the scrutiny the committee is providing to this annual report. I thought you might like to make some sort of comment but if you're not, that's fine, we'll move on.

Mr BRADFORD - I will check that. I am wondering why my bound volume is different to yours. That's my problem, I guess, not yours.

Mr DONALD - As Geoff indicated, it relates to payments made for performance incentives that were following the previous year.

CHAIR - It's still part of this annual report. This is where the money comes from in this period. It doesn't matter when it was judged, if you like. We'll watch that with interest.

I also noticed that admin costs are up \$1 million. Is that because everyone had to have a new laptop because they were working from home? Could you give us some indication of what that relates to?

Mr DONALD - Geoff, are you able to talk to that one?

Mr DUGGAN - The admin costs picks up a whole range of costs during the year. There's consulting fees, legal fees and property occupancy costs.

CHAIR - We have a separate page for consultancy fees.

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Mr DUGGAN - I assume you are picking your number off your financial statements. The disclosure in the annual report provides further detail about consultancy spend during the year.

Mr VALENTINE - Can I ask a supplementary on that, Chair?

CHAIR - If you'd like to ask your supplementary, member for Hobart, I'll find the consultancy fees paid.

Mr VALENTINE - I was interested in the legal fees that you might have paid out during the major case. How much would that have cost the organisation, all aspects of that case? There might have been several payments to different bodies but can you give us a wrap-up on that?

CHAIR - Given that we know that the \$200 000 payment hasn't been paid as yet.

Mr DONALD - No, it has. The \$200 000 payment of legal fees for the ACCC has been paid.

CHAIR - Yes, but it's not in this financial year. It's not covered here.

Mr DONALD - Right, but it has been paid. If I may, and correct me if I'm wrong, Geoff, I think it's in the order of \$4 million of total legal costs. That, of course, doesn't include costs associated with TasPorts' staff and management time.

Mr VALENTINE - No, I'm sure it doesn't. Do you have an overall impact dollar-wise of this case on the organisation?

CHAIR - I'm sure the chair of the board will know that.

Mr BRADFORD - The total cost would generally be gauged by the legal fees we paid which Anthony said is in the order of \$4 million.

Mr VALENTINE - But incorporating staff time and all of those other aspects, do you have a total impact on the organisation with regard to this case?

Mr BRADFORD - I don't but being \$4 million of external legal fees, it was a significant case.

Mr VALENTINE - I think everyone appreciates that.

Mr DONALD - I might clarify that the total legal costs were \$4.6 million.

Mr WILLIE - Part of the agreement, did that include \$1 million-dollar capital upgrade for inspection -?

Mr DONALD - A minimum of \$1 million was spent over, I think, it's a 15-year period.

Mr WILLIE - That's an added cost as well because that was part of the agreement.

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Mr DONALD - That's part of an undertaking, a conditional undertaking that was part of a settlement agreement.

Mr VALENTINE - That's pushing it up there, isn't it, really, when you look at all of the costs.

Mr FERGUSON - That's an asset.

Mr VALENTINE - Yes, I know it's an asset. I'm saying the overall impact of this case is really quite high overall, isn't it? I have other questions.

CHAIR - I guess the question is, have there been any lessons learnt from this? That's the question, minister. No organisation can cost that sort of money.

Mr VALENTINE - \$4.6-plus, plus the infrastructure.

Mr DONALD - A significant cost was incurred on the organisation in the defence of some really serious allegations. We took them very seriously. TasPorts wears multiple hats; I wear multiple hats. We are the port infrastructure owner. We are the owner and operator of a marine pilotage business. We are the owner and operator of a towage business. On behalf of MAST, we are also the marine safety regulator. We own and operate a shipping line that runs to King Island.

As I said, we wear multiple hats. The law changed a number of years ago, recently I would say, and there was an introduction associated with a likely effects test. The allegations that we were confronting related to whether or not TasPorts had an anti-competitive purpose and they were all dismissed. There were allegations associated with TasPorts having an anti-competitive effect on the market and they were also dismissed.

Where we agreed during the settlement, that there was a contravention to TasPorts having a likely effect on a towage service operator in Tasmania. That came into effect as a result of TasPorts attempting to recover tonnage fees off vessels calling at Port Latta. Those tonnage fees are paid by every ship calling into Tasmanian waters and is a very standard practice globally. All we attempted to do was recover tonnage fees from ships calling at Port Latta.

The legal view on that matter was that there was an omission in TasPorts' pricing tariff schedule, where the words 'Port Latta', were not included within the pricing tariff schedule. That gave rise to a legal argument that suggested that there be a likely effect on a towage service provider should TasPorts collect tonnage fees off ships calling at Port Latta. It is a very complex argument and it is challenging to understand; even from my perspective, it has been challenging to understand and unwind. I completely understand it now.

There were also significant learnings associated with the legacy commercial arrangements that were in place. There was a long-standing dispute between the Marine Board of Hobart - that became the Port of Hobart Corporation - and Australian Bulk Minerals. The ABM business went through a number of iterations and ultimately became known as Goldemier and then referred to or known now today, as Grange Resources, for the operation of the Savage River Mine and Port Latta.

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That long-standing dispute that occurred back in the 1990s was associated with the collection of tonnage fees. The organisation, Marine Board of Hobart, went through a change to the Port of Hobart Corporation. There were a number of iterations of the regulatory environment, including the establishment of new MAST legislation back in the 1990s, that was largely centred on encouraging competition of all of the ports around the state of Tasmania. This is before the formation of the TasPorts organisation, which is reflective of the amalgamation of the ports.

In 1 January 2006, TasPorts was formed through the amalgamation of all the ports around the state. However, we still had the MAST legislation of the 1990s. There were some further updates of commercial arrangements between TasPorts and Grange Resources and what was ultimately agreed to was, if I can describe it as an 'all-encompassing contract' for all services associated with pilotage, with towage, with maintenance and operations at Port Latta.

Grange Resources elected to contract an alternative service provider, and that was fine. TasPorts was open to facilitating the transition of services to that alternative service provider. During that transition, we elected, appropriately, to recover tonnage fees from the ships calling at Port Latta. Where we stumbled, was that we didn't appreciate the legal argument of the 'likely effects' test around the omission of the words 'Port Latta' in our pricing tariff schedule.

CHAIR - So that was an almost a \$5 million or more stumble, effectively?

Mr WILLIE - What is the minister's view on this?

Mr FERGUSON - My view is clear. It was a complex legal test that was brought to bear in the Federal Court by the ACCC. The issue has already been raised by the CEO that the matters were very complex. And, I will remind you and the committee and others that the charge of deliberately acting with a purpose to lessen competition was dismissed. This was a significant matter that TasPorts was within its role to defend and naturally the enforceable undertaking which was entered into voluntarily by TasPorts is supported by government. It is important to note that the financial penalties haven't been awarded against TasPorts but naturally there have been legal fees along the way.

I was earlier asked about what lessons have been learned. I think it was you, Chair, who asked me that question. We are totally supportive of the ACCC enforcing the competition law and the consumer laws that relate to our own businesses as well. It is a matter that I've made clear to the board that we don't expect to see this happen again. I have been firm about that.

Furthermore, it is worth pointing out that the regulatory regime in which this matter has arisen, is a very murky one. The legislation that supports, for example, port safety in Tasmania, is more than 25 years old and in a very small jurisdiction. The provider is expected not just to provide the commercial services to facilitate the trade of goods across ports, TasPorts is also required to make sure that all of those are provided in a safe way, including with emergency provision, for example, of pilotage and towage services.

I will draw the attention of the committee to the annual report which does - in fact, the board itself has stated that there is a need for a root and branch regulatory review. Because of the arrangements that the Deed with MAST and the EPA, we didn't mention environmental considerations, but that is a further role that TasPorts are responsible for. As a government,

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we are prepared to do that regulatory review. I have some detail here that I am prepared to share.

CHAIR - Is there a time frame for that?

Mr FERGUSON - We are working through that. The regulatory framework is complex. It's probably out of date and it is different to what is in place in most other Australian ports, which are open to competition in towage and other services.

To ensure that the regulatory functions of Tasmanian ports meets contemporary standards, in October I announced that the Government would conduct a root and branch regulatory review of port services in Tasmania. I can tell the committee that while the Government currently is taking advice on the best way in which to pursue that review and the terms of reference that will support it, we will ensure that the regulatory framework for Tasmanian port services operates in the state's best interests. We will ensure that it provides for safe, contemporary, fair and cost competitive functions. We expect that this review will be conducted with the support of the Department of State Growth, with the assistance of the Department of Treasury and Finance, and we also expect to engage expert advice as required.

