Minister for Infrastructure
Minister for Police, Fire and Emergency Management
Level 1, Franklin Square Office HOBART TAS 7000
Ph: (03) 6165 7686

Tasmanian Government

5 SEP 2017

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

Dear Ms Forrest

Thank you for your letter of 14 August 2017 seeking copies of correspondence between the Government (my Office and the Department) and TasPorts relating to King Island shipping.

Firstly, I am advised by Infrastructure Tasmania (the relevant Government agency for the purposes of your Committee's questions) that it holds no correspondence relating to your questions.

The sourcing of the *Investigator* was a decision of Cabinet and any documentation related to that matter is Cabinet-in-Confidence. However, the Tasmanian Government's submission to your Inquiry details the process steps undertaken to source this vessel.

TasPorts ordinarily keeps me updated on these matters by way of verbal briefings, either at regular monthly meetings with the Board Chair, Mr Stephen Bradford, and the CEO, Mr Paul Weedon, or where urgent matters require discussion from time to time.

The sourcing of a new interim vessel has been properly managed by TasPorts in liaison with its brokers. I am aware that TasPorts has received a similar request for information from the Committee and I expect TasPorts would release any correspondence relevant to your request.

In June 2017 with the CEO out of the State while on inspection of vessels in Asia, there was a short email exchange between Mr Weedon and myself – a copy of which is attached. This is the only correspondence relevant to your questions.

While you have not requested copies of unsolicited proposals from private interests offering solutions for the new interim service, a number of these were received and were referred on as appropriate. Some were marked commercial-in-confidence and it would not be proper to release any of these without the permission of the proponents.

On your third question seeking information relating to TasPorts' communications with the private sector, I can indicate that TasPorts has maintained a standard position since being asked to stand up a King Island Shipping Service, and has conveyed this position to any expressions of interest

from the private sector to become involved in servicing the King Island shipping task either in their own right or in partnership with TasPorts.

In short, this standard position was and remains that TasPorts will focus on establishing a triangular shipping service between King Island, the Tasmanian mainland and the Australian mainland and only when that task is completed will TasPorts be in a position to discuss other ownership and/or operational models that may involve third parties.

A number of individuals and companies have indicated to me verbally as Minister and to my Office that, once TasPorts via its Bass Island Line business has fine-tuned the service, they might be interested to explore these matters with TasPorts in due course. The interested parties include King Island beef interests and other Tasmanian and mainland shipping organisations.

TasPorts is not involved in the process to source a permanent new-build vessel. I have tasked Infrastructure Tasmania to seek advice from the Department of State Growth's contracted maritime and shipping advisory consultancy Thompson Clark Shipping. This will provide the basis for a substantial consultation with King Island shipping stakeholders to identify options for the funding and the operation of such a vessel, whether that be by the Bass Island Line or another commercial operator.

Finally, in relation to your extra request for "communication with Incat from 2014 regarding Incat's proposed concept for the King Island service", there was a hand-delivered document provided at a meeting which contained images of a conceptual design for the Bass Strait run and which the company claimed could also service King Island. This vessel would have been many metres too long to enter Grassy Harbour and, along with the absence of a commercial shipping operator for such a vessel, there was also an implied expectation that the Tasmanian Government would fund the construction of such a vessel. I have attached a copy of this document.

It should be understood that Incat did not participate in the Tasmanian Government's open, competitive process to identify a preferred proponent for King Island freight shipping.

I trust the above information assists you in the further conduct of your Inquiry.

Yours sincerely

Hon M.T. (Rene) Hidding MP
Minister for Infrastructure

Kitchener, Tina (DPaC)

From: Hidding, Rene (DPaC)
Sent: Friday, 23 June 2017 5:19 PM
To: Paul Weedon
Cc: Wilson, Richard J (DPaC)
Subject: Re: KI Vessel Inspection

Good work. Thx. RH

Sent from my iPhone

> On 23 Jun 2017, at 4:57 pm, Paul Weedon <Paul.Weedon@tasports.com.au> wrote:
>
> Yes. It's not the 100% fit but it's probably 75% - 80% and importantly could do a weekly Melb-KI sailing that will help stop the losses.
>
> We'll continue to liaise closely so that we don't get tripped up with the possibility of a 100% solution.
>
> Paul
>
>
>
> Sent from my iPad
>
>> On 23 Jun 2017, at 2:27 pm, Hidding, Rene (DPaC) <Rene.Hidding@dpac.tas.gov.au> wrote:
>>
>> So succeed the Inv as a second interim vessel?
>>
>> Sent from my iPhone
>>
>>> On 23 Jun 2017, at 4:24 pm, Paul Weedon <Paul.Weedon@tasports.com.au> wrote:
>>>
>>> Rene
>>>
>>> Just a quick note to update you on our vessel visit in Pt Kelang. The vessel looks like a solid candidate to succeed the "Investigator" but there is still a lot of work to do before confirming our interest in the potential acquisition of the ship.
>>>
>>> Specific issue that requires further analysis is the forward ramp, it's load rating and how best to operate the cargo deck in a ro-ro system. The current operator is using shore cranes on its intra Asia service so really don't use the ramp and we'll need to understand the options before getting much further down the process.
>>>
>>> Back on deck over the weekend.
>>>
>>> Cheers
>>> Paul
>>>
>>> Sent from my iPhone
>>
>> _____
>>
>> CONFIDENTIALITY NOTICE AND DISCLAIMER The information in this

incat

bassstrait
FERRY PROPOSAL

THE FAST ROAD ACCESS ACROSS BASS STRAIT

Lightweight, Fuel Efficient, Fast Ships

www.incat.com.au

TASMANIA'S SEA HIGHWAY CONNECTION

basstrait FERRY PROPOSAL

FACTS

The present restricted access to Tasmania is constraining economic growth!

