

PUBLIC

THE LEGISLATIVE COUNCIL GOVERNMENT ADMINISTRATION COMMITTEE A MET AT KING ISLAND COUNCIL CHAMBERS, 10 GEORGE STREET, KING ISLAND ON TUESDAY 8 AUGUST 2017

KING ISLAND SHIPPING AND FREIGHT SERVICES

Mr RICHARD SUTTON, PRESIDENT AND Mr NATHAN CONLEY WERE CALLED,
MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Ms Forrest) - This is a public hearing. Members of the public may observe proceedings. It is recorded by Hansard, will form part of the public record and be published on our website after being transcribed. Everything you say here is protected by parliamentary privilege. If you speak to the media or others, it is not. If you want to give evidence in-camera or in confidence, the committee will consider your request.

We received your submission and note the various points you have made. We invite you to speak to it or make any additional points or clarify a few points, and then we will have questions.

Mr SUTTON - Good morning, members. Thank you for giving the King Island Beef Producers Group the opportunity to submit evidence into the inquiry into King Island Shipping and Freight Services.

Before we get underway, I bring to your attention that the King Island Beef Producers Group submission was put together by three of our committee members who are unavailable to attend today. Nathan and I will do our best to answer your questions.

Our submission is on behalf of our members who produce 85 per cent of the island's cattle population, which is in excess of 22 per cent of Tasmanian's cattle.

Our submission quotes a lot of facts and figures relevant to the King Island beef industry, whether it is the cost of freighting livestock or fertiliser, which is a driving force behind King Island's farmland being as productive as it is.

What we want to see in the future is a reliable, triangular service between Victoria, King Island and Tasmania, one that is cost-effective and efficient, and does not limit King Island's ability to trade in the most positive market at any given time. Thank you.

CHAIR - Richard, by your last comment, I assume you mean you need a leg from King Island to Victoria as well as King Island to Tasmania? You talk about a triangular service - it has to go both ways.

Mr SUTTON - Yes.

CHAIR - Nathan, did you want to say anything?

Mr CONLEY - There are a lot of things we can discuss. Basically, for all our imports that improve our productivity, whatever comes directly out of Victoria creates more competitiveness

PUBLIC

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

Mr GAFFNEY - Could you tell us what you do on the island, how you are involved, how long you have been here, about your farm or what your involvement is?

Mr SUTTON - I have a family farm in partnership with my brother on the north end of the island. We have about 500 cows and 2500 acres of land we own and land we lease. Our progeny are finished for either Greenham or JBS in Tasmania. I am here today for the King Island Beef Producers Group. I am the chairman of the group, a position I have held for around five years.

Mr GAFFNEY - You are an islander?

Mr SUTTON - No, I am not an original islander. My father bought land here in the late 1980s, but our family did not move here until I finished school in 1999. They moved here from western Victoria in 2000.

Mr GAFFNEY - You have seen a bit of change with what has happened over the last 16 to 17 years within the industry and within your farming.

Mr SUTTON - Yes, my family moved here in 2000. I have been here full time for nearly 10 years.

Mr GAFFNEY - With that stock, do only you and your brother run the farm?

Mr SUTTON - Dad is still there in a semi-retired form, but they still live on the farm.

Mr GAFFNEY - He just tells you what to do.

Laughter.

Mr CONLEY - I am a fifth generation King Islander. My family originated as convicts back in the day. I have been here all my life, born and bred. My grandparents decided to settle here in 1956. My grandmother, Nance Larky, still lives on the family farm. She is 94. I currently run our enterprise, which is about a 1000-hectare operation. We currently have about 750 breeding cattle between my grandmother, my father and myself. This is my tenth year back on King Island after spending time away working and pursuing my education. I currently run my grandparents' operation.

Mr GAFFNEY - Purely cattle?

Mr CONLEY - All beef cattle, a combination of Angus, Polled Herefords and Murray Grey breeders and finishers.

PUBLIC

Mr GAFFNEY - We heard yesterday one guy brings cattle from the mainland to feed. Do you do that sort of thing to fatten up -

Mr CONLEY - Opportunistically I have. I have sourced cattle out of western Victoria on a few occasions where store stock on King Island has not been available or pricing has not been good. Yes, opportunistically, we do source.

Mr GAFFNEY - What shipping line would you use for that?

Mr CONLEY - I haven't in any livestock since BIL - Bass Island Line - has taken over because it is too hard.

Mr GAFFNEY - And your situation?

Mr SUTTON - I do not trade any stock.

CHAIR - Have you ever dealt with Les Dick at all?

Mr CONLEY - No.

CHAIR - Some of the people using that leg to Victoria and return have used Les Dick's service at times.

Mr CONLEY - The biggest thing with using the smaller boats out of Victoria is that if you want to bring in 65, which is one trailer, they won't go there for that. You have to have mass numbers if you want to get one of those small landing craft to go into Victoria. We might opportunistically buy one trailer. When the *Searoad* was coming direct out of Victoria, you could get your cattle from western Victoria on a Friday, have them there on the Saturday and then be here on Sunday. It was quite seamless. Now you have to manipulate the system a bit and try to work in with everyone so that your cattle are not off feed for long periods of time.

CHAIR - Where do you send your product to? Is it JBS Swift and Greenham's, or just one?

Mr CONLEY - The majority of our finished cattle go to JBS because they currently have the King Island beef brand. We try to support that as much as we can.

We generally send bulls to Greenham's and they will go to Tongala, which is their bigger processing facility for that type of animal. They do not process them in Smithton, so they go to Tassie, sit there for a couple of days, go on a bigger boat and end up in Tongala in Victoria.

CHAIR - Bulls are a bit of a problem in that regard, aren't they?

Mr CONLEY - I suppose they are, yes.

Mr SUTTON - I am led to believe there is quite a backlog of bulls King Island, needing to get out of here. Because of the way the service goes at the moment, to go to Tongala is not very good on the bulls and not very good on the bank account either.

PUBLIC

CHAIR - Both of you were here throughout the closure of the abattoir, do you want to take us through what changes that resulted in? As we know, there are a couple of proposals for abattoirs on the island. One is for small and mixed species and would also do some cattle; there is also a proposal for an export quality abattoir, which is not as far advanced at this stage. Could you reflect on those?

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

Mr CONLEY - \$118.

Mr SUTTON - At \$118. It works out at a 1000 per cent increase in transport cost. That hit business pretty hard. In the Meat Standards Australia grading, the whole island was shocked on how poorly our cattle were grading at the start when we were had to learn how to ship them across the water. We have all improved a fair bit now. That obviously hurts as well because at the time, it was about a 20 or 30 per cent reduction per kilo per cattle.

CHAIR - So you are losing a lot of value because of that change?

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

Mr SUTTON - Sometimes, a missed sailing or something could really affect the whole flow-on of your business of cattle going in and out.

In the last few weeks I got rid of a heap of cattle because I have to bring all the cows in to start calving. Had they missed that sailing, it would have jeopardised the grading of the steers going out.

CHAIR - What are your thoughts of an on-island abattoir?

Mr SUTTON - Nathan and I both have had a lot to do with the export abattoirs you are talking about being pushed by the King Island Beef Producers Group. We are both in favour of it.

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

That was probably the first indicator - the stress on the community - then the cost of living probably went up because there were fewer things coming in, fewer people here. That changes that a bit.

PUBLIC

It changes your farming structure, gives you a bit more stress because you have to prepare yourself a bit better to ship cattle. The money is not circulating in the community as it was because you had people working here who lived and worked and kept the pool going around. It was a big issue.