I mentioned that the terms of reference are under development currently. The review will actually go as far as to also examine the existing arrangements between TasPorts, Marine and Safety Tasmania (MAST) and the Environment Protection Authority (EPA).

Lessons learned? Absolutely, we do not want to see a repeat of this again. There is no suggestion by me nor the ACCC any longer, nor the Federal Court, that anybody has deliberately set out to lessen competition. This matter needed to be settled and TasPorts needed to - and did succeed in large part - defend its good name. Nonetheless, there have been lessons all around here and we don't expect to see this happen again. Furthermore, I look forward to having more to say publicly about the regulatory review which I believe will underpin confidence going forward.

CHAIR - Thank you, I'm glad we have that cleared up.

Ms ARMITAGE - If I could just ask about the two new large tugs for Bell Bay - the *RT Force* and the *RT Sensation*. My understanding is these tugs are much more substantial and, presumably, much higher operational in purchase or lease costs than the historic tugs, that have been perfectly adequate size-wise for the ship size that can physically access Bell Bay Port.

Given the limitation of the port determines ship size and legacy small tugs have a history of safe delivery to and from berths, why are we being provided larger tugs? If you could answer that first and I will move down the questions.

Mr FERGUSON - Mr Donald is -

Ms ARMITAGE - First of all, why are we going larger tugs rather than the smaller ones that seemed adequate in the past?

Mr FERGUSON - I will certainly ask Mr Donald to answer it and I will ask him to emphasise the importance of safety as well.

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Ms ARMITAGE - Yes.

Mr DONALD - The two tugs, the *RT Force* and *RT Sensation*, have an 80-tonne bollard pull. The two tugs they replaced were akin to an historic car in terms of age. They were both over 40 years old with diminishing bollard pull - the strength they exhibit on the force of on the line. Our investment via a lease arrangement was required in order to maintain minimum levels of safety.

We continue to work with our harbour master who is continuing to revise the organisation's understanding of improvements to safety, including for the provision of towage services in the Tamar River. The currents in the Tamar River are particularly strong and we have been working with the Australian Maritime College to understand better the strength of those currents.

The Tamar River, of course, is quite tidal in nature and our shipping movements generally occur at two periods of the day, obviously, subject to the tidal movements. These two new tugs are a significant improvement to safety.

Ms ARMITAGE - Thank you. I do not think the question was so much why you have bought new tugs if the others were 40 years old, but why they're so much bigger than the previous ones. I am assuming you could buy new tugs that were smaller for the waterways they were going in that would still have adequate tonnage for the size of the ships.

Mr DONALD - Yes, but actually in length they are actually smaller than the previous ones. They have a significant bollard pull because of their propulsion. It is a rotor tug, a sort of a triangular propulsion at three different points on the hull of the vessel which means it can move essentially in 360 degrees very rapidly as opposed to an older, more conventional tug.

Ms ARMITAGE - Even though the ports are physically constrained, the size of these means they can manage quite well because the navigable channel is quite difficult?

Mr DONALD - Yes. When you say physically constrained, do you -

Ms ARMITAGE - I guess size-wise the channel is constrained, isn't it?

Mr DONALD - Yes, that affects the length of vessels that can call.

Ms ARMITAGE - Right.

Mr DONALD - Into all of our ports, essentially and Bell Bay is certainly not immune to that. Globally, tugs are hard to get and it was fortuitous we were able to get these two new tugs.

Ms ARMITAGE - What did we do with the old tugs? Were we able to onsell them to someone?

Mr DONALD - That is the plan. The market for tugs 40 to 46 years old is a challenging one and I do not think there are too many places around the world looking for those sorts of tugs, but there are some, yes.

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Ms ARMITAGE - If you haven't got anything, it is probably better than nothing.

Mr DONALD - One of the things I would like to share with the committee is it is really important we manage our marine fleet appropriately. The investment in marine fleet is not small licks of capital; it does require ongoing investment.

I, personally, as does the whole organisation supported by the board, want to always ensure marine safety and to have tugs so old and have questionable bollard pull, when we are bringing in large vessels. The nature of tugs is they exist to help the masters of vessels safely navigate our waters and we do have some very challenging waters, with over 1000 shipwrecks dotted around the coastline. It is not a hit-and-hope exercise when you select a tug and I feel far more comfortable knowing we have appropriate-sized tugs in the port of Bell Bay.

Mr FERGUSON - And to respond to vessels in distress.

Mr DONALD - Yes, one of our roles is to respond to emergency situations, 24/7, with the provision of tugs.

Ms ARMITAGE - Are extra costs being placed on users to make up for the cost of the new tugs, so there will not be any extra cost?

Mr DONALD - No, there has not been any price adjustment associated with arrival, as part of the 2.9 per cent increase.

Ms ARMITAGE - You can assure customers they will not experience any increased shipping costs as a result of the acquisition of the new tugs?

Mr DONALD - That is something that we would contemplate on revision of our next pricing arrangements. If we were to select to do that, I would expect we would have a very compelling position that would articulate to our customers.

Ms ARMITAGE - They would cost more to run if they are heavier and bigger.

Mr DONALD - They would be far more cost-effective in terms of efficiency, a reduction in maintenance costs. Our tugs, as with all commercial marine vessels, need to go through a regular survey process, which costs significant amounts of money. As marine assets get older, those regular upgrades or maintenance activities become more and more expensive. We get to a position with some of our old tugs where the five-year survey cost estimate is greater than the expected sale price of the tug. That are some of the challenges we have but, again, marine safety is our number one priority. Tugs are designed, by nature, to effect the safe movement of vessels.

Ms ARMITAGE - Will we be looking at more new tugs for other ports?

Mr DONALD - The committee can expect TasPorts will adopt a very appropriate and mature approach to fleet replacement and it is something we are currently looking at around the state. Our two tugs in Hobart were recently purchased, three years ago, Geoff? They were a fantastic addition to our fleet. Certainly, with the role they play in assisting ships to navigate the Derwent River and importantly, the Tasman Bridge transit, making sure we have appropriately-sized tugs.

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Ms ARMITAGE - They would be 80 tonnage also?

Mr DONALD - Not in Hobart, no.

Mr VALENTINE - With regard to third-party tug services, do you engage them or do you provide all of your tug services now?

Mr DONALD - TasPorts is the owner and operator of a towage business, but we also have a competitor in Tasmania. That is something openly facilitated.

Mr VALENTINE - Do you ever engage them for services you need because you do not have tugs in the right spot at the right time?

Mr DONALD - No, I do not believe we have.

Mr BRADFORD - I think the reverse applies. In Port Latta, we provide the backup tug to the competitor's towage business. Without that strong support from us, they may struggle to provide an effective service on days when the Bass Strait can get a bit rough. Towage is there to aid the vessels that visit Tasmania. The owners of those vessels are investing US\$50- to \$60 million each. In my experience, it is unusual for a vessel owner to complain about bollard pull of tugs if it is over capacity, rather than under. They want their vessels protected and we want the environment in which they sail to be protected. That is why the board has, since 2015, embarked on an upgrade of towage capacity and of the vessels that take our marine pilots out to meet those vessels.

Mr VALENTINE - I am sure the people of Hobart are very happy you have the ships that go under the bridge under control.

Mr BRADFORD - It is always at the forefront of my mind.

CHAIR - I am going to declare that we suspend the sitting for a short break, as it is 3.15 p.m. We will come back at 3.30 p.m. and we will need to make our questions and answers very concise, otherwise we are not going to get through this.

It is important. It is Friday afternoon and everyone has had a lot of long weeks in this place.

Sitting suspended from 3.15 pm to 3.30 pm

CHAIR - Welcome back to the table. As I have indicated, we need to sharpen up questions and answers and we will be finishing at 5 p.m.

Stephen has a response to my question about incentive payments, thank you.

Mr BRADFORD - The incentive payments relate to performance in 2018-19, well before COVID-19, and they were paid 2019-20 year. The board certainly approved those incentive payments and we thought they were well merited. It was a very successful year.

CHAIR - Thank you for that. We will be looking at that, ongoing.

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Ms ARMITAGE - I have had further clarification about an earlier question. It was regarding the one that I thought it might have been, which was Bell Bay, so there were a few wires crossed there.

Could you advise me with regard to the option agreement, the exclusive negotiation of the land to Fortescue Future Industries. It wasn't a public process. Is it normal for it to be a public process or is it normal to exclusively deal in this instance rather than being a transparent process and giving others the option? As far as I can read, it was a prize piece of land at George Town/Bell Bay. I have the media from 23 June.

Mr DONALD - Thank you for the question. The industrial park at Bell Bay is a large expanse of land, it is heavily under-utilised and has been for a long period of time. Following the Government's announcement of the expression of interest process, our organisation has been heavily involved with quite a number of parties associated with hydrogen energy opportunities.