Tasmania needs additional sea linkages to ensure the effective and efficient flow of people, vehicles and freight!

A modern, large capacity, high speed vessel will open up market competition, drive efficiencies and provide much needed additional carrying capacity over Bass Strait!

Improved sea connections will stimulate economic growth, drive business creation and innovation, and deliver improved outcomes for Tasmania and its residents!

INTRODUCTION

At present the sea corridor between Victoria and Tasmania, including King Island, is not catering sufficiently for the passenger, vehicle and freight demand resulting in a significant impact on the Tasmanian economy.

Tasmanian products and services are less competitive and more difficult to market because of the supply chain constraints and high cost of transportation to the mainland.

Passenger and vehicle fares are extremely high and prohibitive to many would be travellers, particularly families and 'grey nomads' who cannot afford the high return fares.

Tourists are especially disadvantaged by not being able to secure access to the State, primarily over the peak summer season.

If Tasmania is to increase the number of tourists by 50% by 2020, major initiatives and infrastructure investments are required. Access to the State needs to be made easier and more affordable.

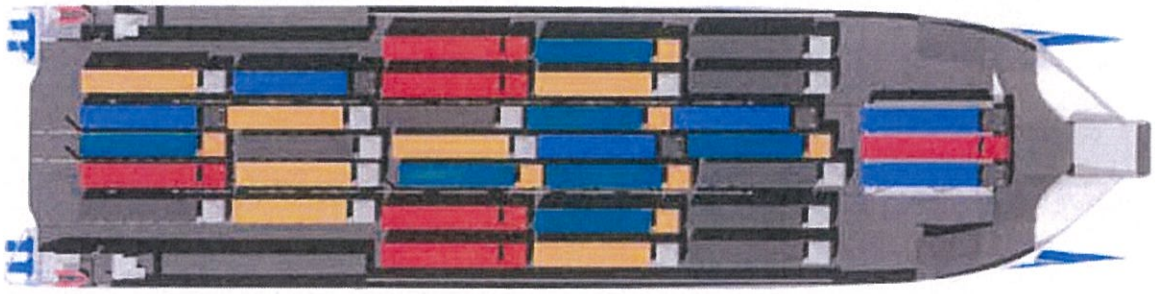
If Tasmania is to increase its population size to ensure an ongoing viable and vibrant economy, improved access to the State is critical.

If Tasmania is to realise its potential as a future food bowl to the world and capitalise on the hundreds of millions being invested on irrigation schemes then getting products to market is a must.

If Tasmania's main Bass Strait Island is to retain its economic potential and sustainability then improved access is also needed.

Sea and Air transport cater for different travel markets and are not substitutes for each other. A direct fast sea highway link will make travelling across Bass Strait easier and opens up a range of opportunities for the travel and tourism sectors.

The proposed fast sea highway connection will provide a world class solution to enhancing and complementing access to Tasmania.



NATIONAL SEA HIGHWAY

The Bass Strait funding schemes were intended to reduce the high transportation costs and bring the cost of vehicle and freight travel across Bass Strait into line with the equivalent cost of travel on any interstate highway. But Bass Strait continues to be one of the most expensive stretches of water to cross for passengers, vehicles and freight in the world.

It is also becoming increasingly expensive for tourists to travel on the ferry service with their own car or motorhome, being up to 4 times the cost of a similar journey on the mainland. Despite enormous success of caravan travelling on the mainland, Tasmania is failing to get their fair share of this sustained growth and remains at a substantial disadvantage. The high cost of travel on the ferry is a major impediment for those wanting to visit the State.

Whilst manufacturers and providers of goods and services get selected assistance to send goods from Tasmania, the cost of incoming goods and services as well as the many inputs into value added products, is unsupported and significantly high.

The Federal Treasury will most likely not support any major increase or expansion of the TFES and BSPVES until costs come under control. Money is tight so it has to be demonstrated that efficient and effective solutions can be achieved.

CURRENT SHIPPING POSITION

Two government supported passenger and vehicular ships operate an overnight service with daily departures each way, with the passenger and vehicle ships also providing a daily service during the peak summer season.

Average speed of passenger vessels is 22 knots resulting in an overnight trip time of 10.5hrs. Speed is restricted in Port Phillip Bay which adds hours for the extra 42 nautical miles it takes into the Melbourne berth.

The vessels have high crew number/passenger ratios because of the overnight travel and meals served, thereby causing massively high operational costs. Current staffing levels are over 500 employees.

Operational costs including crew, accommodation and travel, are a major cost and impose a significant burden on the financial viability of the operation, causing a focus shift to freight instead of passengers and vehicles. This is not what is needed from the main service provider of passenger and vehicle access to the State!

There is an argument for the need for this type of travel service BUT there is also an argument for fast, low cost, day time travel with minimum services.

CONCEPT PROPOSAL

To provide a cost effective, quick and efficient, ro-ro ferry service linking Northern Tasmania with Southern Victoria including services to King Island.

The ferry service would complement existing passenger, vehicle and freight services across Bass Strait and would create an additional sea linkage.

Proven vessel design and technology ensures a safe and simple operation. The vessel will provide the fastest crossing of any vessel on Bass Strait and deliver significant cost-benefit efficiencies over the other passenger vessels.

The flexible design configuration and ability to carry a diverse payload mix, including cars, caravans, motorhomes, trucks, containers and importantly passengers diversifies the operation and opens up a broad market and income stream.