CHAIR - We do not know whether the export abattoir will get going either at this stage. It is still a work in progress. You guys may know more about that. In terms of looking at the future shipping requirements of King Island, at the moment it requires a lot of cattle leaving the island as live cattle. If an abattoir were on the island, you would still need some live cattle on, as well as off, the island. How do you see the future requirements in both those scenarios? One or two abattoirs on the island or neither of them getting up?

Mr CONLEY - Obviously, if there were an abattoir here, it would be for chilled export, so containerised. There would be minimised livestock movement, which means animal welfare and things like are taken out of the equation more because you are not having to ship the mass amount of live animals. On the other side of that, there will be less because it is chilled beef export. You would be able to utilise the freight coming in or out, and not so many empty containers going out as there is now because you would be able to fill them full of product.

That is the biggest thing at our end. It is still freight. It is in a different form. It takes pressure off us because we do not have to be concerned about cattle breaking their legs or animals dying.

Mr SUTTON - If they are sailing, it is easier if it is in a refrigerated container. You keep it going for another week until the boat turns up, whereas a live cattle situation is a lot different.

CHAIR - In terms of the sort of vessel, we need a roll-on, roll-off vessel, particularly at the moment when you have the cattle in trailers. It is one of those things - how do you prepare for the future when you do not know what the future looks like? Do you think a roll-on, roll-off vessel is the answer regardless of whether there are abattoirs here?

Mr CONLEY - You have seen when we did have an abattoir and now we do not, that for 24 years we had an ocean-faring vessel. It did not miss many times in 24 years. That is the type of boat we had and type of boat we need. It is not so much whether it can be justified. We are in the middle of Bass Strait. One minute it can be dead flat and then it changes. This autumn we have been extremely lucky - we have had the mildest and calmest autumn we have ever had so the boats have done the job. Any other year we would have been in a hell of a position.

We had the boat when we had an abattoir and we did not have the *Searoad Mersey* when we did not have an abattoir. So we needed the boat when we had it.

CHAIR - That is the sort of boat you need effectively?

Mr CONLEY - You have to have reliability. Every business needs reliability and if you do not have a reliable system in place, it makes everyone vulnerable.

CHAIR - That is right.

PUBLIC

Mr GAFFNEY - We will ask the council a bit later about population demographics. If you are looking at the sustainability of the island, whether you are fifth generation or not, if the school is dwindling, you get to a certain level where the island is not sustainable. I was here 10 years ago in another role, with LGAT, and I can see the marked difference between now and then with the number of shops and people. Back in Tasmania, we have farmers whose kids do not want to work the farm. I know you are fifth generation, but do your family members aspire to continue on the island? You have a father or grandfather still operating?

CHAIR - Or Grandmother.

Mr GAFFNEY - I am worried about the longevity if there is not security or reliability in getting produce on and off the island. Is the trend still going down and the population decreasing within the community?

Mr CONLEY - It makes you vulnerable. By not having assured services, you personally feel you are vulnerable and wonder whether it is worth staying on because of your cost of production or income.

We are lucky that with our lamb prices and our production being so high, we can handle it. If it keeps going the way it is and we are more vulnerable because of things out of our control, you probably do have to sit down and think, 'Is the right place for our future to keep farming, or to stay?' You have to sit down and think about it. My children are sixth generation; they are seven and nine, and they are not going to be able to tell me until they are 18 or 20 if they want to go farming, so I am not worried about that. I am only 33, so if I have another 30 years of farming left in me, they can make a decision when they are old enough, probably married and have their own children.

CHAIR - You will have another 60 if you take after your grandmother.

Laughter.

Mr CONLEY - It makes you concerned. With numbers in the school and things like that, yes, you do start to worry about it. I suppose you hope some positives can come out of it. You never know - look at Victoria or Tasmania, there are people moving out of the towns and into the country. It is only a 40 minute plane flight, so it is only a matter of time before, hopefully, people realise what we have here and the population goes that way.

Mr GAFFNEY - The money is tighter though because of the expenses you have identified. Even yesterday, a bag of groceries. When I was a house master, a lot of the island's 17- to 18-year-old students were sent to Launceston for their education. You have two boys. If you want them to have an education, you might think they have to go off island, and all that adds up expense-wise, to get on or off the island. I could not believe how expensive it is to fly here. There are some real concerns about that side and hopefully the council will be able to answer more questions.

Mr CONLEY - Definitely. In our submission at point 1, recent benchmarking data over the past four years shows that sea freight from King Island producers is 26 per cent of their farm operating costs. When the abattoir was open, it was 3 per cent.

PUBLIC

You can put it in raw figures. If we sell 700 head a year, at \$118, that is \$70 000 plus we are paying in freight. If you spent \$70 000 on fertiliser, that is basically our annual fertiliser application gone in freight.

Personally, I cannot see how the cost of operating these vessels is so high, but we would like some explanation on that.

CHAIR - Just on that point, you mentioned in point 1 on the first page of your submission that the King Island shippers are assured there will be no rate increases with the Bass Island line into the period of *Investigator*, and, as outlined in section 2, this is clearly not the case. Did you get a chance to read TasPorts submission?

Mr CONLEY - Yes.

CHAIR - They are claiming a range of things, including that there have been no increases, so there is a bit of disconnect there. You may not be able to answer, but it will certainly be a question we will be asking TasPorts at a later time. What would you encourage us to ask them?

Mr CONLEY - Where do you go? It all depends on who you have a meeting with. Fortunately, being a part of the beef group, we had a couple of discussions with the minister, Rene Hidding, and Kevin Moore from TasPorts. We have had numerous meetings, but this one sticks with me. It was about fertiliser. On 17 March, Kevin Moore, the general manager, Customer Management TasPorts, was informed 2100 tonnes of ordered fertiliser was contracted for clients on King Island. On 17 May, after we had another meeting with Jeremy Rockliff and Kevin Moore - so that's two months later - they realised there was an issue.

Fortunately the manager of one of the major contracts was sitting at the table and put it to them he had not received his fertiliser. That 2100 tonnes equates to \$1.2 million in fertiliser not delivered.

If you go through the submissions, TasPorts keep saying they delivered freight in time for the seasonal break. The seasonal break on King Island is mid-March, not mid-June, not May, not even April. There is disconnect. I do not think they realise the situation of King Island production. We can get rain in January and that is our autumn break because of our climate. There is a bit of disconnect. You would like to think we can work through it, but it seems the conversation is not being listened to.

CHAIR - We have had updates. I have been receiving the updates from the Bass Island Line on a regular basis - I am sure you guys do as well - saying there was no backlog, it was all delivered in a timely manner, but you are telling me that is not the case.

Mr CONLEY - Andrew Philbey, of Philbeys Fertilisers, points out in his submission that unless it was in a container, they did not classify it as backlog. If it is sitting in a shed in Victoria and it has been contracted, it is backlog. The contract was written on 17 March.

CHAIR - That is backlog in your book. It is not in another's book. Is that what you are saying?

Mr CONLEY - Because it was not in a container -

PUBLIC

CHAIR - On the wharf basically?

Mr CONLEY - On the wharf, it was not seen as backlog.

Mr SUTTON - The point of that was they did not have enough containers in the system to go around.

Mr CONLEY - That is not our problem. We are not the service provider. That is very hard for us to control.

CHAIR - TasPorts talked about buying extra containers.

Mr SUTTON - Yes. That was after our meeting on 17 May. The day it finally clicked. That was \$1.2 million-worth of fertiliser -

Mr CONLEY - From one fertiliser company.

Mr SUTTON - - losing its efficiency. The colder the year gets, less efficient and less response you get from that fertiliser. Nathan has a few figures on what the cost is, if the fertiliser is not put out in a timely fashion.

CHAIR - That would be helpful if you would go through that.