We have had quite extensive engagement with quite a number of those proponents. There was only one proponent who expressed a desire to export green ammonia out of the port of Bell Bay. Our role is to facilitate trade and it is very important that our land, particularly around Bell Bay, was associated with export. Our interactions with other proponents and their level of interest was more around retail opportunities at that point in time.

Our role is to facilitate trade and the movement of freight, so we have entered into an exclusive arrangement for an options agreement on a piece of land.

Ms ARMITAGE - So there wasn't other interest in that land?

Mr DONALD - Not at that point in time.

Ms ARMITAGE - Are you able to tell me the value of the land?

Mr DONALD - I don't have that figure with me, but I can provide it.

Ms ARMITAGE - You can provide it?

CHAIR - The value of the land at Bell Bay.

Ms ARMITAGE - Yes, the value of the land that was the exclusive agreement.

Mr DONALD - If I may ask a question about your question. The value in regard to the asset or the value in regard to the commercial discussions we are having with the proponent?

Ms ARMITAGE - It would be interesting to know both. I am not sure whether you would be able to tell me the second.

Mr DONALD - I was going to say, I can't tell you about the second.

Ms ARMITAGE - We might read it in the annual report next year, included in land sold, perhaps. Is it a lease or is it a sale?

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Mr DONALD - I am happy to confirm that you won't read that it will be sold.

Ms ARMITAGE - That it will be sold?

Mr DONALD - I am happy to confirm that you will not read in future annual reports that we will be selling that land.

Ms ARMITAGE - So, it's a lease?

Mr DONALD - A lease. An option for a lease.

Ms ARMITAGE - An option for a lease? I wasn't sure whether it was an option for a lease, an option for sale or lease.

Mr DONALD - Yes, an option for a lease.

Ms ARMITAGE - Can you tell me the length of the lease?

Mr DONALD - That is still subject to discussion and negotiation.

Mr VALENTINE - On that question, a supplementary first before I go to my other questions.

Are you able to outline the investments that TasPorts will be required to undertake to ensure the potential of hydrogen exports from Tasmania are realised? Apart from the land issue, what other investments are you envisaging making?

Mr DONALD - My response is quite generic in nature. Of course, our role is to facilitate the movement of freight with vessels. We have been really clear in our strategy with this industry that we will deliver common-user infrastructure and again, as a volume based business, the economies of scale that flow as a result of that. Whilst we have entered into an options agreement for an exclusive piece of land in our industrial estate, any of the infrastructure within our port, including the wharf and/or gantries, pipe manifold arrangements, would be designed in a manner where they are common user facilities. A lot of the discussions with all of the proponents are quite dynamic in nature and over the next period - it could be weeks, it could be months, it could be years - we will come to understand the requirements of those proponents. That will enable us to firm up on the costs associated with any infrastructure upgrades that we will need to deliver to support that investment.

Coming back to an earlier question, our role is to facilitate trade that is supported by sound commercial agreements. As we put in place with the Devonport East project, the committee and the community can expect that TasPorts will put in place sound, positive commercial agreements with these proponents that underpin any investment required in our port infrastructure for common user arrangements.

CHAIR - Mr Valentine, one question and then I am going to Ms Palmer.

Mr VALENTINE - The second highest commodity handled by TasPorts - empty containers. It is one of the top 20 commodities - TEUs, page 13 of your report. With respect to the 151 438 empty TEU containers handled by TasPorts, are those containers imports into

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Tasmania or empty containers being exported back to the mainland and overseas? There must be some opportunities there with all of these empty containers flowing around.

Have you explored how you might be able to capitalise on that by offering empty space for freight out of Tasmania as opposed to just sending back an empty container? You are a volume-based business, it is not by weight. There is a lot of empty space being exported backwards and forwards. Can you paint us a picture as to what that all looks like and whether or not we are getting the best opportunities?

Mr DONALD - I certainly can and thank you for the question. The significant majority of those empty containers are shipped by our three customers, TT-Line, SeaRoad and Toll and the arrangements that are in place with those businesses for the provision of containers for their customers is a matter for them.

Our understanding and one of our strategies over the last number of years is to examine initiatives outside the port gate. What do I mean by that? What does a supply chain need within Tasmania to improve the efficiency or the availability of equipment, including containers? Should TasPorts look at investments in intermodal terminals? Should we look at an empty container park? We don't have an empty container park within our operation but our terminal operators and domestic container movers in TT-Line, SeaRoad and Toll manage their containers very well to suit their own commercial interests. There is a container park in the north-west of the state and I have been there and I have observed that it does appear to operate extremely well.

Empty container parks are perhaps something that, hopefully one day, Tasmania will need more. The availability of containers is a challenge globally at the moment and it is not just Tasmania that is challenged by the availability of equipment with containers. It is a global issue and the detail associated with the economic or the commercial incentives or objectives of moving empty containers across Bass Strait is a matter for our customers. We just facilitate their movements.

Mr VALENTINE - You don't own the containers, quite clearly.

Mr DONALD - No.

Ms PALMER - There has already been some discussion about freight but this is a specific question. Minister, I was wondering if you could provide more detail on the trajectory of freight volumes by commodity type?

Mr FERGUSON - Thank you, Ms Palmer and Chair. We might jump into this question together, Anthony.

CHAIR - As long as there is no repetition of the answer.

Mr FERGUSON - In my introduction earlier today, I mentioned that total throughput achieved an incredible 14.5 million tonnes, a 3 per cent increase on 2019-20 trade volumes, which, in the context of the COVID-19 pandemic, is a great outcome. It shows that demand within Tasmania for goods to come into the state was very high, and I will shortly come to the containerised freight. It also shows that a demand for our product to be exported was also very high. We are very pleased about that and I think it is a demonstration that not only is the

Tasmanian economy thundering along, but also TasPorts is in a position to facilitate that trade, as Mr Donald has repeatedly stated.

Containerised freight has increased more than 7 per cent on the previous financial year. When you are comparing your reports, you will see that for 2020-21 more than 594 000 TEUs, 20-foot equivalent units have transited our ports. We see that as a very strong result, given the global shipping supply chain continues to experience massive issues, some significant disruptions and delays, along with significant cost escalations.

Increases in retail trade, agricultural exports and large-scale manufacturing are key to increasing demand for this containerised freight. Key transit points are at Devonport, Burnie, Bell Bay. More than 594 000 TEUs, which I have mentioned.

To move to forestry, which this Government is a strong supporter of, we are really pleased that, despite more issues in some of our trading arrangements being challenged, nonetheless more than three-and-a-half million tonnes of forestry products have transited through Bell Bay, Burnie and Hobart. That is a high number. Despite those ongoing challenges, it does represent a decrease of 4 per cent on the previous year's volumes.

Increased volumes out of Bell Bay were off-set by reduced exports at Burnie and Hobart. Those escalating international trade tensions are something that government and members of this committee will be keen to watch.

In the bulk commodities and minerals segment, key transit points are Bell Bay, Burnie, Devonport and Hobart. Mineral export volumes remain very robust. Throughout 2020-21, despite market volatility, it has finished at 0.68 million tonnes. That is a 20 per cent increase, compared to the previous reporting period, with exports of mineral concentrate from the port of Burnie being the key contributing factor.

Time will not permit, but we have a very exciting project up there being run by TasRail, to bring on a new ship-loader which will double the volume loading rates per minute. Key bulk commodities include cement, zinc, concentrate and alumina.

Finally, I will mention fuel. Tasmania's essential fuel and gas suppliers are transiting through all major ports prior to being distributed across the state to our fuel stations. During 2021, more than 1 million kilolitres of fuel and gas products were brought into our state. This volume was consistent with fuel import levels from the previous reporting period. Very strong volumes.

It does help to demonstrate the strong showing that we have seen for our customers, if you like, TasPorts' customers, providing that key service. But importantly, ultimately, providing a service to Tasmanians and Tasmanian businesses.

Mr VALENTINE - With regard to the TEUs, which, by the way, are 20-foot equivalent units, for those who might not understand what that means. Do you have any figures on the number of those units that are actually being delivered through your sites by rail and by road transport? Do you have any understanding of that, out of interest?

Mr DONALD - Yes, we do, broadly speaking. I do not have that in front of me, but we will try to get it in the next few minutes. I think the vast majority are via road.

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Mr VALENTINE - Is the trend more and more by road?

Mr DONALD - With the 7 per cent increase in domestic container movements, I would expect that there is perhaps a comparable increase in road transport movements. When you look at the bulk minerals movements and the movements of forestry, that is where there is a tendency of customers to use rail, predominantly. That is a generalisation, as opposed to a specific statement. There has certainly been an increase in both rail share and road, but the statistics on the increase in domestic container movements, I would expect, the majority of those flow to movements on road.