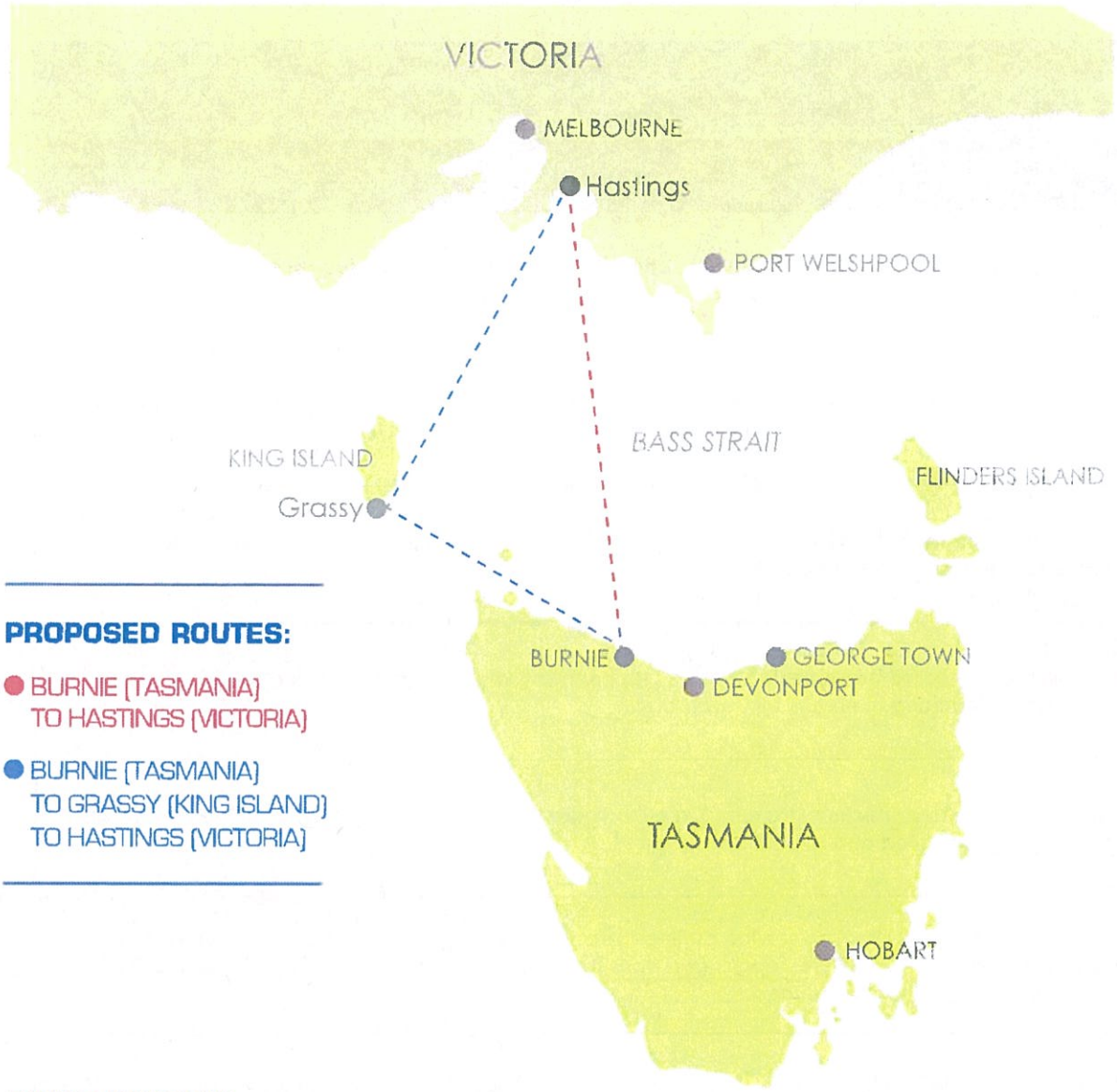
Providing a daily return operation the vessel offers the opportunity to deliver better service outcomes meeting the needs of importers and exporters as well as ensuring both additional capacity and timely freight transportation.

Specifically scheduled service stops at King Island will increase and improve sea linkages opening up significant opportunities for Island manufacturers to access their markets in a timely manner and improve travel access for tourists.

High utilisation of the vessel translates into more sailing hours, more tonnage, more seats, more access, more efficiency and more returns to Tasmania.

The vessel would be built in Tasmania by Incat as well as utilising the capabilities and strengths of the member companies of the peak Tasmania Maritime Network. The construction would employ hundreds of skilled and unskilled workers delivering major financial benefits to the economy and to various local communities.

The vessel is proposed for delivery in the Spring of 2017 in time for the Summer season of 2017/2018.



PROPOSED ROUTES:

- BURNIE (TASMANIA) TO HASTINGS (VICTORIA)
- BURNIE (TASMANIA) TO GRASSY (KING ISLAND) TO HASTINGS (VICTORIA)

ROUTE ANALYSIS

The current route by the government supported passengers vessels is Devonport to Melbourne. Distance port to port is 232nms (429 kms) which on average is 10.5 hrs duration.

To ensure the best solution is achieved there is a logical need to shorten the route distance by establishing a new Victorian terminal at Hastings - saving around 45 nautical miles and avoiding the slow restricted speed of Port Phillip Bay.

The Victorian and Federal Governments have agreed that Hastings will become the major international container port for South East Australia by 2025 with billions pledged towards the East West Link, which would connect the Eastern Freeway to Melbourne's western suburbs.

Essentially the development of the Port of Hastings is now to be a priority, as the limitations on the transit lanes in Port Phillip Bay and the enormous cost of dredging cannot be sustained.

On the Tasmanian side, Burnie is the preferred port as it represents the shortest distance and has all the required port and road access infrastructure in place. The main proposed route of Burnie to Hastings is a distance port to port of 169 nautical miles.

The proposed vessel will operate a daylight return crossing. The crossing duration will vary depending on season, load configuration and day of sailing, as the vessel will make stops at King Island on specified days.

On the direct Burnie to Hastings route, travel time during peak summer demand season, will be around five(5) hours based on a service speed of 35 knots.