Mr CONLEY - Basically, if you put out 100 kilos of urea on 1 April, you produce 460 kilograms of dry matter per hectare every day. If you equate that back: for every 10 units of nitrogen, you will produce 1 kilogram of dry matter per day. If you produce 10 kilograms of dry matter, you will produce 1 kilogram of live weight. That is, 1 kilogram of live weight times \$3, which was the market price. You are producing an extra \$3 per hectare per day.

If you have 1000 hectares at \$3 per hectare per day, that is \$3000 a day in your loss. Over your 42 days at that \$3000, it is \$126 000-worth of loss. If you go 30 days out, your efficiency might go from 15:1 down to probably 10:1 down to 8:1 of your response of nitrogen. The season gets colder; your plant uptake gets wet and so on.

Mr SUTTON - The reason that was done over 42 days production is that is the life of urea or nitrogen.

CHAIR - Right.

Mr CONLEY - It is a basic principle with it. There is probably better data than that out there, and I probably have not explained it to the best of my ability. It shows that if we are waiting for fertiliser, it shows the dip in our production. At the end of the day, the dip in our production is the dip in cattle that can get processed in Tasmania and put into boxes, and away we go.

Mr GAFFNEY - On the ordering, have you noticed a difference in being supplied in time? Five years ago, if you contacted them and said you wanted some fertiliser here by such and such, has there been a market change in procuring of that?

PUBLIC

CHAIR - Or responsiveness of it?

Mr SUTTON - Yes. When SeaRoad was running, if you ordered it, two or three weeks, it would be here. Not a great wait.

Mr CONLEY - Even five years ago, we still had the Impact Fertiliser shed here. We used to drive down and get it, so that is a big difference.

CHAIR - I want to take that point at the end of the submission. Maintain the fertiliser shed at Grassy. That is no longer there, is it?

Mr CONLEY - It is still there. It has had an extended life.

CHAIR - We hear differing views, but we are going down the port later so I will have a look.

Mr SUTTON - It is still there, but it has been written off.

Mr CONLEY - In the meeting on 17 May with Jeremy Rockliff, we discussed it being kept open while we are in this interim phase. It has basically been, not condemned, but decommissioned. It has been extended while we are in this situation.

Mr SUTTON - During another meeting I had with Rene Hidding in Hobart, he threw around the idea of a shared fertiliser facility. All the major fertiliser companies could lease space in it. As farmers, Nathan and I could lease a bay so we could order our fertiliser and have it waiting there, ready to go. We can't afford to build fertiliser sheds on our own farms, but we could lease a space in a shed. That was an idea Rene threw around that sounded quite good.

CHAIR - Are you talking about on the port or somewhere near the port?

Mr SUTTON - Somewhere near the port.

CHAIR - Are there issues with fertiliser being stored?

Mr CONLEY - No, not really. I think selenium is the only one you can't store.

CHAIR - Whose role would that be?

Mr GAFFNEY - Can you explain how that operated when it was up and running? How did the fertiliser shed operate?

Mr CONLEY - The fertiliser shed is run by TasPorts in conjunction with Incitec Pivot. You can ring up if you have pre-ordered. If you call the Incitec Pivot man, Robbie Payne, and ask whether there is any fertiliser there of the kind you wanted, he will say, 'Yes, there is some down there.' You go down to the weighbridge, tare off your tractor or truck, go to the fertiliser shed, they load it and you drive back over the weighbridge and tare off again. They write out whatever you had and off you go.

PUBLIC

Mr GAFFNEY - So they would load it; it would be their responsibility. Would that be a daily occurrence?

Mr CONLEY - Every day the port was open, you could go down and get it out of the shed.

Mr GAFFNEY - How many years did that system run?

Mr CONLEY - It is still running today. There is still fertiliser in the shed today.

CHAIR - Is it only Incitec Pivot?

Mr CONLEY - It is only Incitec Pivot, yes. Previously you had the Impact depot up on Bold Head and that was a totally different operation. You could get different blends of fertiliser. They had a blending facility but once they shut the doors it stopped. You get your bulk orders pre-blended in a container. If you need five or six tonnes to finish off your farm, instead of getting another 20 tonnes of fertiliser, you would go down to the shed and get your small amount.

CHAIR - Even with a large and more suitable vessel, would a fertiliser shed still be important on the island? Do you think that problem would go away with a more reliable and consistent service, if one came directly out of Victoria?

Mr CONLEY - That is a difficult one. The majority of your fertiliser came in a container anyway. When the blending facility was open you had the ability to blend specific blends on that day. If you only needed five tonnes for one paddock and two tonnes for another, you could get it blended instead of getting it blended somewhere else, put in a bulk bag, put in a container and brought to King Island. That is a difficult one. It is a hard question. It is the unknown.

CHAIR - Did you want to add anything to that?

Mr SUTTON - As Nathan said, it is unknown.

Mr FARRELL - In dealing with this situation you have had meetings with the Minister for Infrastructure and the Minister for Primary Industries and Water. Has Infrastructure Tasmania been involved in any discussions about the issues you are facing? Who seems to be the minister looking after these issues?

Mr SUTTON - With Infrastructure, we haven't had a meeting, as such, with them. Jeremy Rockliff seems to be our main point of contact through relations some of our committee members have with Ashley Bastock. We go to him because of his agricultural experience. He has a greater understanding of our issues.

Mr FARRELL - As far as the port infrastructure goes, it is something holding the island back to a certain degree. If that facility were improved and you had a proper port, do you think that, particularly in your industry, there is the potential to increase what you are doing now? Is there the amount of growth in your business to warrant any improvement to the port?

Mr SUTTON - If you can improve it and improve the cost of freighting livestock - really, there shouldn't be a cow on King Island. It is a mass feedlot. The only reason we have cows here is because we have to breed stock to keep it going. If you could bring cattle in and fatten them

PUBLIC

and move them out again at a cost-effective price, we would be a lot more productive. I suppose that is where we need a better port.

Mr CONLEY - The Productivity Commission inquiry in 2011 found that King Island has massive potential in growth from better farming practices, let alone freight rates coming down through competition. We have massive potential here; it is about how we can justify doing it.

Mr FARRELL - And it needs to be a triangular service for your specific businesses?

Mr SUTTON - Yes.

Mr CONLEY - You are propping up a freight business if it is not a triangular service. There is too much handling of the freight by the time it gets to King Island. King Island farmers want to increase their production and get better at what they are doing. That has been proven over the years - we are genuinely trying to get the best out of ourselves and out of our land as we can. It is a stalemate, like I said before, with the figures on our own place - 26 per cent of our farm operating costs are in freight. There is a massive gain in that. Even if it went down to 5 or 10 per cent, it is where we can go with the money we save. Most of the time farmers spend the money they make back on the land. That has been proven over history. Farmers are good at spending money on their farms and not going on holidays and splurging.

CHAIR - That's right. You touched on the differences in freight cost. You are talking about freight on and off the island, such as your fertiliser coming on and your cattle going off. You pay for freight in the groceries you buy and any building materials. There is a freight component the end consumer must carry somewhere.

You and others have identified significant differences between King Island and Flinders Island. Do you understand why that is the case? Do we still do not know who is clipping the ticket? Is that the problem?

Mr SUTTON - I think that is the problem. Back to when we had SeaRoad, the fertiliser going to Tasmania was stopping at Grassy and continuing on. We are still paying however much more it is per tonne to have it delivered. It is handled again when it gets to Tasmania to go to Flinders Island. It is going to Flinders Island in 1 tonne bulker bags, cheaper than we can get it here in 25 tonne containers. We would have thought efficiencies in 25 tonnes would be better than 1 tonne, but no one can answer it.