Mr VALENTINE - Not that it is within your control, but by rail means there is less road maintenance.

Mr FERGUSON - There is a heavy reliance on road by, for example, even a road-based operator, like Toll, to use rail to get containers in and out of Burnie. I certainly support the other comments of Mr Donald.

CHAIR - A question about consultancies in this particular annual report, \$2.626 million, could we have a general overview of what those consultancies consisted of? Obviously, they are named and that is okay, I do not need details around that. What sort of activities do you use that significant amount of consultancy work for?

Mr DONALD - Generally speaking, they are associated with the acquisition of specialist services, services that cannot either, by capacity or capability, be provided by our internal staff. The figure reflects prudent management of consultant spend during the year. If the committee looked through previous annual reports, you would see some significantly larger numbers associated with consultant spend. It was incredibly challenging to get it down to that figure. I would go as far as saying I would expect it will be larger in future years.

Mr FERGUSON - The question, if I can assist to outline the purpose.

CHAIR - For instance, Mark Cooper Coaching and it says, 'Engineering services', so is coaching engineering services?

Mr DONALD - That's the title of the business. That service is associated with -

CHAIR - It sounds like a pep talk, to me.

Mr DONALD - That is the name of the business, as opposed to the nature of the consulting service.

CHAIR - It is not encouragement for the work force, no.

Mr DONALD - No, that service is associated with the uplift in maturity of our project management capability and making sure the systems at work reflect that required to deliver large-scale infrastructure projects.

CHAIR - It is not really engineering services, providing some welding and maintenance.

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Mr DONALD - It is engineering and project management, in terms of the sophistication or maturity of the processes of project delivery.

CHAIR - It is just giving some encouragement to the work force.

Mr DONALD - No, it is certainly not a motivational consultant. That is something that, perhaps, management would be very capable of doing. This is associated with the technical aspects of project management. There is an international maturity scale of project management and we have gone to great lengths over the last five years to improve the project management capability of the TasPorts organisation. I am very proud of the maturity we have reached, but there is still work to be done.

Ms ARMITAGE - I was looking at the total work force has gone down somewhat. Could you give me the reason, is that to do with COVID-19?

Ms SIEJKA - If we could have those figures we were promised earlier, which relate to that also, that would be good.

Ms ARMITAGE - It is comparing the two annual reports, the 2019-20 report and the 2020-21 report, 294, as opposed to 305, previously. Operations in 2019, 92, 85 now in services. I am going by the reports I have here.

Mr DONALD - I think it is a different number in mine. During COVID-19, one of our management actions was to put a freeze on recruitment. That included a critical review of replacement roles. There has been a considered effort to challenge or reallocate resources across the organisation when we have seen turnover.

Ms ARMITAGE - And natural attrition as well?

Mr DONALD - Yes, natural attrition. Picking up on the earlier question regarding retention and turnover - the turnover during the financial year was 9 per cent with 42 separations across the business, 3 of which were in management roles.

Ms SIEJKA - How many staff did you say there were?

Mr DONALD - As at the 30 June, 227 full time employees, 34 part timers, and 33 casuals.

Ms SIEJKA - There were some other questions, when we were talking about COVID-19, around stress leave and how many people were on workers compensation of some form and stress leave.

Mr DONALD - As a result of COVID-19?

Ms SIEJKA - No. Just general data. I thought it would have been a stressful period of time.

Mr DONALD - Three individuals have had a period of stress leave from TasPorts during the last 12-18 months. Some of them may have had a corresponding workers compensation claim.

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Ms SIEJKA - Of the 42 that have left the organisation, what sort of profile is it? Is it across the business evenly or is it heavier in senior management, for example?

Mr DONALD - It certainly hasn't been heavier in senior management, in terms of numbers. I think it is generally spread across the organisation. There is not a particular trend, that I am aware of. It is more associated with natural attrition. We have seen quite a bit of turnover with engineers and project managers. I think that is a reflection on Tasmania's infrastructure pipeline and I think that is something that the nation is challenged by. Our ambition and objective in that regard is to continue to foster a culture where people want to work for TasPorts, because you get an opportunity to be involved in the delivery of some very interesting, challenging and rewarding work, and be part of a really positive culture.

CHAIR - Thank you. We have noticed today through our scrutiny that less annual leave seems to have been taken, given that people don't appear to be able to travel or don't want to go to the islands as their overseas trip. Minister, is TasPorts experiencing the same sort of trend with annual leave?

Mr FERGUSON - I will just add to the answer to Ms Siejka's earlier question. I think Mr Donald is going to answer the on annual leave trend. .

To give you a full view, total FTE staff in fact, increased by 7 staff through the year as well.

Ms SIEJKA - A lot of different areas of government have seen change during COVID-19 and given that the work continued fairly steadily in this area I was interested in it.

Mr DONALD - Annual leave continues to be a focus for the organisation. We want to ensure that there is an appropriate work-life balance and that people get their opportunities to have their breaks with their friends and family away from the busy work environment. We track the annual leave balances of all staff in ongoing manner, and they tend to trend between 16-20 days per person. During COVID-19, globally, there was a tendency for people to resist or bank their leave when overseas trips were cancelled or interstate trips weren't available to them. We encourage staff to continue to take their leave, and we ensure that our staff take their minimum of 20 days leave per annum. We did achieve that target. However, it is an ongoing challenge for us and whilst we currently sit at 20 days, we are moving into a period of the season where we expect a lot of people to take some annual leave. Perhaps, by the end of February and March I would hope we are back down to a number of around 16 days per person. Our ambition is to get that lower, because we understand the financial implications associated with it.

CHAIR - But it is important for their own wellbeing.

Mr DONALD - Yes. With that regard, Chair, we are very good at making sure people take their 20 days of annual leave. We can always continue to be better in that regard. Where we have some challenges with legacy annual leave balances of some of the workforce which are quite large in number and we need to make sure we continue to address those large leave balances.

On average I would say I am very confident our staff take their 20 days of annual leave per year. It is the ongoing reduction in some of those larger leave balances which are historical

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in nature. Some of our staff have been employees for 10, 15, 30, 35 years and we continue to work with those individuals to prepare annual leave plans. Some of their roles are conducive to that, some of them not. If we looked at their roles and their resilience of the function in support of the movement of freight, that is a really important consideration.

CHAIR - Is there an intention to perhaps pay out that leave rather than have it still sitting around?

Mr DONALD - That is certainly part of our ongoing negotiation with enterprise agreements. That is certainly something we have on the table on a regular basis. There is a tendency of individuals to resist that.

CHAIR - Thank you. Ms Armitage, and then I am going back up the table.

Ms ARMITAGE - I have some more questions on boards but will come to that later. Going back to the number of consultancies and the Tasmanian versus interstate, the ones over 50 000 there are eight interstate and seven Tasmanian. With regard to the Buy Local and the question with regard to some of the interstate - project advisory services, project design services, engineering services and commercial advisory services - these, obviously, are for the last financial year of which a lot was during COVID-19.

I would like to know what the percentage should be of Buy Local and whether we have actually met that with eight of these being interstate. I am not adding any amount up and looking at that, obviously, tenders come into it but you have to compare a tender with an interstate company as opposed to giving work to locals. Would a lot of those employees then become essential workers that had to come in the state from other states such as New South Wales or Victoria, particularly in COVID-19 times?

Can you advise what a lot of those actually were for? It just says project advisory services. Are they people coming into the state? Are they coming in as essential workers? Do they have workers here in Tasmania actually doing the work, even though they are an interstate firm and do you consider you have actually met the Buy Local?

Mr FERGUSON - I will answer the last part for Mr Donald.

Ms ARMITAGE - Sorry, minister, I should be looking at you.

Mr FERGUSON - No, no, it is fine. I am very comfortable with the way you are asking questions of all of my guests in the chair, but I just want to leap in. The last part of the question, the answer is yes, TasPorts does abide by the procurement guidelines and the Buy Local policy. That is important. As you would be aware, we have ramped up that Buy Local policy such that the greater portion of points are awarded for Tasmanian social and economic impact in the Tasmanian communities. An important point to make as it has not always been the case.

Ms ARMITAGE - I notice some is capital expenditure and some is operational expenditure.

Mr FERGUSON - Yes.

Ms ARMITAGE - In the consultancies.

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CHAIR - As succinct as we can be; thank you.

Mr DONALD - The majority of those consultancies are associated with infrastructure planning, preparation or delivery. In contemplating large infrastructure delivery with the Devonport East project, we have sought to understand what our market is. We do provide opportunities for Tasmanian-based consultancies to tender for work and we reflect that in our weighting of tenders accordingly. The reality is we are finding there is a shortage of capacity within project management and engineering within the state of Tasmania.