As the vessel is designed for quick turnaround times in port of between one(1) to two(2) hours, the vessel will achieve a total return trip in under twelve(12) hours.

For longer trips when calling at King Island or during off season or other times of higher freight demand, the vessel will take a longer travel time.

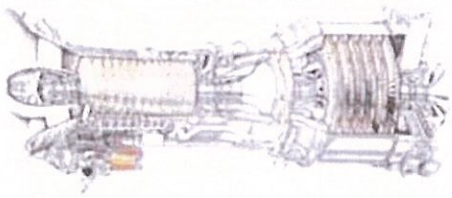
ECONOMIC CONSIDERATIONS
Based on the proposed route and service schedule, the vessel(s) will achieve significant operational savings.
A shorter route allows an efficient daily return service achieving high asset utilisation and high return on capital investment.
The shorter route means less fuel costs and consumption of either diesel or LNG as well as less maintenance costs and exhaust emissions.
The vessel crew would be working a twelve (12) hour day which means they can be based in Tasmania undertaking the return trip each day.
There is no need to domicile extra crews in either State thereby achieving savings in the millions on crew, accommodation and relocation expenses.
The vessel operates a daytime service cutting millions on overnight room cleaning services inclusive of personnel, bedding, furniture, repairs and consumables. Food, catering and associated staff costs would also be significantly reduced.
The vessel operates with a low crew size which avoids the need for high staff numbers resulting in massive cost savings in personnel, recruitment, HR, IR and WHS.
A mix of day seating choices and a variety of on board facilities, add to the overall travel experience whilst providing options for increased revenues and returns.
The vessel and operation requires minimum shore based facilities including wharfage, terminal buildings, car and truck loading areas boosting overall efficiency and effectiveness.
Fare structures are likely to be 50% to 70% less than current rates, driving economic efficiency and achieving significant optimisation of Federal Government assistance schemes.
The vessel(s) can provide freight only capacity.

MACROECONOMIC CONSIDERATIONS

Increased vessel capacity and cheaper travel options allow for significant increases in the number of people, vehicles and freight travelling to and from State.
One vessel alone can easily transport over 500,000 additional tourists, 250,000 extra vehicles or over 500,000 tonnes of freight a year between Tasmania and the mainland.
An alternative port connection to Victoria opens up road travel options for the East Coast States providing a more direct, less congested and quicker path to Tasmania.
The operation would complement existing services catering for different travel demands with travellers having the option of arriving during the day at half the travel time.
The daytime service avoids the need for two nights to be spent on the existing vessels. If every tourist now spends these two nights in Tasmania, this equates to millions of additional expenditure injected into the tourism sector over the year.
Freight competitiveness would be enhanced with a more regular service benefiting many businesses through increasing flexibility and removing barriers in getting their product to market on time and at the lowest cost possible.

TWO BASIC POWER TECHNOLOGIES MAY BE CONSIDERED FOR HIGH-SPEED FERRY OPERATION

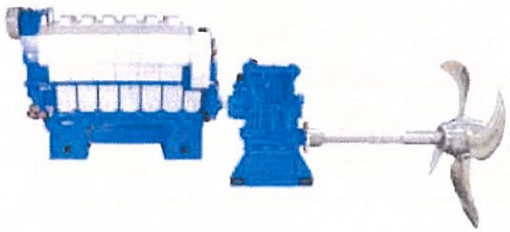
LNG PROPULSION OPTION ONE



1. Dual fuel Turbine

Dual fuel turbine technology is being employed on *Francisco*, the world's first LNG-powered high-speed ferry. This turbine is dual-fuelled, it can operate on MGO or LNG and can be switched between the two seamlessly. The final result is a vessel capable of very high speeds (58 knots on sea trials) due to the power of turbines.

LNG PROPULSION OPTION TWO



2. Reciprocating Engine

Reciprocating dual fuel engines using (MGO and LNG) are an adaptation of well-accepted commercial engines and are currently offered by several engine manufacturers.

KEY FEATURES - RECIPROCATING ENGINE

(a) The Wärtsilä 16V 34 DF reciprocating engine is approximately 200 metric tonnes heavier in total weight (aggregate of four engines) than current high-speed MGO engines in use.

(b) The engine is dual-fuelled and, therefore, capable of operating on both LNG and MGO with onboard storage capacity for both;

(c) It is not necessary that gas be supplied to the engines under high pressure so onboard fuel supply arrangements are simpler when compared to the gas turbine;

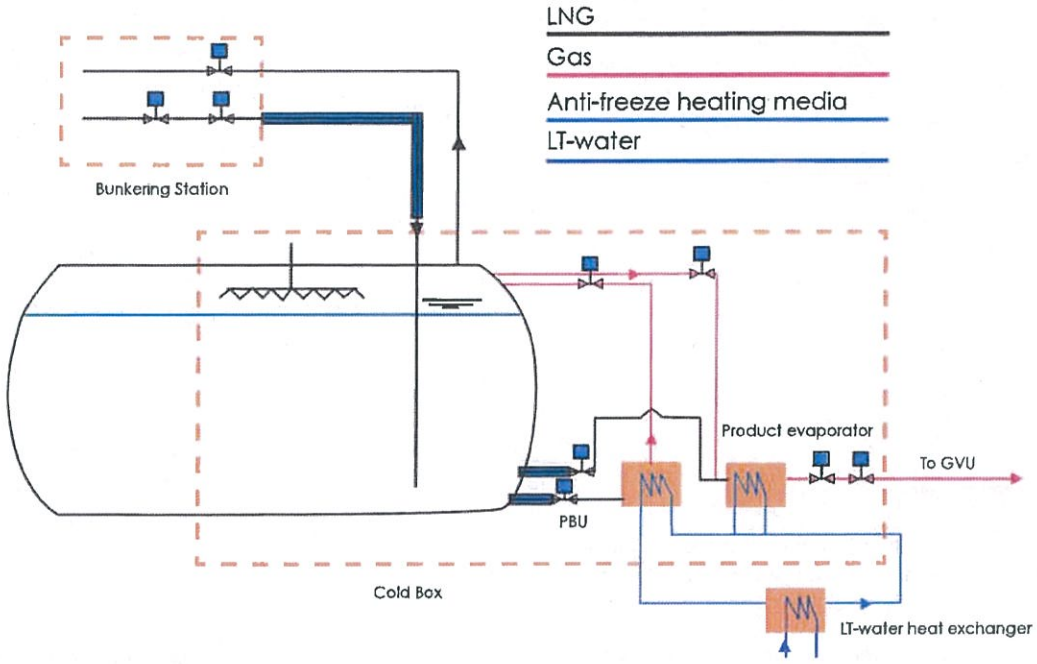
(d) The power to weight ratio of the Wärtsilä 16V 34 DF reciprocating engine is much less than the current reciprocating engines fitted to Incat vessels.