Mr CONLEY - This is in Philbey Fertilisers freight rates; if you put 24.5 tonnes of fertiliser in a 6 by 10 metre container, it is \$3477.50 to come into King Island. With the TFES, your freight component is \$141.94. The same container going to Devonport, with 25 tonnes in it, was \$1405 with a freight component of \$56.20. You are going half the distance from Melbourne to King Island as Melbourne to Tasmania, they all say it is scale. The scale is still going to Tasmania; it was getting stopped off here for 12 hours and then going on. Double the price, go figure.

CHAIR - Who would you ask and what would you ask to get to the bottom of this?

Mr CONLEY - We have asked the minister. They will not tell us what the cost of production is. That is the hard one. It is confidential. They are not going to tell you.

PUBLIC

CHAIR - This is one of the big questions, the cause of all this.

Mr CONLEY - SeaRoad always said that the cheapest spot for them to be on a Sunday was King Island because if they were sitting in the Port of Devonport, they would have to pay their Sunday rates.

It was a cost saving for them to be here, and yet we are paying double the price now. There is no way it is going to be cheaper going from Melbourne to Devonport and back to King Island and then the boat having to go back to Devonport. It is not going to be cheaper; that is just common sense.

Mr GAFFNEY - Do you guys have a relationship with the TFGA or TAPG?

Mr SUTTON - Yes, TFGA's Rod Graham, who was going to be here today, is on the Red Meat Advisory Council and that is our connection with the TFGA.

Mr GAFFNEY - Has the TFGA board or executive or group ever been to a conference here on the island?

Mr SUTTON - Wayne Johnston was here three months ago. When all the fertiliser issues were going on and he came over to get first-hand experience of what was happening.

Mr GAFFNEY - Do you know whether they have raised these issues on your behalf with the minister? It seems to me that they are a fairly strong lobby group in mainland Tasmania and they are always doing media releases about something. I am wondering whether you feel as though they have actually -

Mr SUTTON - You need Rodney to answer that one. I am pretty confident it has been. It is hard because when the abattoir shut, there was a big disconnect with the TFGA due to Jan Davis' comments. It has been a common thing that we are trying to heal that. The TFGA came over three months ago because they realised what happened and where they wanted to go, so they are trying to -

CHAIR - Smooth the waters, so to speak.

Mr SUTTON - Yes, basically. I suggest it has been spoken about, but it is hard.

Mr GAFFNEY - As we heard, the percentage of the beef you guys put into the market in Tasmania is huge compared to any other part of Tasmania - 26 per cent or 22 per cent, I think I read.

Mr SUTTON - Yes, 22 per cent is a reasonably old figure. If you drive around Tasmania now, you will hardly see a cow so I would have thought it would be well above 22 by now.

With the TFGA, not everybody is a member. You pick if you want to be a member or not, and with JBS, it comes directly out of the money you get from there.

PUBLIC

Mr GAFFNEY - It is interesting, you become a member of something if you think you get something in return, don't you?

Mr FARRELL - From your point of view, what role does the King Island Council have in this? Do you feel enough being made of the situation by the council representing to the state Government?

Mr CONLEY - That is a difficult one. I think there is a community-level disconnect with the council. I do not think there have been too many productive meetings with the beef group and the resources in the council.

Mr FARRELL - From where I sit, there seems to be a need to come together. There are many different businesses and people affected by the shipping. I wonder, from your point of view, who you think should be taking on this leadership role to drive it to the state Government - or the federal government, if that is where it needs to go.

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

CHAIR - A couple of questions you might not feel that you are in a position to comment on. One thing that has been raised is the port facility itself, particularly in terms of live cattle and the movements required within a port, with quality and safety of the animals as well as for the people at the port. Do you believe it could be more efficient at the port and if so, how? Is there a need for a port upgrade, whether that is reinstating the fertiliser shed in a more usable form or the movement within the port to enable the cattle to be put on and off quicker? One witness said that it took 12 hours to unload a ship at King Island while it took much less time to load or discharge in mainland Tasmania.

Mr SUTTON - I will be honest, I know nothing about shipping so I cannot give you a straight answer. A lot of people throw around numbers. I cannot give you numbers because I do not know anything about shipping.

CHAIR - That's fine.

Mr CONLEY - From what I understand, the people who work down there are doing the best they can. It is probably not the easiest position to be thrown into. That is not for us to answer.

CHAIR - Once the cattle leave your farm, the transporters then have the responsibility for them from then on. Is that how it works?

Mr CONLEY - Yes. They have the responsibility of carting them there. If something happens, you have to work that out.

PUBLIC

Mr SUTTON - Ownership does not change hands until they are weighed over the scales at the abattoir.

Mr CONLEY - So they are still ours.

CHAIR - You still have a financial investment in them until they are actually slaughtered and weighed.

Mr CONLEY - If the boat goes over or the truck goes over, you are probably chasing people wanting to know why.

CHAIR - Do you insure your cattle against loss like that?

Mr SUTTON - Not for the crossing, no.

CHAIR - You don't send breeding bulls or anything off the island? You do all your own breeding bulls and stuff?

Mr SUTTON - We bring in bulls and send them out to slaughter, that's it.

CHAIR - Do you bring in semen and that sort of thing as well?

Mr SUTTON - Yes, I do but that is flown in.

CHAIR - Yes. You don't just rely on your own stock, you bring in semen too?

Mr SUTTON - Yes. I don't know the numbers but a lot of bulls would be brought in each year. There are no real providers here of seed stock for the numbers that we need.

CHAIR - You rely on the bulls rather than artificial insemination?

Mr SUTTON - Yes.

Mr CONLEY - A lot of people are not in a position to do artificial insemination because they don't have the facilities and things like that. That is a hard one. The majority of the seed stock would be in bulls, probably 80 per cent, with 20 per cent flown in for AI. That is probably the only way. A lot of people like going to look at their bulls instead of using semen.

Mr SUTTON - Claim it as a holiday.

CHAIR - It's always nice to go to the show and see the bulls there and watch them getting judged.

Mr CONLEY - I suppose the diversity and genetics is probably the biggest one. You can buy bulls on King Island. There are bull producers on King Island. They might not have the genetics Richard wants but they might have what I want. I could source mine locally and he might not be able to. There is a lot of difference in that.

PUBLIC

Mr GAFFNEY - Is the main breed on the island Angus?

Mr SUTTON - Yes, you would have to say predominantly Angus.

Mr GAFFNEY - Has that changed in through the generations here? Has it always been the Angus line?

Mr CONLEY - It has definitely, from when I was a child. It has changed. There have been European breeds - Charolais, Simmentals and Herefords to Angus to Shorthorn. There has always been a diverse amount of cattle but predominantly now, with these bigger farms, they are the straight Angus breed.

Mr GAFFNEY - Are they well suited to the island compared to some other breeds?

Mr CONLEY - Or while it is our market. We are in that grass-finishing market. It is all British breeds; there are not too many European breeds now. The odd people have some Charolais but it comes down to fat and things like that. We have gone away from that.

Mr GAFFNEY - Thank you.

CHAIR - Any more questions?

Mr GAFFNEY - On an island reasonably small in population, you have guys that work on the ports, you have farmers and you guys who drive the trucks and you either play football or socialise all together.

CHAIR - There are two teams.

Mr GAFFNEY - There are three; get it right.

CHAIR - Yes, you are right.

Mr GAFFNEY - I know there have been some strains on the island because of different points of view reported by the media. Does it come up socially much in conversations about different points of view on shipping or do people avoid those conversations now because they know around the table it is probably not going to be conducive to a good night.

Mr SUTTON - I avoid the conversations because I am sick of hearing about it. Everyone talks to everyone about it and everyone has their own opinions about how it can be solved.