Frankly we are tracking an infrastructure pipeline that is in excess of \$35 billion over the next five years, we need to ensure the delivery of our important infrastructure projects, whether that be for the upgrade of a wharf at Bell Bay or for the delivery of the Devonport East project. We need to know that we have the capability and the capacity to deliver those infrastructure projects.

Ms ARMITAGE - A further question with that, because it sounds almost word for word the answer I get when I ask TasWater about why they are using interstate firms. They always come back to capacity. What I am hearing from a lot of our Tasmanian firms and I am wondering if it is the same with TasPorts, is that the local firms used to put tenders in but it would inevitably go to a mainland company which would then employ those very people that put the tenders in, to do the work. The Tasmanian people were doing the work, but the cream was going off to a mainland company. They found it wasn't worth it and, in the end, they were teeing up with a mainland company knowing somebody else was going to get extra money out of it. Who is doing the work?

Mr DONALD - We do have Tasmanian consultants that work for us as well and we do not allow situations where a mainland consultancy would subcontract to a Tasmanian-based consultancy. We wouldn't prevent it, but we would flush that out during a tender process. We have appropriate weighting associated with local content and we have quite a number of established relationships and great service from our Tasmanian-based consultancies.

Ms ARMITAGE - We try to get Tasmanians first; even though if a tender is slightly higher, we are employing Tasmanians which is bringing money back to the economy. We look at that?

Mr DONALD - Yes, and if we can say one more thing about our Devonport East project, we have structured our procurement strategy around maximising local content, both from a consultant perspective but also a contractor perspective. We have broken our work packages up into bite sized chunks that matches the capability and capacity of contractors in the Tasmanian market. That will come with some additional risk for TasPorts in the management of a number of interfaces and complexities. Instead of engaging a managing contractor of sorts and having one party to manage, we are going to have multiple parties to manage because we want to maximise the local content impact. The only package which we expect won't go to a Tasmanian-based firm is our dredging because the reality is we don't have a Tasmanian-based dredging company.

Ms ARMITAGE - A question on notice, if I could leave it with you, minister, could we have a list of the 93 consultants individually less than \$50 000? I don't need it now but if you would be able to provide it would be useful to see how they work.

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Mr FERGUSON - I believe that we can; and if it is not available today, we can provide it to the committee within a few working days.

Ms ARMITAGE - It is a considerable amount of money - \$845 809 capital and \$1 543 799 in operational.

Mr DONALD - I expect that number will grow, over time.

CHAIR - Something for somebody else to look forward to.

Mr WILLIE - It is my understanding that TasPorts fell victim to a scam. What was the outcome of the payment of over \$300 000 of taxpayer money to a fraudulent payee?

Mr DONALD - That might have been a previous year, Mr Willie.

Mr BRADFORD - I think Mr Willie is referring to the accounts payable issue about two years ago, where a sophisticated off-shore entity changed the bank account details of one of our suppliers to an alternative bank account which was then promptly emptied after we transferred money to it. It was fully reported in the annual report of that year, including the insurance recovery and what we also received from the bank. It was a sizeable fraud perpetuated on a Tasmanian business and we publicised it quite widely, mainly for lessons learnt to others.

Mr FERGUSON - We are quite practised in this one because it is an issue that happened quite some time ago, was publicly disclosed and was publicly reported in an annual report. I am fairly sure it was discussed at this scrutiny but may not have been this particular committee but Mr Donald has more to say on that.

CHAIR - We only get TasPorts every second year, as you are aware.

Mr FERGUSON - It's been publicly reported and it has been in the annual report. Annual reports are put before both Houses so there has been open and transparent disclosure on that. There's more to say because it some legitimate questions have been raised. I would like you to bring the committee up to date.

Mr DONALD - I can add that the disclosure was within the chairman's section of the annual report. The chairman wanted to enhance the transparency that others could learn from the experience. It was a sophisticated offshore consortia or scam, not mainland Australia.

CHAIR - Pretty sneaky, aren't they, some of them?

Mr DONALD - When we looked through some of the details, it was highly sophisticated. It prompted us to strengthen our IT security provisions and we are very - touch wood - robust now. However, it's an area of life where you can't rest on your laurels. It's something you have to continue to work at and we've got an exceptional team who test us every other week. All employees of TasPorts get test emails sent to us to see whether or not we identify them as scam and report them appropriately. Scam emails, not spam - we get those too.

Mr WILLIE - We know what that's like.

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Mr DONALD - In terms of the financial loss, we did receive some recovery. It was \$99 000.

Mr FERGUSON - I would like to supplement that, because it's of public interest. It was reported three years ago and it was reported in the 2018-19 financial year, I'm advised, just to bring us all up to memory. Additionally, to follow that matter up, as a matter of best practice, an internal audit report was commissioned by Wise Lord & Ferguson - no relation - an internal IT report by TasPorts security administrator and an external IT report were completed after the event.

The Wise Lord & Ferguson report confirmed that there was a control framework in place at the time of the incident to prevent and detect fraud and that the processes to approved purchase orders and pay suppliers was sound. In this instance, the controls were not carried out effectively. The report made a number of findings and recommendations that detail improvements to policies and procedures and ongoing staff fraud training awareness which have been implemented, I'm advised. Importantly, the IT investigations -

Mr VALENTINE - That was going to be my question.

Mr FERGUSON - Yes. Examined email activity of staff directly involved and then widened its investigation to include staff not directly involved including finance and operations. The IT investigations have not identified any breach of TasPorts' IT system. The external IT investigation also found that TasPorts' own IT investigation's initial actions, findings and recommendations were appropriate.

TasPorts has implemented several control improvement initiatives identified in the internal audit and IT investigations. Again, I emphasise that was covered in the annual report three years ago.

Mr WILLIE - Some other questions on computer systems. Two new shipping and reporting systems - PortMate and Calumo [TBC] I think have recently been introduced. How much was invested in those systems?

Mr DUGGAN - PortMate is a company-wide system that interfaces across a range of activities within TasPorts and also directly with our customers and their agents. It was implemented during the course of the year and is working well. Calumo [TBC] is a business intelligence tool that we've implemented during the back half of last year and this year. It's an internal tool that we use, which interfaces with our PortMate system for statistical and financial reporting.

Mr WILLIE - Shipping reports were readily available from the previous systems, I understand, without any issue. Twelve months since implementation of these new systems it's my understanding that not a single report can be produced in the required detail for stakeholders. Has that impacted productivity, minister?

Mr DUGGAN - Reports are being produced. We produce the same reports that we produced out of the old system. They have been up and running and available to users within the company for some time.

Mr WILLIE - They're being produced in the required detail for stakeholders?

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Mr DUGGAN - Yes.

Mr FERGUSON - Perhaps somebody has a different opinion about that, I'm not sure. I have not heard that issue raised. If there was a concern, I would be happy to receive a letter from you.

Mr WILLIE - Okay, I can follow up where this has come from.

The last question, TasPorts has always been prompt in responding to urgent information requests relating to shipping information. What assurances can be given that urgent requests for shipping information can be delivered promptly?

Mr DUGGAN - We continue to meet that need and we will continue to meet that need.

Mr WILLIE - Is there a guaranteed turnaround time?

Mr DUGGAN - Most of our requests are internal. We deal with them internally. To the extent there are external requests for information, whether it be through shareholders or other stakeholders, we meet the time frame negotiated with whoever is requesting that data. Most of our requests are internal.

Mr VALENTINE - Radio stations and the likes sometimes need to know, don't they?

Mr DUGGAN - A lot of our information interactions with customers is now digital, online, as opposed to being a manual process. So, any information that our customers would need they have got it live.

I do have a follow up answer, a correction that I would like to make on the HR metrics.

Mr FERGUSON - On this previous matter from Mr Willie, I would just again welcome any correspondence. If you would like me to follow it up, more than happy to do so.

CHAIR - The correction?

Mr DUGGAN - I mentioned earlier 42 separations. It was actually 26 for the financial year. I point out that 10 per cent of our employees during the year used out EAP program, which is a significant number. The reasons associated with that are family personal issues, grief and bereavement, health issues, depression and anxiety. We have rolled out a mental wellness training program to all staff and management.

Ms PALMER - Minister, the port of Stanley has been identified for works, including a floating pontoon. Can you describe the funding commitment to this project and any other works that are committed to this historic port?

Mr FERGUSON - Do you love Stanley as much as I do? I have ancestry from Stanley, so I am very passionate about this particular one. One of your colleagues who is not at this table has raised this with me on a number of occasions as well.

There has been some local concern expressed and I can say that Mr Donald and his team have responded really smartly to it.