(e) This, in turn, leads to a complex calculus in which the variables are:

(i) Engine weight
(ii) Engine power
(iii) Vessel hump speed
(iv) Desired cargo capacity

WHAT IS THE LNGPac GAS SYSTEM?

The design philosophy of LNGPac has focused on safety and simplicity. The LNGPac gas storage system is based on a double shelled perlite and vacuum insulated LNG tank. The LNG tank insulation is sufficient to keep the gas in liquid state for extended periods even without any gas consumption.



LNGPac Gas Storage System - Suitable for reciprocating engine option.

ALL INCAT VESSELS

- Lightweight – hence provide economical operation
- Offer superior seakeeping
- Can be configured for high volume high speed tourist sailings or heavy freight runs at reduced speeds
- Incorporate 20-30 watertight compartments providing very high survivability as the loss of all compartments would be extremely unlikely

LNG CLEAN COMBUSTION ADVANTAGES

- SOx (Sulphur) is almost zero
- Reduction in NOx 80-90%
- Reduction of 20-30% in CO2 emissions
- Low levels of particulate emissions
- Net greenhouse gas reduction effect is 15%
- Availability of LNG is increasing rapidly

ADD THE EXTRA ADVANTAGES WITH AN INCAT DUAL FUEL VESSEL

- Operate on either LNG or MGO as supply dictates
- Reduce emissions in line with world best practice
- A "green" environment-friendly service can be promoted to clients
- Compliance with stringent IMO environment regulations
- Reduced fuel cost compared to liquid fuels and likely to remain competitive in the future
- Reduced daily maintenance costs
- Incat is at the forefront of dual fuel technology
- Take advantage of lessons learned from Francisco

CHOSEN VESSEL

Around the world Incat Ferries are renowned for their proven technology, reliability, safety high speed and efficient operating costs.

The proposed Wave Piercing Catamaran vessel is a development of a long list of successful vessels that ply the world's oceans and waterways. It will be a specifically designed ship that is faster, more efficient and cheaper to buy, maintain and operate.

The vessel constructed from hi quality marine grade aluminium alloys to an exclusive design developed and proven by Incat over 30 years. The vessel will be built to the Det Norske Veritas High Speed Light Craft Rules and where appropriate comply with the IMO High Speed Craft Code.

BEST OF THE BEST

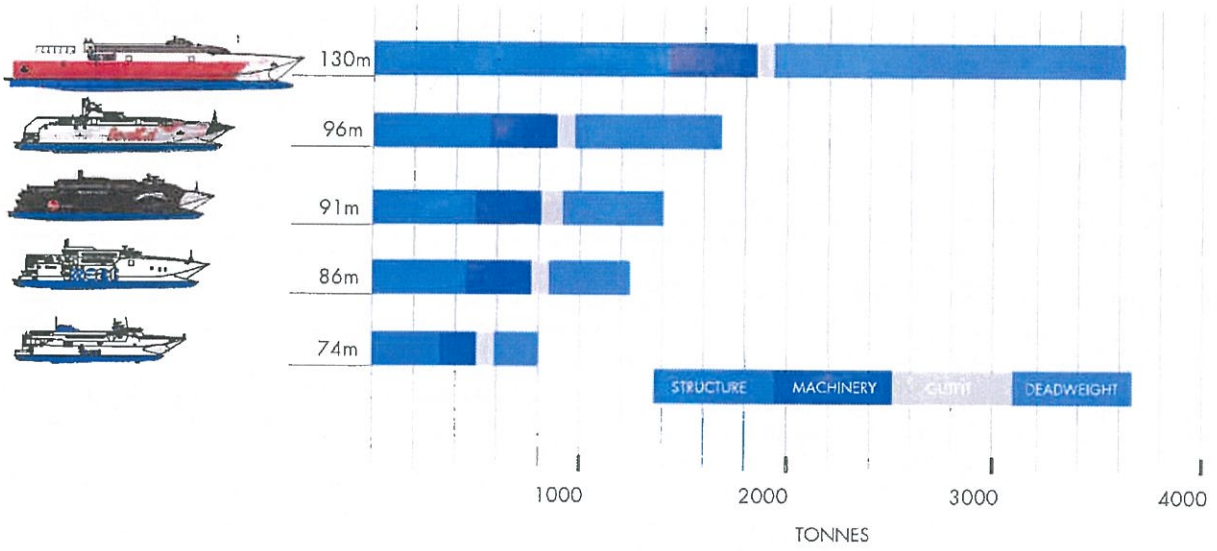
The Incat 130 metre Wave Piercing Catamaran will be the largest high speed vessel to have operated on the Bass Strait.

The vessel is not just longer than any other, it is wider, heavier and provides a massively increased total displacement. The high deadweight capacity carries five times the load carried across Bass Strait by Incat's first ever high speed vessel.