Mr GAFFNEY - Are most of the people who work at the ports locals or are they fly-in, fly-out or work-in or -out?

Mr CONLEY - No, they are all locals unless they find an engineer or strategic specialists. They all work here yes.

Mr GAFFNEY - They have families here?

Mr CONLEY - They have or had families.

PUBLIC

CHAIR - Your submission crosses over with a lot of others, but there is still an unknown question about whether the freight cost is significant so we will try to go down that rabbit hole and find an answer.

Mr GAFFNEY - We heard yesterday from a gentleman who said he has 400 acres and what he is trying to do until the freight issue is sorted. It is really difficult to look at expanding your property and services because you do not know the risk involved with that. He said land is still relatively good here to buy, so do you think there would be greater expansion with your property or others if there was more reliability with the shipping and freighting?

Mr CONLEY - You could probably work it out on a base figure. If you had price parity with Tasmanian shipping - so that is \$60 a tonne - instantly you are going to halve the freight component of your cattle. However much you pay in freight, you will get half that back to spend and reinvest in your farm. You then also have money saved from other things or services you are not paying as much for because the freight component is down.

I can only use my property as an example. I bought a 500 acre property. It has been cleared for probably 15 years and its productivity is nothing at the minute because I have not put any input into it. Within a 5- or 10-year period, I will probably be able to have another 200 head of cattle on it. You have to justify getting it to that stage and it comes down to your income. If you had extra money that isn't getting lost down the kitchen sink, you will be able to improve and reinvest. That will drive production and you might be able to employ someone. A lot of farmers on the island avoid employing people because they cannot justify it.

Mr SUTTON - You find a lot of farms are around that 500-cow mark because that is one labour unit you have to double if you are going to employ someone.

CHAIR - There is a line where you have to increase a lot to make it worthwhile.

Mr SUTTON - Once you step over the line, yes.

CHAIR - In your submission, at point 4, you noted the consolidated freight task with minimal parties involved on the supply chain. Can you expand a little further on what you mean by that?

Mr CONLEY - It is basically minimal parties. I will try to answer this as best as I can. Basically if you have a container of something coming from Victoria, it gets touched once and put on the boat; it then gets touched on King Island, and you have it. Currently a container for Currie Cargoes in Victoria gets packed by SeaRoad Logistics and is forwarded to TT-Line, which then takes it to Tassie. It is then gets taken to BIL and back to King Island and is unloaded again.

CHAIR - Is that all that basically double handling?

Mr CONLEY - Basically it is getting handled four times. There is no efficiency there. If it gets put onto a boat and then is taken off the boat on King Island, it is more efficient, isn't it? It is pretty simple really - the more people who touch it, the more money it costs and the more money that is haemorrhaged and our prices go up.

PUBLIC

CHAIR - I wanted to clarify what you meant.

Mr SUTTON - That is how I understand it. As I said earlier, we did not put it together.

Mr GAFFNEY - With some of the questions asked, you think, 'Why have they asked that - it is so simple', but we need to have those answers for evidence for the committee's work and our report. We can only do that; we cannot surmise. Obviously if the freight goes down, they can employ another person. We need to have that in the *Hansard* so we can reflect on it later.

CHAIR - We can only report on the evidence we get.

Mr CONLEY - Now the whole thing is for the amount of freight we pay per head of cattle - we are talking about cattle and fertiliser a bit - you can take an animal from Melbourne to Alice Springs more cheaply than you can get an animal from King Island to Tassie. If you are looking at scale, that is a massive distance. To put things into perspective, it is like running a boat from Melbourne to Devonport back to King Island, instead of Melbourne to King Island to Tassie. It is scale. You are not doing the distances they are really talking about. If you put it in kilometre terms, it is 256 kilometres from the Port of Melbourne to the Port of Grassy, not that far. Melbourne to Echuca is 256 kilometres. You are not even out of one state. That is how I look at it, anyway. There is a lot of room there we just do not know about.

CHAIR - Particularly for a product that only comes out of Victoria. You do not get your fertiliser from Tasmania, you get it from Victoria.

Mr CONLEY - It is the same with Tassie, though. A lot of their product is on the boat that was coming here, except now we have been put in the position where it has to come back again and then the boat has to go back again, so that is a hard one. Five years ago Chaz Kelly first said he was going to buy a new boat - five years. That is a long time for someone to get organised.

Mr SUTTON - He was reminded every week - it was counted down in the paper how many weeks it was; he could not get away from it.

CHAIR - It's been known for a long time there is no two ways about that.

Mr CONLEY - There is no hiding from that one.

CHAIR - All right, unless you want to make any closing comments, thank you for your appearance today and your submission. I am sure you will watch with interest to see what comes out of it. We cannot make a new ship appear, unfortunately. I would like to magic one up but we cannot, but we can make recommendations about what sort of service is needed. We are not ship experts either in terms of getting one on the line, but making it pretty clear what is needed and looking at the port infrastructure is important in all of that.

Mr CONLEY - The main thing is that King Islanders just want to understand the freight component and why the price is where it is. It is not just the beef producers: it is everyone on King Island.

CHAIR - You cannot cut your costs if you do not know where they actually fall.

PUBLIC

Mr CONLEY - You cannot move forward if you do not know how to go forward.

CHAIR - That is right. We will try and get to that. You have tried pretty hard, as lots of others have, to find out what is at the bottom of it.

Mr CONLEY - Thank you for the opportunity, it was good.

Mr SUTTON - Yes, thank you very much.

CHAIR - You are welcome to stay if you would like to see the next one, but if you have to get back to the farm I understand that too.

THE WITNESSES WITHDREW.

PUBLIC

Mr JOHANN JACOBS, DIRECTOR, KING ISLAND SCHEELITE WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED

CHAIR (Ms Forrest) - Thank you and we welcome you to make a submission and we are aware you have a PowerPoint presentation you will speak to as well. Is this what you have provided to us?

Mr JACOBS - Yes.

CHAIR - Okay, so it has been tabled.

Mr JACOBS - To start with, what did not come out in my earlier submission is that our decision to invest in this mine is dependent on a number of factors. One of the important issues is a reliable service to the island and back to the mainland. Our total investment to build a mine is something of the order of \$80 million and clearly a reliable logistics chain is crucial for that.

My presentation is really to emphasise it is not a pipedream, it is reality. That is an aerial photograph of Grassy around 1990. We will visit the mine later today, but that was the industrial area and most of that, as you will see in a later slide, is reclaimed land. That came out of the open pit mine over there. The village of Grassy is at the top there.

The deposit was discovered around 1911. Underground operations started around 1917 and open-cut started about 1960. It operated all the way through until 1990 when very poor tungsten prices forced the closure of the mine. It was originally operated by Peko Wallsend, which eventually became North Limited which became Rio Tinto.

Rio Tinto disposed of the tenements in the late 1900s and King Island Scheelite Limited obtained the licences in 2004.

As a matter of interest, scheelite is a form of tungsten. There are two forms of tungsten, scheelite and wolframite. The deposit on King Island is a scheelite deposit, thus the name Scheelite. We own 100 per cent of both the Dolphin, which is the Grassy deposit, and the Bold Head deposit really close by Dolphin. During the last 10 years we have spent something of the order of \$14 million doing various feasibility studies.

The first one was done in about 2005 for a very large open-cut. That was followed by a completely underground mine and we now are looking at an open-cut for eight years and then an underground mine for eight years. So, a total life of 16 years. That excludes Bold Head.

The major factor impacting on its viability is the international price of tungsten and unfortunately we have no control over that.

The uses of tungsten? It is an alloy for steelmaking, to harden steel. It is used in the automotive, industrial, mining, machinery and aviation fields, not so much as an alloy for the metal but in the cutting tools because it is a very hard metal. Some say it is harder than diamonds and it is used for cutting with steel.