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There are issues at Stanley. TasPorts and the Government is committed to ensuring the safety of all port users. In recent years, the outcomes of some assessments in service life and structural integrity have resulted in some restrictions that needed to be put in place at the port of Stanley. Minor works have been undertaken in recent years to improve the amenity of the community assets.

However, TasPorts' priority is the recreational floating pontoon project for the port of Stanley. Project handover from Marine and Safety Tasmania was recently completed in August and TasPorts is continuing with its appropriate due diligence and project planning. I think this is a clear demonstration of our shared commitment to the port of Stanley, the port users and the wider community.

I have been contacted by the Stanley chamber of commerce, and recognising that that body is a key voice in the region, we have engaged with them and they do a great job. They represent a range of interests, including tourism operators right through to commercial and recreational fishers.

So, TasPorts in fact joined the chamber as an associate member in October 2019. I was a rookie Ports minister at that time and we enjoyed a good visit and I think that was a deepening of the bond.

This means now that there is a more direct contact to the chamber to be able to raise concerns regarding port assets, infrastructure and operations. Since March 2020, I am pleased to tell you that TasPorts has undertaken works to improve safety infrastructure, including fender timbers and new ladders at the old wharf jetty, Fisherman's Dock, the RORO wharf and the Breakwater Wharf as well as the replacement of navigation lights. A replacement of area lighting and the installation of new piles at the entrance to Fisherman's Dock.

The current priority is the recreational floating pontoon project for the port of Stanley. That has arisen as a result of a range of commitments that have been made through MAST and it was determined that it would be better for TasPorts to take a stronger role with that.

TasPorts has worked hard with MAST to support the project and has identified a funding solution because there was a gap. That has meant that TasPorts and the gentleman to my left, has seen total responsibility for the project, which included the project management and full funding.

We are pleased now that it is being handed over. The delivery schedule for the project will be confirmed in coming weeks, with anticipated project completion by mid-2022.

Do you have anything further to add there?

Mr DONALD - No, I think that covers it very well, minister. We expect that it will be very well received by the community in Stanley, and there will be further investments in Stanley in the future. There is old infrastructure. It is a really important community port in our multi-port system.

Mr FERGUSON - It is a very large precinct as well which has significant legacy issues, but it is very important for those range of users. We have been working together to ensure that

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we can get the best response and deal with the more pressing risks and enable people to keep using that very historic infrastructure.

CHAIR - I am interested in any changes in the relationship with the Furneaux Islands in regard to their delivery service, given that there is a new operator in town. I have sat down and had a conversation with the new operator and how that might work, and if there is an expectation that there will need to be any upgrades or whatever.

I know the minister will be all over this. It is his patch as well.

Mr FERGUSON - We are, and it was an unexpected development in terms of the sale, but it is one that has gone through seamlessly. We are committed to maintaining strong relations with the new operator and the continuing support of the infrastructure at Lady Barron.

Mr DONALD - One of the members of our executive team has had regular contact with the new operator, developing what I think is the start of a really good relationship. We maintain a close relationship with the council too, who run the shipping committee on the island, where we are represented from a port perspective.

CHAIR - I have recently been over there and certainly the upgrades are significant and well received.

On Page 17, there are freight volumes, and it talks about ports and other. I always find it interesting that Flinders Island gets 'other', or the Furneaux Group gets bulked into 'other'. Is that Stanley? What is other? King Island gets its own gig, but not. I am interested.

Mr DUGGAN - That would be Flinders Island, Stanley.

CHAIR - Why don't we separate them out?

Mr DONALD - I think it is more of a formatting issue than anything else.

CHAIR - It is not the first time I have asked.

Mr FERGUSON - It's the first time you have asked me. I think we will review your suggestion.

CHAIR - I think it is only fair. If there are only two other 'others', that it is not that hard to separate them out, and it gives everyone an understanding of the value of what is required in infrastructure to service our island's communities.

Mr FERGUSON - Ms Rattray, I will undertake to press the case with the board and have it separated out for future annual reports. I will be compelling.

CHAIR - I can see the chair nodding.

Mr FERGUSON - *Hansard* does not pick up wit, but we will do that for future annual reports.

Mr BRADFORD - Yes.

CHAIR - Thank you. I appreciate that.

The member for Hobart, who has a large port with a lot of logs sitting on it.

Mr VALENTINE - We do. I was particularly interested in the Antarctic precinct and any interaction that TasPorts is having in that regard. I note on Page 8 of your report you talk about strengthening of Macquarie Wharf, berth 6 to be fit-for-purpose to berth the Australian Antarctic Division (AAD) vessel *RSV Nuyina*.

I am interested to know what else is in the wings in that regard. Where are you at if you can share? What negotiations are taking place in regard to the Antarctic precinct?

CHAIR - A mix of questions there, minister.

Mr FERGUSON - We can manage that quite well and I will ask Mr Donald to give an update on the process of getting on to the priority list for Infrastructure Australia. I will say this something where we as a government have been working closely with a range of partners with a combined and committed interest in the success of the Antarctic sector here in Hobart as the gateway to Antarctica. We can proudly and honestly claim to be a key access point and we are investing in this area. Unrelated to this committee or this scrutiny, but we are pursuing an Antarctic and science precinct as part of the Hobart City Deal. Our key partner there is the federal government, together with potentially, CSIRO, the Australian Antarctic Division and the University of Tasmania. That work is underway and we are excited about it.

At Macquarie Point it is so proximate to the port so, Mr Donald can outline the role of the Port Master Plan at Macquarie Wharf together with how we are going to ensure it articulates well to the Antarctic and science precinct.

Mr VALENTINE - Possibly, you could touch on why the *RSV Nuyina* is now around the corner and a bit out of site from the tourists, because that used to be a really good tourist attraction, the old vessel and the French ship. Is there a reasoning behind putting it out of the way as opposed to having it in full view?

CHAIR - Will she be coming back?

Mr DONALD - I might start with the last question first. The previous vessel was significantly smaller and the new vessel is significantly longer. For the first few weeks of its time in Hobart we had it at Mac 2. Our arrangements and agreements with AAD were to provide a dedicated layup berth at Macquarie 6. The reference the minister made to the work we are doing with the City Deal and the overall integration of the delivery of an Antarctic precinct aligns with the provision of the layup berth at Macquarie 6. The layup berth is essentially enabling the vessel to come and tie up. The wharf in that particular location requires significant strengthening and upgrading in order to be more effective or efficient in the ongoing needs of AAD. We continue to talk to AAD about that and it is the genesis for our Infrastructure Australia project submission for the development of Macquarie, 4, 5, and 6 realignment which would see a continuous berth delivered across the front of Macquarie Wharf, 4, 5, and 6. At the moment, it has a saw tooth profile which is not efficient or effective with multiple configurations of vessels. Working with AAD it is clearly important they end up with a dedicated facility.

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Mr VALENTINE - What sort of dollars are we talking about for that to Infrastructure Australia?

Mr DONALD - That is circa \$220 million investment.

Mr VALENTINE - Not small.

Mr DONALD - Not small.

Mr WILLIE - When will the plan be lodged?

Mr DONALD - We have already been working through the Infrastructure Australia process and it was perhaps around six-months ago we were recognised by Infrastructure Australia as having two nationally significant projects within the pipeline, which was a great achievement for our organisation and for Tasmania. It is the first two port-related projects to be nominated successfully in the Infrastructure Australia process.

Mr FERGUSON - Burnie and Hobart.

Mr VALENTINE - You have had to do some demolition of buildings on the site to cater for log exports, is that right?

Mr DONALD - We have pulled down one of the old sheds and realigned some fencing a number of years ago. We improved some carparking arrangements and that was around the establishment of the Southern Export Terminal for the export of logs which is delivered through a joint venture company we have.

Mr VALENTINE - You own 50 per cent of that?

Mr DONALD - Yes.

Mr WILLIE - How urgent are the infrastructure upgrades to the Antarctic Division? What sort of time frame?

Mr DONALD - We have invested successfully in time \$3 million to enable the safe layup berth, the provision of the layup berth for the *RSV Nuyina*. In order to invest further, that will improve what I will describe as the level of service for AAD in the management of their vessel. From a practical perspective, if they need to load or unload very heavy equipment or materials, they simply need to relocate their vessel around to Mac 3 or Mac 4, where the wharf is significantly stronger and suitable to facilitate the loading. They, of course, want a dedicated facility and would welcome the support of investment in a wharf upgrade that means they do not need to relocate the vessel to load or unload it.