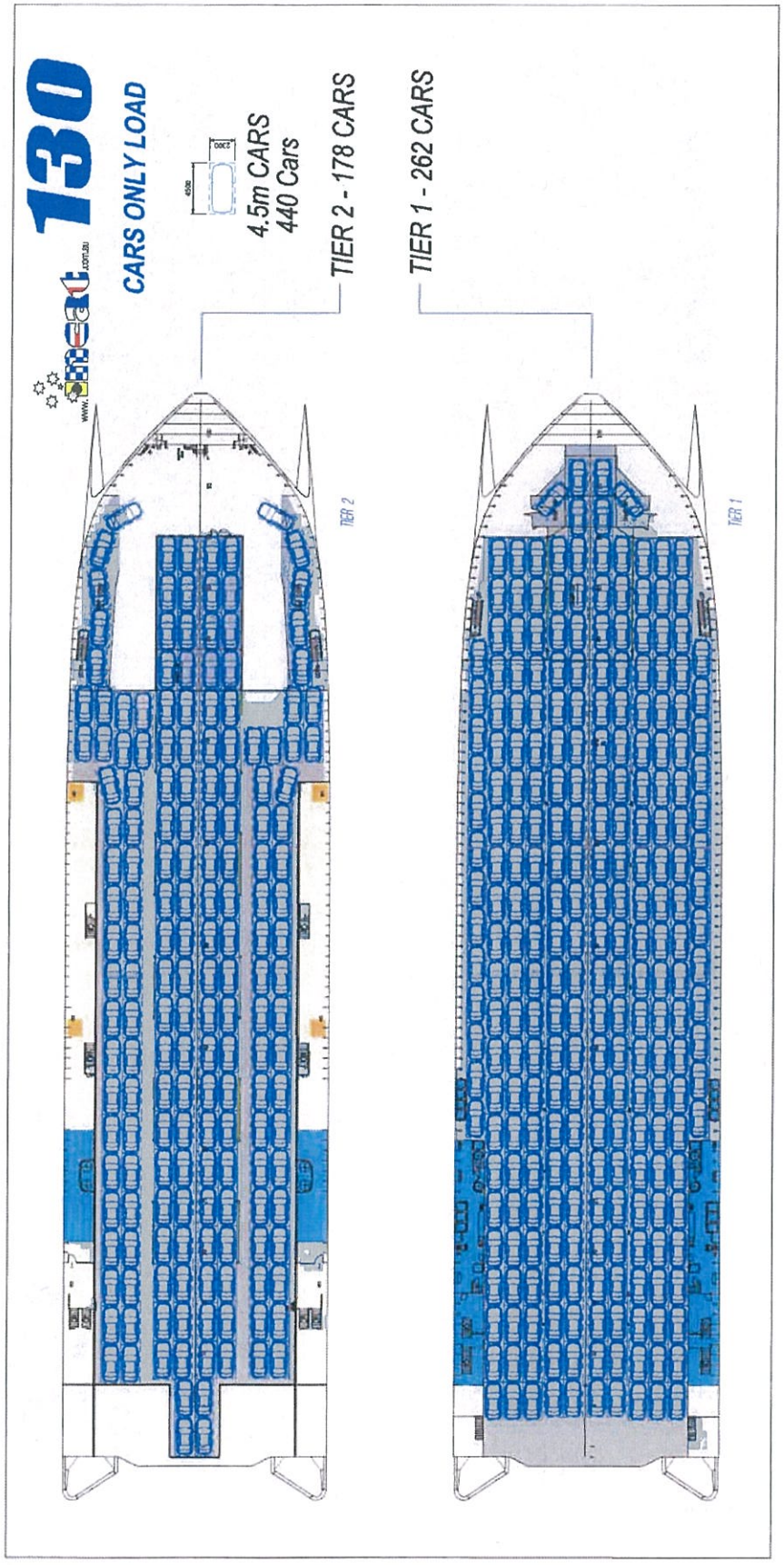
Passenger comfort and safety is paramount with the vessel offering greater passenger appeal, comfort and travel experience. Advanced ride control systems combined with the vessel's multiple hull form and its sheer size and mass, provides an improved sea going platform.

Due to the overall size of the vessel there will be minimum loss of sailings due to adverse weather conditions. The vessel will operate in higher sea states than any incat vessel previously which based on weather statistics for Bass Strait over the long term, will mean less than 1% a year.