That gives you an indication of the price we are looking at. APT is ammonia paratungstate, which is 88 per cent pure tungsten. You will see, from 2011 where we hit a peak of around

PUBLIC

\$45 000 per tonne, that it has gone down to US\$18 000 per tonne and is now sitting at about \$22 000 per tonne. Those prices are quoted in metric tonne units, or MTUs. A thousand MTUs make up a tonne.

Mr GAFFNEY - Which is more valuable, scheelite or wolframite?

Mr JACOBS - It is the same.

Mr GAFFNEY - Are there sources of wolframite here as well or just scheelite?

Mr JACOBS - Only scheelite. Those four photographs indicate the mine as it stands. The top left-hand one was taken in 2014 as we commenced dewatering the pit. The pit was left to flood from 1990 to 2014. On the top left-hand side, you can see the big pump with the pipe behind it travelling across the reclaimed land into the Bass Strait on the top right hand, about halfway through. The bottom left-hand one is how you will see the pit today, and bottom right is the portal going into the underground mine. The pit was flooded for 25 years and when we dewatered it, the walls and the road you will travel on today had not been touched. It was absolutely picture perfect once we had taken all the water out after 25 years.

Mr ARMSTRONG - So the underground part of the mine was also flooded?

Mr JACOBS - It is still flooded; we haven't gone in there. Just to indicate the scale of operation or scale of resource we have, once we dewatered the pit, we went in with drill rigs to re-establish the accuracy of the reports dating back to 1980 when the mine closed, to make sure that what they said was there is, in fact, there. JORC is a mining term for resources. We ascertained after the drilling that there is something in the order of 86 000 tonnes of pure tungsten still left in the resource. We propose, as you will see shortly, to mine that at the rate of 2500 tonnes per year. Obviously you can't recover the full 86 000 because there is mining loss and dilution et cetera. In terms of the open-cut resource, at 0.74 per cent tungsten, there is about 30 000 tonnes of tungsten there. To put that in some sort of context, for every tonne of ore we mine, you will get less than 1 per cent of saleable material.

CHAIR - What processing will you do on the island before shipping?

Mr JACOBS - We propose to do a concentrate that will be 65 per cent pure tungsten. It is a significant upgrade from what's in the ground to what we ship.

That is the proposed production profile. The non-ore bearing material - that is, the material you have to move to get to the ore - we are looking at mining something in the order of 3.8 million tonnes per year over an eight-year period, so that is 30 million tonnes. The ore we will mine is 410 000 tonnes. We will produce 4000 tonnes of concentrate, which turns out to be 2600 tonnes of tungsten. We will be shipping 4000 tonnes of concentrate per year.

The shipping chain we encountered while we were dewatering was that the diesel is being shipped from Geelong to Bell Bay in Tasmania and then road-freighted in Isotainers to Devonport, and is then shipped in Isotainers from Devonport back to King Island. The double-handling is just unbelievable. That is one of the big issues behind the cost of diesel on the island. Although we are not a current user of the shipping line, we have used it in the past and reliability to us of paramount importance.

PUBLIC

Over a four-month period we used 143 000 litres of diesel for the pump, which equated to just short of \$200 000. Currently, we still have a pump there, albeit a much smaller pump, just to keep the level of water at an acceptable level in the sump. Most of that water is rainwater run-off into the pit. Since we dewatered, we have used about the equivalent amount of litres at the same or similar cost.

The third term of reference in your submission was the adequacy of the current port facilities on King Island and ports in north-west Tasmania that may service King Island. We submit that it would be a much more efficient operation if there was a direct shipping between Victoria and King Island. Based on figures we have been supplied with, the King Island-Tasmania-Melbourne trip is about 332 nautical miles whereas King Island to Melbourne is about 138 nautical miles.

The volume we perceive going out from King Island in the form of concentrate is around 20 containers per month. Let me stress: with the diesel coming in, we have to build our own power plant because there is insufficient power on the island to service the mine, so at this stage we have done the feasibility study based on a diesel power plant. We are looking at alternatives - wind, hydro et cetera. But, to be conservative, we are looking at diesel and the power cost we have factored into the feasibility study is 42 cents a kilowatt hour, which is extraordinarily high. That is also one reason it is uneconomic for us to upgrade the product much more than a 65 per cent concentrate.

We see the costs, under the current scenarios of shipping, as around \$2.7 million per year whereas if there was a direct shipping service, it would be something of the order of \$1.5 million per year.

That is an overview of how we see the mine operating. For the non-ore bearing - that is, the open-cut - mine, we propose extending virtually to the shoreline and the waste we take out of there will be reclaimed into Grassy Bay. That breakwater there was built by Peko Wallsend, as the gentleman said yesterday, at a cost of just over \$1 million. I guess that must have happened in the 1960s.

We are prepared to accommodate using some of that material to extend or change the breakwater. The cost involved of moving the material out of the open-cut into that area we have earmarked to reclaim can easily be taken to the port to extend the breakwater.

CHAIR - Have you had any discussions around this? There have been anticipated costs of a port upgrade, port reconstruction. Various people have different views. I am not an engineer and do not understand what would need to be done to enable bigger vessels to dock. What discussions have you had? You have all your approvals for the proposal we have in front of us. What communications have you had with TasPorts, the government or anybody else?

Mr JACOBS - We have had Mr Hidding here on a number of occasions. The discussions have been at a fairly high level. I have had discussions with the mayor here, also at a fairly high level. As to the costs, I have not heard the \$60 million mark. The cost of the material to build a breakwater would be very high if it were not coming out of the mine. You would have to transport many thousands of tonnes of material to build another breakwater.

PUBLIC

CHAIR - It would not come from King Island because there are no quarries here, are there, in terms of constructing major infrastructure such as this?

Mr JACOBS - There would be areas you could do it, but it would be very expensive. If we were to open the mine, and we hope to do so, using the material there would be significantly cheaper because it is an incremental distance you have to cart the material.

CHAIR - In some respects it is a bit of a chicken-and-egg situation. You need a reliable shipping service to open, that is one of the conditions, and the price of tungsten is another. Maybe a reliable shipping service relies on a port upgrade, but the overburden will not be available until you get going. It is a circular argument.

Mr JACOBS - It is.

CHAIR - Is there a way forward? I am not sure a port upgrade is the answer, but if that is deemed to be an answer -

Mr JACOBS - It is not so much a port upgrade; it is a reliable service we want. If that means a larger vessel, we need to look at the upgrade.

CHAIR - What sort of vessel is suitable for your task?

Mr JACOBS - We consider ourselves miners rather than shippers or logistics people. If you look at the volumes we need to move on a weekly or monthly basis, it is significant. You are talking about 50 containers coming in and 20 going out per month.

CHAIR - Is it all containerised?

Mr JACOBS - Yes.

CHAIR - If you are creating a concentrate, if we look at the concentrate from Savage River, it was different.

Mr JACOBS - The concentrate would be in bulker bags and into containers. The market we are looking at the moment for the concentrate is Europe or the US.

CHAIR - It has to go via Melbourne -

Mr JACOBS - It has to go via Melbourne, Singapore - the cost of getting from King Island to Melbourne is about double that from Melbourne to Singapore. It is the volumes.

CHAIR - Does it have to go via Melbourne or can it go direct from Grassy to Singapore?

Mr JACOBS - You would not get a vessel to go to Singapore from here.

CHAIR - Because of the size issue?

PUBLIC

Mr JACOBS - Yes. As a matter of interest, that map is also topographic and shows the original shoreline of Grassy Bay. All that land was reclaimed back in the 1970s and that is what you will see this afternoon. That is the lower Grassy Dam; the upper Grassy Dam is further north.