Mr FERGUSON - I would like to pick up Mr Willie's question as well as the last part of your earlier question, Chair. The port of Hobart is the home port for *RSV Nuyina*. It should not be questioned or put in doubt by people who might be wondering if this is its home port as confirmed by Sussan Ley, the federal minister. The \$3 million investment made is a direct result of the five-year agreement struck at the request of AAD. Noting TasPorts is a customer-oriented businesses, it provides the services and the infrastructure that is requested

by clients, customers. That is exactly what has happened in this case. I would not describe it as interim, because I see it as the securing of the vessel for Hobart.

In terms of providing a higher level of service and a more dedicated berthing priority opportunity, absolutely, we will be continuing to pursue the Infrastructure Australia process for securing long-term port improvements, not just for the *RSV Nuyina* but for the other customers.

Mr VALENTINE - I would like to go to Southern Export Terminals. From a profit of \$38 000 in 2019-20 to a loss of \$24 000, that is a 163 per cent change, stated on page 2, yet you say on page 12, 'state of the proposed stage 2 expansion is continuing to accommodate forecast future growth'. Can you outline the basis for those forecasts in light of the reduced performance on SET in 2021? Perhaps, in doing that, can you outline why the performance of the current year has been so poor?

Mr DUGGAN - Southern Export Terminals were set up as a joint venture between us and QPorts. That was to facilitate the demand for bulk log exports out of southern Tasmania. In setting that up, there was a volume of logs to go through that port. What we did find over that 12-month period was there were trade tensions, which came upon the company and the industry quite quickly, that saw a reduction in that log volume.

Mr VALENTINE - This is the Asian reduction.

Mr DUGGAN - Yes. There has been a continuation of that reduced demand and throughput through the terminal. Both joint venture partners remain committed to providing that really important facility for a really important industry in Tasmania. There is an expectation that, at a point in time, those volumes, either through the traditional markets or through alternative markets, and the proponents are looking at alternative export markets for those logs.

Mr DONALD - The establishment of the facility was done with limited capital investment by TasPorts, leveraging some of the latent capacity we had in the infrastructure and the space available. We designed the operation and infrastructure with QPorts on maximising throughput because the market, at that point in time when we established the business, was telling us we needed to be ready for a million tonnes of log exports per annum. We had a very small footprint, so we needed to be very efficient, we needed to ensure the facility was designed on optimising throughput, as opposed to storage. The reality of the last 18 months, as a result of trade tensions or otherwise, is we have seen a significant reduction in volumes. We remain a huge supporter of forestry exports in the south of Tasmania and so does our partner, QPorts.

Mr VALENTINE - The infrastructure that's holding up those logs, is that sound?

Mr DONALD - Yes, absolutely.

CHAIR - I hope so.

Mr VALENTINE - I'm checking that because it's a heck of a lot of logs and a heck of a lot of weight in one spot.

Mr DONALD - Yes. It is.

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Mr FERGUSON - It's a fair question and a good answer.

CHAIR - In the interests of being equitable, I'm interested in the Bass Island line. The *John Duigan* had some significant repairs or maintenance done and we know, minister, 56 per cent down in revenue around that.

Mr DONALD - Yes.

CHAIR - We know that's their highway and I would never question whatever money we had to put into servicing our islands as long as I sit here; but we need to ask the questions.

Mr FERGUSON - Spoken like a true representative of a Bass Strait island. Thank you for that, Chair. It's fair to say that we all, as Tasmanians, recognise the importance of our island communities and the importance of King Island is not lost on anyone at this table. I will restate that the Government is totally committed to ensuring that we do maintain that highway, and that we ensure that the island's shipping needs are met. It's totally reliant on shipping for its freight movements and air freight would be a very minor departure from that general statement.

We're totally committed to retaining that. It's evidenced by our investment in the Bass Island line and the preparedness to wear the loss on it as we continue to work closely with TasPorts so it can manage Bass Island Line as its subsidiary that, really, has been put in place for that purpose. There have been some issues with the *John Duigan* that I will look to the CEO to respond to.

CHAIR - But he's all good to go now.

Mr FERGUSON - She.

CHAIR - She?

Mr FERGUSON - The *John Duigan* -

CHAIR - How can she be *John Duigan*?

Mr FERGUSON - She is good to go and I get a lot of good feedback about it as well, by the way, but in terms of the actual ship and the issues, I will look to the CEO.

Mr DONALD - We did experience an outage early on and the vessel was sent to New South Wales for a repair. Whilst it was back in service within a relatively short period of time, the engineering crew on board identified some concerning observations within the oil, essentially, and we took a decision to proactively take the vessel out of service as opposed to running the risk of failure during an operation.

We chartered another vessel and maintained the level of service for our customers and the community on the island without any impacts whatsoever - clearly at large expense. Both propeller shafts were replaced and repaired. There were a number of other repair -

CHAIR - Replaced and repaired?

Mr DONALD - Sorry, were replaced.

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CHAIR - One or the other. Thank you.

Mr DONALD - Replaced. Thank you.

CHAIR - Good pickup by me.

Mr DONALD - A very good pickup.

Mr FERGUSON - Again.

Mr DONALD - Were replaced. We haven't experienced any further issues associated with the operation. We are still working through an insurance claim associated with the issues that we experienced and the costs incurred. The financial results reflect the costs incurred without any recognition of any insurance outcome.

CHAIR - Right. Are you positive around the insurance claim? They're always difficult.

Mr DONALD - We are very diligent in the management of our claim and representing the organisation on behalf of the Tasmanian interests.

CHAIR - My last question -

Mr VALENTINE - Is this on the Bass Island Line?

CHAIR - Yes.

Mr VALENTINE - Is it getting to the point where this could almost be considered a community service obligation and funded accordingly?

Mr FERGUSON - That's not how we see it. It has been established as a commercial entity within the TasPorts portfolio of business, and it's vital that King Island does retain a service. I pick up on the point that the CEO has earlier mentioned, that the outage has actually materially affected the financial performance of the subsidiary.

No, we don't really see it as a community service obligation, that is the commercial reality of that business for now and Bass Island Line will continue to pursue its commercial opportunities on Island. Would you like to add to that Mr Donald?

Mr DONALD - The management team supported by our board remain very uncomfortable with respect to the financial performance of the business and we continue to examine options to reduce costs and improve revenue. That's challenging and we've examined an exhaustive list of opportunities. The reality is that it is a very challenging business because the freight numbers are relatively small.

Mr VALENTINE - Does the scheelite mine being rebooted give any change of freighting?

Mr DONALD - We are optimistic that Bass Island Line will provide the service for the scheelite mine. There is another operator as well. I am unaware as to whether we have secured that business.

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Mr VALENTINE - But you're in the mix.

Mr DONALD - Absolutely. From a volume perspective, their public statements are around the export of 3200 tonnes per annum. That would equate to somewhere between two and three containers a week. That's not going to be a significant improvement. Every container that we move is an improvement, but two or three is not going to deal with \$2.5 -\$4.5 million dollar loss per annum.

At this point in time for every dollar of revenue the operation costs us \$2.20.

CHAIR - Well spent. Thank you.

Mr VALENTINE - As the Chair said, if you don't get the service, maybe you can charge port fees.

Mr DONALD - Earlier, I talked about the fact that we ran multiple hats and it is really important that there is equity and that Bass Island Line pays the same fees as other shippers.

CHAIR - We don't want to head back to the ACCC. They're going to be wary about that.

Mr VALENTINE - I didn't say an unnatural hike.

CHAIR - A question about the fuel. I know it is exceedingly expensive and I know it is more expensive if you live on island. What are you doing to manage the cost for those island residents?

Mr DONALD - We have a fixed process associated with our pricing. We are the distributor of fuel and we are the owner of fuel-related infrastructure on the island. The tank farms that we maintain and the storage levels that we monitor on the island is a really important role that we play.

In terms of pricing, I am very comfortable that we apply a consistent, appropriate approach to pricing. I would say that any fluctuations that would be observed by the consumer are not reflective of fluctuations in our approach. I will ask Geoff if there is anything else he'd like to add.

CHAIR - As long as I'm comfortable that we are doing the right thing by our island community. They only have us to advocate for them, and the minister.

Mr FERGUSON - It's a fair question; and a fair point has been made that TasPorts passes on its own cost to the purchaser and that is reflective of the terminal gate price, over which no state government has any control.

It is a fair point, and I think it is a reminder to TasPorts to keep their margins to a minimum in order to supply ongoing fuel certainty to King and Flinders islands.

CHAIR - Thank you, because they generate a lot into our economy.

PUBLIC

Mr VALENTINE - I have one question about fuel, regarding Selfs Point. Minister, can you expand a little on the money that is being spent there to improve safety?

Mr DONALD - We have recently spent just over \$8 million to upgrade the fire retardant system and safety systems associated with fire suppression at Selfs Point. The infrastructure technology that was in place was absolutely end-of-life. Right at the point when we identified a need to upgrade the facility, interestingly the Australian Standards changed and we were the first location, I think nationally, to comply with the new Australian Standard. The facility is currently being commissioned and in the coming weeks it will be fully operational.