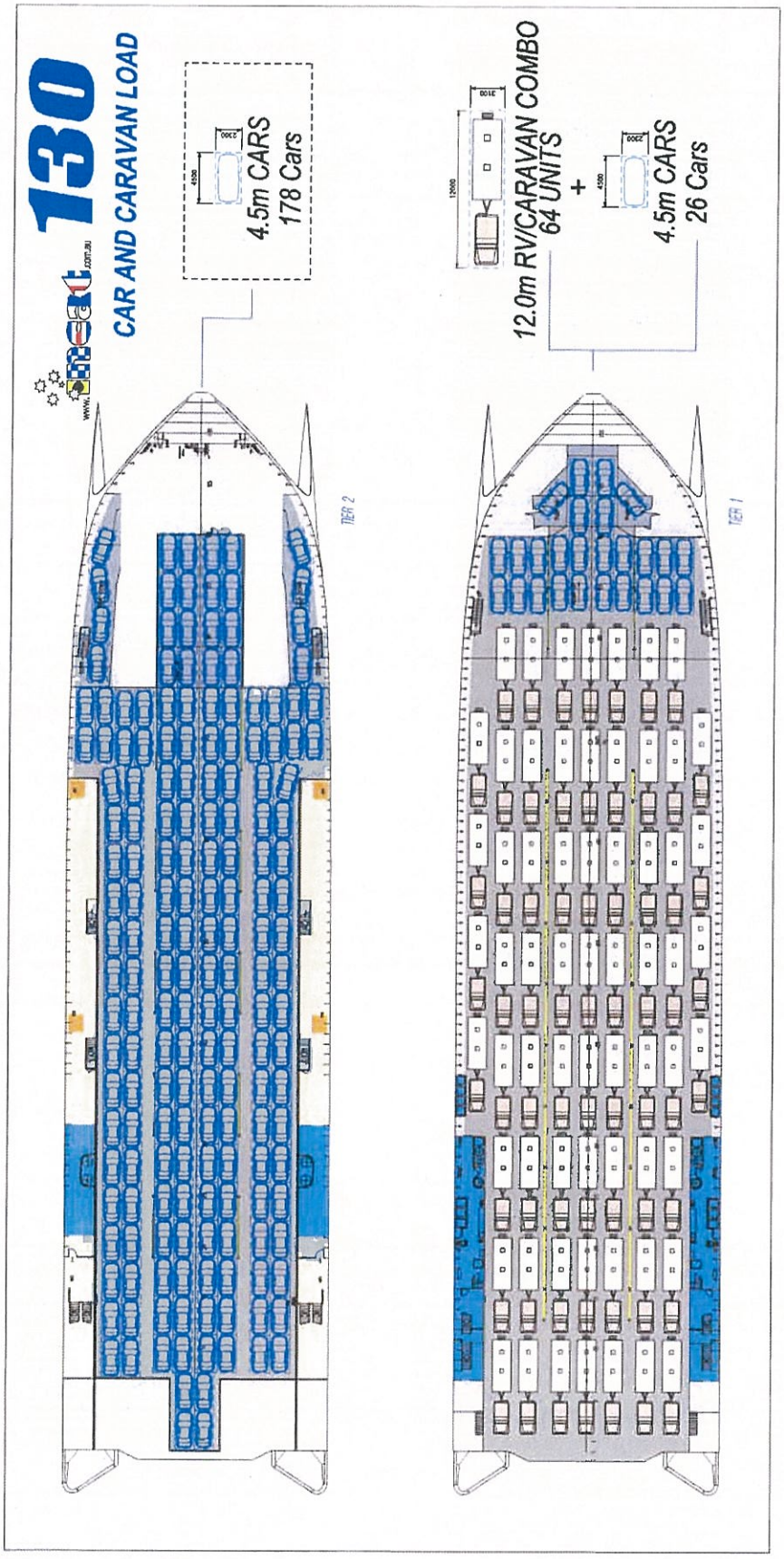
130 METRE DEADWEIGHT COMPARISON CHART



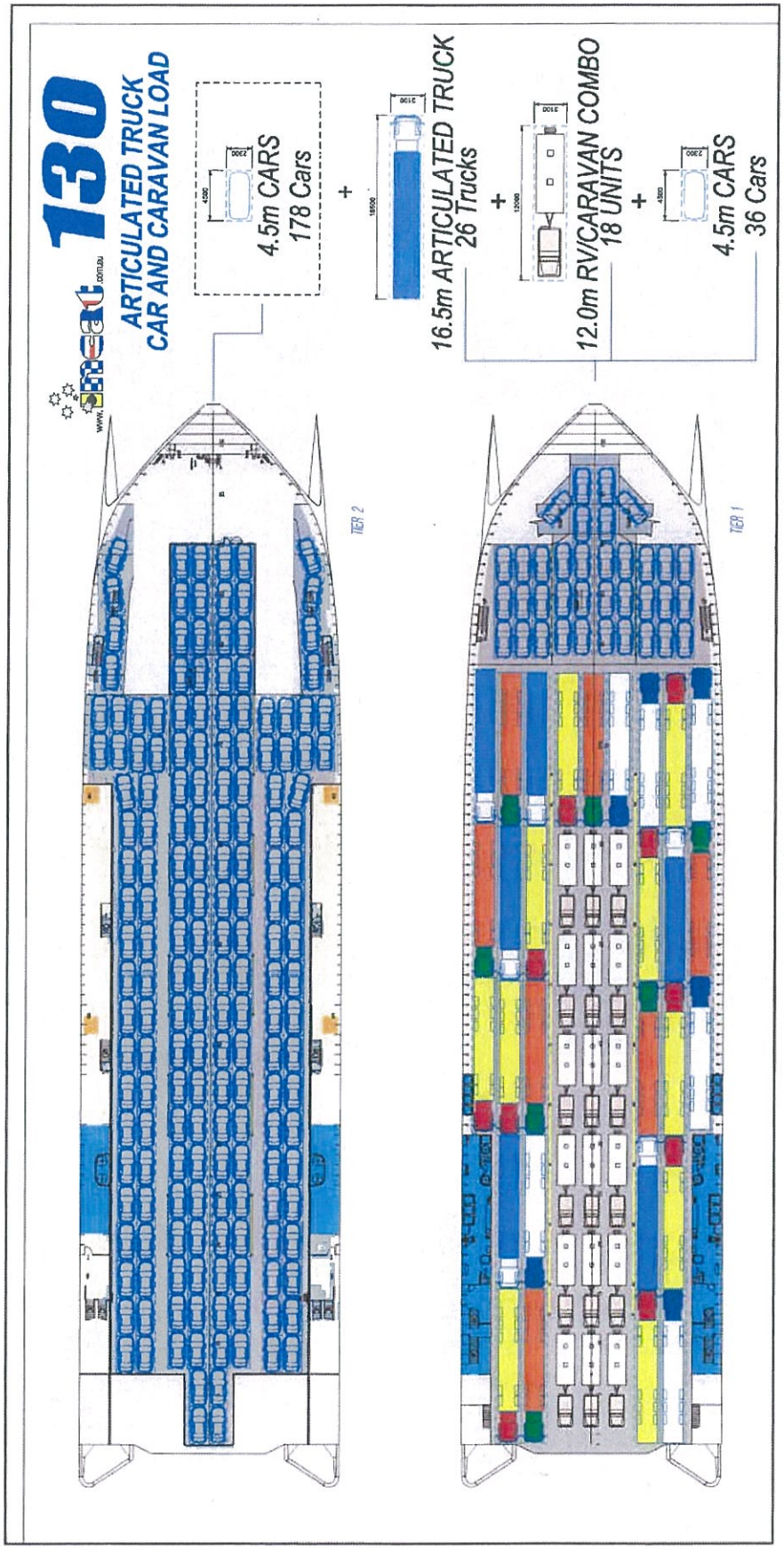
LOAD OPTION A



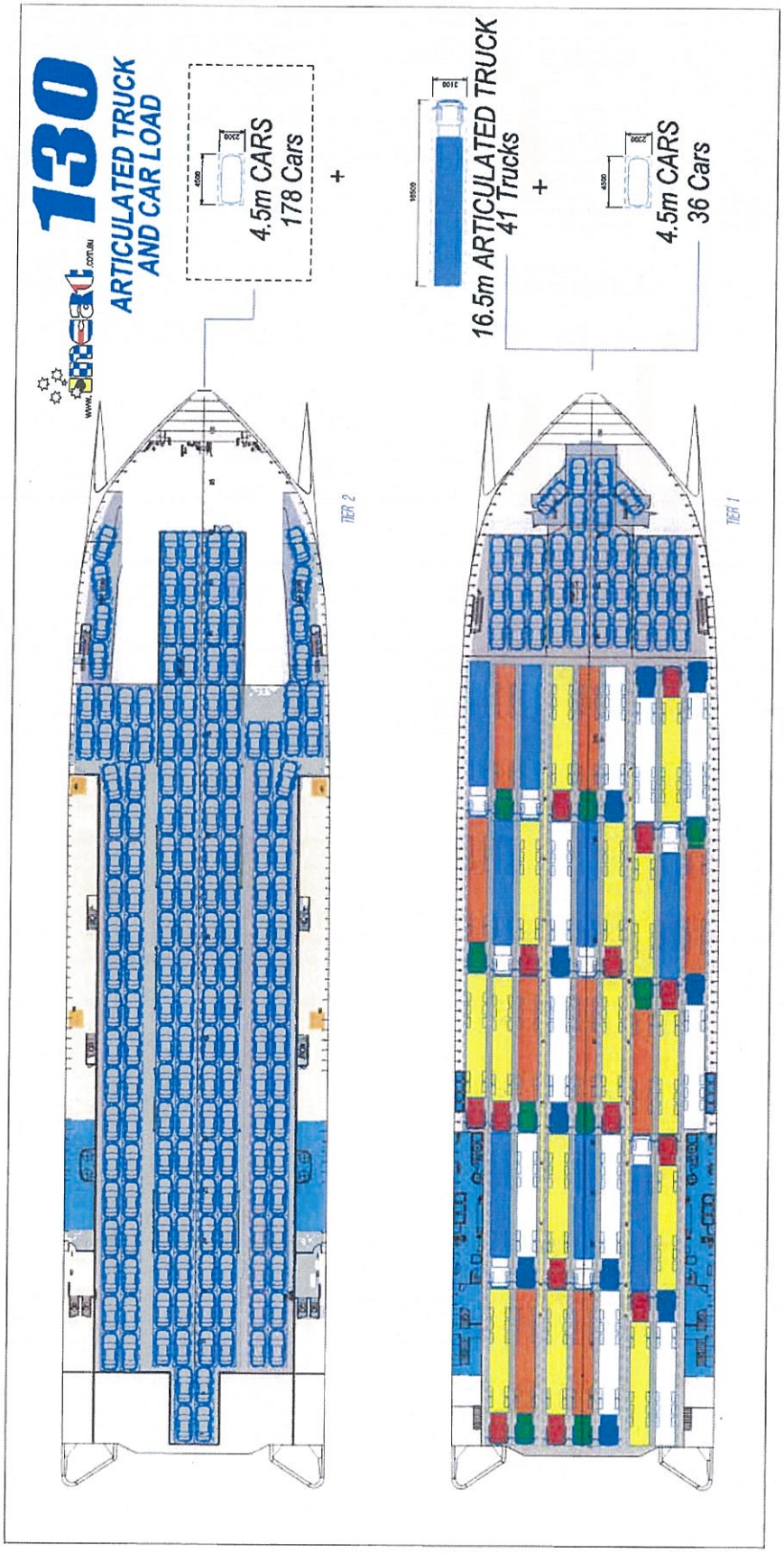
LOAD OPTION B



LOAD OPTION C



LOAD OPTION D



PASSENGER SPACE

SPECIALISED INTERIORS

Interiors can be tailored for a single class operation or encompass both business and tourist class areas. Whether it's luxurious, glamorous lounges, glitzy cocktails bars or a children's play area, the interior fitout is constructed and finished with the attention to detail expected on Incat ships. The weight saving and features required in high traffic areas are reflected in the design whilst maintaining a safe, sturdy easily cleaned and maintained vessel. The materials used on the ecoship 130 will meet a stringent set of regulations for fire/flame retardancy, smoke development and toxicity levels, required by IMO.

THE FAST ROAD ACCESS ACROSS BASS STRAIT

CONTACT INFORMATION

DISCLAIMER
The information contac ined in this document was prepared by Incat for conceptual purposes. Incat accepts no responsibility for the accuracy of figures and encourages interested parties to draw their own conclusions.

CONTACT INFORMATION
For further information please contact Incat Tasmania,
18 Bender Drive Derwent Park Tasmania 7009
Ph: +61 3 6271 1333