CHAIR - When you say there are a significant number of containers coming in, are they empty containers?

Mr JACOBS - Diesel, spares, and consumables for the processing plant. That is, chemicals and reagents for the processing plant.

Mr ARMSTRONG - Any idea when the opening of your mine will happen?

Mr JACOBS - Going back to permits, our association and interaction with both DMR and EPA within Tasmania has been superb. They have been extremely supportive and it has been very welcome to deal with them. Our EPA approvals are virtually there. We have what is called an EPN, an environmental protection notice, in draft form, which we hope to finalise in the next three to four weeks. That will fully permit the mine on the basis of an open-cut for eight years. When will it happen? The price is a significant issue. The price has started ticking up from the lows of \$US18 000 a tonne; it is now sitting at \$23 000 to \$24 000 a tonne. We hope to be shovel-ready within two months and then it depends on finance and being able to sell the product on a term basis.

Tungsten is not like gold, where you can go into a London metals exchange market and sell the product forward. You must have a sales contract with a person who converts it from concentrate to tungsten. We are fairly well advanced with that process. From the time of the decision to mine, or to invest, to producing concentrate is about 18 months. The open-cut equipment is all bulk standard trucks and shovels. The processing plant will probably be built off-shore, dismantled and brought across in containers. It is about 18 months from the decision to invest to processing.

Mr ARMSTRONG - How many people do you need to staff it?

Mr JACOBS - During construction, about 80 people. During peak production, about 50 people. We are planning initially to have about 50 per cent locals and about 50 per cent fly-in, fly-out, but within two to three years, probably 80 per cent locals. It is our preference to employ locals. Farmers are ideal for the skill set we require in terms of driving earthmoving equipment. There are many people still on the island who used to work at the mine who are dying to get their jobs back, albeit they probably need Zimmer frames to get themselves around now. We believe the skill set we can utilise is on the island.

Mr ARMSTRONG - With the amount of freight you would be generating in and out, would there be an opportunity for a commercial operator to look at that outside the freight situation now?

Mr JACOBS - Certainly there would be. I don't think it would be a standalone operation because 50 containers a month would not be sufficient to warrant it. The other thing with the service s currently being provided, which I don't think has been mentioned, is the increasing working capital that is needed. It is not so much the unreliability of the service. For example, with the fertiliser, the guys will have to fund a stockpile within the shed. Somebody has to fund it, whether it is the farmers or the producers of the fertiliser. It all adds costs into the train of the

PUBLIC

eventual user. If we have to carry a significant amount of diesel as a stockpile, that will increase our working capital requirement.

CHAIR - One of the challenges identified for King Island apart from the shipping service is the access to housing. You talk about employing locals and some of those will already live on the island. If you ramp it up to 80 per cent, they are obviously going to need somewhere to live. The mine used to own a town, Grassy, and there is a lot of asbestos in there.

What is the plan for dealing with that? Building new housing will be a significant task.

Mr JACOBS - There are a lot of empty houses in Grassy - I guess some are fairly uninhabitable at this stage - but we have had discussions with landowners in Grassy and people who provide the accommodation in Grassy, and they are quite prepared to step up to the plate and provide. We prefer to pay a clean gate wage rather than provide accommodation for people, but there certainly is accommodation available but it would need some upgrade. For the fly-in, fly-out people there is a lot of accommodation within Grassy itself in terms of holiday accommodation.

CHAIR - The demand for holiday accommodation is increasing with the golfers and most of them probably do not stay in Grassy because the golf courses are further away. Do you think there will be competing demands if that is the case?

Mr JACOBS - I guess where there is significant demand, you will get supply matching that.

CHAIR - Which then comes back to the freight task, making sure they have a reliable freight task so you can meet the supplier. That is the point I am making.

I was talking to a builder here yesterday about these challenges. For example, two normal internal doors, quite light as they are hollow in the middle. They are \$40 each, but it was \$110 to get them here. If they had bought 3000, it might have been a bit cheaper per door, he said, but they cannot do 3000. That is the point. We heard from another witness yesterday about things that are not priority. Items such as building material, because it is not perishable or a live animal, often appears to be prioritised low down the list. They can sit on the wharf in Devonport, or wherever, for quite some time. Those challenges for a builder wanting to get a job done are difficult. They can only work with what they have.

Mr JACOBS - Those are challenges and people have built some sensational homes on the island. The cost per square metre must be double or treble what you would pay in Melbourne, Sydney or elsewhere in a major city.

CHAIR - Thank you for your submission, Johann, and also the opportunity to visit the site later to actually see the site, which we can all see is very close to the Grassy port. It is important to understand the opportunities that might present there.

I am interested to know the value of the overburden that would be put into infrastructure works, like an extended breakwater, in the port. Do you have a value on that, because obviously that value has been factored into the cost of a port upgrade? You will have to move it anyway, but not that far.

PUBLIC

Mr JACOBS - I would have to go back into the model but we are talking probably \$5 per cubic metre to move the overburden. I do not know how many cubic metres are needed for a larger breakwater, but it would run into thousands of cubic metres. I can get some estimates for you and email them through.

CHAIR - It would be helpful to have that sort of estimate. I appreciate that is all they would be in terms of how much of the cost of an upgrade could be offset by the availability of overburden that would come from the mine. Obviously, some costs are associated with that.

Mr JACOBS - Yes. A point on the reclaiming of that land there, originally and what we propose: when we started dewatering the mine, we had to comply with EPA requirements, testing the water for dislikeable elements. We had to test the water every week and after a month, EPA said, 'Look, everything is fine, just test it once every three or four weeks.'

The current breakwater comes straight out of the open-cut. The ground and the rock are absolutely -

CHAIR - Inert.

Mr JACOBS - Inert, absolutely inert. Exactly.

CHAIR - Or anything leaching out of it. Thank you.

Mr JACOBS - Thank you.

THE WITNESS WITHDREW.

PUBLIC

Mr DAVID LAUGHER, GENERAL MANAGER, KING ISLAND COUNCIL, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - Thank you, David, for coming to our committee hearing and taking the time out of your day to give us further evidence in addition to your submission. This committee is taking public evidence, which will be recorded by Hansard and made part of our public record. Once it is transcribed, it will be placed on the website. Everything you say in front of the committee is protected by parliamentary privilege but that does not extend once you leave the room and speak to the media or anyone outside.

If you want to provide any information in confidence or in camera, you can make that request and the committee will consider it, otherwise it is all public. You have received the information there for witnesses.

We received the King Island Council's submission. I assume you are the main writer of that, with council behind that?

Mr LAUGHER -Yes.

CHAIR - If you would like to speak to that submission or add any further information before we go to questions, it would be great.

Mr LAUGHER - The submission is largely a recognition of the changes occurring on King Island. Rather rapid changes are occurring on King Island with demand being brought to bear both in terms of passenger movements and, more particularly, freight. Freight for King Island is largely focused on sea freight. The concern and issue is about seeing growth in a way that is sustainable, affordable and reliable? Those three components are the essential elements of how we go about things.

Beyond that, it is really recognising that we are trying to bring forward that critical connectivity for King Island to and from its market. Trading for King Island, like the rest of Tasmania, is through Victoria. Putting an extra leg into the mix all the time is driving a massive cost factor, now and into the future, for us.

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

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

CHAIR - In terms of the freight of Avgas, how would it be transported? Does it need to be transported separately to other cargo or can it be transported in conjunction with other cargo?

PUBLIC

Mr LAUGHER - Carried predominately in ISOs. My understanding is it can be carried with general cargo. It would be a matter for the operators.