It is a credit to the TasPorts team and our contractors and consultants who worked incredibly diligently and cooperatively to find some really important solutions to comply with a brand-new standard. If you think about asking consultants to provide services in a designer construction approach on a brand-new standard that has never been delivered before, that is quite a challenging feat. I think we have developed an excellent outcome but not without the support of our trusted construction and consultant partners.

CHAIR - Don't worry, you paid them well for it.

Mr FERGUSON - That may well be the case but I am pleased to let you know as well that while the project is scheduled for completion - I have January 2022, so only next month - the project is being largely delivered by the principal contractor, our proud local Tasmanian firm, Shaw Contracting.

Mr WILLIE - The \$23 million in capital upgrades at Selfs Point, Mac 4; any other projects of significance in that?

Mr DUGGAN - There was preliminary spending at Devonport East.

Mr WILLIE - The follow-up question to that, you had \$8.3 million in borrowings for this financial year, was that all for capital outlays or was it for other -

Mr DUGGAN - It was for the Selfs Point project.

Mr FERGUSON - Mr Willie, to your earlier question, I will not take too much of the time but I will say that projects included in that budget relate to Devonport Airport, refurbishment of the Bellman Hangar; to facilitate additional tenancies at Flinders, completion of the bird-friendly lighting project; at Bell Bay, continuation of commercial berth concrete remediation works; at Burnie and the export terminal, upgrades to the shiploader and berth strengthening. Projects at Hobart included, the redevelopment of Macquarie berth 6 which we discussed earlier today; remediation of wharf deck areas in Sullivans Cove; implementation of the Smart Power Pedestals to enable TasPorts to secure the revenue of power and water usage from dock users. Statewide, it included the removal of all known asbestos from TasPorts building assets in Bell Bay, Inspection Head, Port of Hobart and Stanley as well as statewide improvements and compliance works on the safety access ladders at ports around the state. Also, the upgrade of the navigation aids around the south-eastern part of the state to ensure compliance. There are others but they would be the larger headline items.

Ms ARMITAGE - Were there any environmental incidents that may have occurred? Do you have a list for this last financial year of any environmental incidents?

PUBLIC

Mr DONALD - Not that I am aware of. I might just -

Ms ARMITAGE - That's good news. Or even in the last couple of years.

Mr DONALD - There were two environmental incidents.

Mr FERGUSON - Nothing significant.

Mr DONALD - Two reportable ones in relation to dust and waste management so I think with dust it may have been associated with the BCT in Burnie. There was a complaint from a member of the public regarding excess dust being emitted from the Domain slip due to abrasive blasting which subsequently was managed appropriately and the second one was also associated with the Domain slip yard where there was sewage leaking from an overflow pipe into the Derwent River. Both of those were reported to the EPA.

Ms ARMITAGE - Both addressed, I would assume. Has anybody asked about the reportable injuries from TasPorts for the last financial year?

CHAIR - Maybe it is a bit of a pointer for next year, line up the minister's and the CEO's tabs.

Mr FERGUSON - Mine are accurate.

CHAIR - I never doubted that, minister.

Mr DONALD - The total reportable injury frequency rate, which was our TRIFR for the year was 6.4 per cent, which reflects our strong focus on proactively improving our safety culture performance.

Ms ARMITAGE - Has that gone down from the previous year?

Mr DONALD - Yes.

Ms ARMITAGE - And the previous year was -?

Mr DONALD - I will have to get that to you. I know it has been an improvement. I am pleased to say that we were certified again with respect to our safety management system in accordance with the international standard ISO 45 001.

CHAIR - Everyone knows how to put their hard-hat on, and their safety gear.

Ms ARMITAGE - I cannot finish without asking my board questions.

CHAIR - One.

Ms ARMITAGE - Could you advise where the board members are located, the region or interstate? It is something I have an interest in every year.

Mr WILLIE - Everyone in Launceston will get bonus points.

PUBLIC

Mr FERGUSON - I think we are going to go for triple points on this one. I will look to the chair.

CHAIR - We know the chair lives in Melbourne.

Mr BRADFORD - I live in Melbourne, Chair, yes. As at 30 June, we had three directors based in Hobart, one in Launceston, myself in Melbourne. The intern this year is based in Launceston, and with the most recent changes, we have a decrease in Hobart by two, and an increase in Melbourne and Launceston of one each.

Generally, well balanced, 60 per cent female representation.

Ms ARMITAGE - None on the north-west coast, obviously.

Mr BRADFORD - Not at this stage but a number are heavily involved in the north-west coast through their other interests.

Ms ARMITAGE - Is the CEO on the board, or not?

Mr BRADFORD - No.

Ms ARMITAGE - Sometimes they are, I just wondered.

CHAIR - It is not normally a good policy.

Ms ARMITAGE - It is not a good policy but it does happen from time to time.

Mr VALENTINE - There are only two of the senior management team who are women. It is noted that female members of the senior management team have significantly lower levels of remuneration than their male counterparts.

Ms ARMITAGE - Some have different jobs.

Mr VALENTINE - They may. Can you identify what strategies you have in place to improve the equity for women working within the organisation?

Mr FERGUSON - Yes, we will. I will ask, Chair, if it is okay for Mr Bradford to reflect on the purpose of having our intern directors and Mr Donald to reflect on the management team.

Mr BRADFORD - Thank you, minister. Intern director: we are currently on intern director number five. They join our board for a one-year period, effectively as a trainee, to understand board life, the decision-making of boards, and where they can add value.

Their background has two basic attributes, must be Tasmanian-based and must be female. What we are trying to do is to bring more women onto boards. I am pleased to announce that one of our previous interns has been appointed to a board role in Tasmania recently. I think it is successful.

PUBLIC

Mr VALENTINE - My question was with regard to senior management.

Mr BRADFORD - Yes, and over to you Anthony.

Mr DONALD - The financial year prior, I took a decision to elevate three females to the leadership team. That was absolutely based on merit and not through a burning desire to do anything from a metrics perspective. It had a very positive impact on the culture and performance of the organisation. Certainly, the leadership discussions were greater as a result of that change. Some of the more recent changes associated with a reduction in the overall leadership team are not gender-based in any way, shape or form and nor is the salary associated with individuals.

The organisation, and it is a reflection of an infrastructure business and perhaps a port-related business, currently have 78 per cent males versus 22 per cent females. That is absolutely something we continue to work on. Over the future, we will be more targeted in increasing that profile and as our cultural performance journey continues and we become more of a contemporary port business, I would absolutely expect those percentages will change dramatically.

Mr VALENTINE - Can we get the numbers or remuneration outcomes from men compared to women and what strategies are in place to deliver a more equitable work environment? If we can get the numbers in a table.

Mr DONALD - Sorry, that would suggest we are not equitable in terms of gender and that is not true.

Mr VALENTINE - You saying you are working towards it and I understand that.

Mr DONALD - But you are relating gender to salary and that is a merit-based assessment.

Mr VALENTINE - I appreciate it is but would be interested to know. We hear this complaint all the time about the gender pay gap. I hear what you say and wholeheartedly can appreciate that, but to know what your salary levels are and what is being paid across the board, the number men and the number of women and the averages. It would be interesting to be able to see that at the moment, so we know when you introduce some of your policies we can see it is improving.

Mr DONALD - We provide information at the executive level. You are asking for the next level?

Mr VALENTINE - Across the whole organisation.

Mr DONALD - Certainly, in terms of strategies to improve gender balance, we have a diversity, an inclusion strategy in place and part of our people and culture roadmap. We have a three-year people in culture strategy that we refer to as our people and culture roadmap. It is something we are actively managing.

I will take the opportunity to repeat, there's no gender references made in the assessment of salaries.

PUBLIC

Mr VALENTINE - Can we still get the figures?

Mr DONALD - I will take that on notice if I can.

Mr VALENTINE - I will put that down, thank you.

CHAIR - Any more questions? In light of that, we will take the opportunity on behalf of the committee to thank you, sincerely for your time. We know it takes a lot of effort to put together the information the committee is looking for and it is certainly appreciated. Thank you very much, Stephen, for your time today.

Mr BRADFORD - Pleasure.

CHAIR - We would like to sincerely wish you a nice restful break if you are able to take one of those and a happy and safe Christmas. I would also like to thank Roey on *Hansard* and particularly make a special thank you to Julie Thompson, Committee Secretary who has done an exceptional job and Allie Waddington who supports her. Thank you very much, Minister.

Mr FERGUSON - Thank you, it has been a pleasure.

CHAIR - Thank you. Thank you, all.

The committee concluded at 4.54 p.m.