CHAIR - Yes, you need a direct link from Victoria to achieve it at a more reasonable price. You are suggesting that double-handling is the cause of the cost increase or excessive cost?

Mr LAUGHER - It is one of the components. If you have an extra leg in any journey and you have additional handling, there will be costs. That is the nature of the beast.

CHAIR - Are you aware of any other costs? We have heard in some submissions that fertiliser, for example, lands on King Island at a much higher price than it does on Flinders Island, and you still have to do a couple of handles to get to Flinders Island.

Mr LAUGHER - We haven't delved into it. It is not part of my submission in relation to the cost, other than the fact that the issue for the island is about affordability. Understanding where those costs are being broken up is something that needs to be considered. It has been very difficult to get clear answers on what are the break-ups. My understanding is that the freight cost for tonnage is about the same everywhere. It is largely the stevedoring costs here that seem to be the component. Some of it is clearly a matter of volume. The economies of scale as you increase volume can be there. Regardless, we have a major issue in relation to the sustainability of this community if those costs are exponentially too high.

CHAIR - Are there any other comments you want to make on any other aspect of your submission?

Mr LAUGHER - No, I am happy to address any that you have. It is fairly self-explanatory.

Mr ARMSTRONG - Is the King Island Shipping Group no longer a committee of council?

Mr LAUGHER - No.

Mr ARMSTRONG - Can you tell me why?

Mr LAUGHER - The shipping group chose to set up independently. They were on the advisory committee initially. It is a body that provides support and information to council but council is then the spokesperson. They wanted to act independently but wanted to have the umbrella of council. That is my understanding of why they went - they decided to set up as an independent body.

CHAIR - Further to that, when they discussed this matter with us yesterday - this is all on the public record - they said that around the January-February period, when a lot was happening in this space, they were finding it quite challenging to communicate with the state Government about what was going on and what the service was going to look like. They couldn't speak for themselves and they had to speak through council, but council was unavailable because of leave and a range of other things. That was one of the driving forces. They needed to speak up at that time. Do you want to comment on that?

PUBLIC

Mr LAUGHER - I am not sure what was behind the statement. I couldn't really comment on it.

CHAIR - Okay. Do you have a view whether the shipping group should be an independent voice in all of this as well, separate to council?

Mr LAUGHER - Two fundamental issues arise. One is that the council is elected by the community to represent its interests. If an independent body is also representing the interests of the community, it can certainly do that, but if it is seeking to then represent the council as the authority, what is its mandate?

CHAIR - I do not believe that was the case. They wanted to speak independently as the shipping group.

Mr LAUGHER - There was never a barrier to them doing that other than while they were a committee of council. As a committee of council, they were bound to report to council; as an independent body, there is no reason why they should not.

CHAIR - That was the point they made. In the terms of reference no. 3, dealing with the adequacy of the current ports on King Island and in north-west Tasmania, you made a few observations that I would like you to speak more to. The council's strategic plan of 2016-2020, item 2.2, says -

The transport advocating for the upgrade of port facilities at Grassy, is a key objective of council. This upgrade will involve the extension of the breakwater and the deepening of the harbour to allow larger vessels, or could equally involve the improvement of land-based facilities to remove some of the current practices that increase cost to shipping companies and customers alike.

We have had a reasonable amount of evidence that this is an option for allowing larger ships that will then open up the market.

The other point been raised rates to the ships that are currently using the port. At the moment because they have to keep their motors running, they are stirring up the bottom and increasing silt and reducing the depth of the harbour. We were talking to King Island Scheelite today about potential use of overburden for the mine, but it is a bit of a chicken-and-egg which comes first. They need a shipping service to get going as one of their aspects, and the overburden will not be available until after that. It is a catch 22 in some respects there.

This has been raised a number of times. I am interested in what council sees as its role in either advocating for an upgrade and what sort of upgrade would you be talking about?

Mr LAUGHER - There is no question the size of ships has been increasing to meet demand across the world. They are getting larger rather than smaller. There is nothing wrong with the smaller craft plying their trade. Clearly, the rationale around SeaRoad's withdrawal of service is they upgraded to a larger ship, which could not fit in the harbour. A massive number of studies have been done on possible solutions to create and future-proof a safe and accessible harbour for King Island. To do that the port would need to be able to cater for larger ships. If that harbour

PUBLIC

were to be increased and became a safer harbour for a number of vessels, it would open up a number of possibilities.

We have had fairly significant interest from cruise ships that wanted to visit here. There is no real capacity, unless the ships lay offshore and transfer their passengers by tender, which is problematic. Providing those sort of facilities in the future is certainly an option. About the only area that could cater reasonably well for cruise ships laying offshore and transferring by tender would be at Naracoopa. Again, it is a question of what infrastructure is there; if the infrastructure goes in there, potentially that is an option, too.

CHAIR - You said a number of studies on possible solutions for the harbour have been done. Has council had any engineering recommendations or designs for upgrading the port? There are a lot of engineering experts - I am not one of them - offering solutions, including changing the breakwater and putting it in a different place. Are you aware of the work that has been done?

Mr LAUGHER - There certainly has been some work done. GHD Australia did quite an extensive study some years ago into creating a safe harbour and what that might look like. That is where the costings for sourcing rock, and the two different pricing structures around with or without the input for the overburden from the mine, came from.

A fair bit of work would need to be done in revisiting costs and engineering specifications if it went ahead.

It is a massive amount of money. I understand the debate - I have had it with Infrastructure Tasmania on a couple of occasions - around recognising that the investment is significant for this island and the population here.

If you reframe and look at future-proofing it, it is not a significant cost if you amortise it over the next 50 to 100 years. It is important for people to recognise that King Island might make up 0.3 per cent of the total population of Tasmania, but it is kicking well above its weight in terms of its contribution to gross domestic product of the state.

Major industries that operate here - beef, dairy and seafood are components and now tourism is vying for an equal part in that whole mix.

In terms of brand recognition, King Island is internationally renowned as a Tasmanian product. Its contribution is massive. We have to ensure the continued long-term viability of all those businesses, and freight, both in and off the island, is the critical component to ensuring viability.

CHAIR - Whose job is it to undertake that body of work necessary to look at this?

Mr LAUGHER - It is a question between the state and the federal governments around this. There is no question the capital cost is, in my view, a federal government responsibility.

Lobbying the federal government is very much a question for the state Government. Prodding the state Government to actually do that is very much my job. If you speak to any of the people from Infrastructure Tas or the minister, you will know they have little marks on their back where I have been prodding fairly hard. We need to do something around this.

PUBLIC

CHAIR - Particularly around the Grassy Port and/or Naracoopa?

Mr LAUGHER - Naracoopa is only starting to come on the radar at the moment. Most of these things require a driver. There is certainly some interest now around Naracoopa; it has not been there previously.

CHAIR - The jetty and the land there has been recently bought?

Mr LAUGHER - Not the jetty. The jetty is owned by council.

CHAIR - The land attaching to the jetty?

Mr LAUGHER - Yes. It has been owned for some time. Some of it changed hands recently. Some of the proposals that I think will come forward from there look exciting. They are things need to be brought before council to be formally considered. Certainly, they look quite exciting.

Mr FARRELL - If a port was built that allowed other vessels to service the island, do you think that would mean the private sector would be able to take over the government's current role in providing a shipping service? Do you think there would be the interest from all the various studies done from the private sector to service King Island?

Mr LAUGHER - It is a moot point. Last year when we went out to the market to test the private sector, there was limited interest initially. Some of it comes down again to the cost of doing business. It depends on what it looks like. If they were able to land materials on the island at a reasonable cost, the port costs would then come back to the stevedoring issue and its associated costs - that seems to be one of the impediments to the private sector being able to operate efficiently - then, yes.

I am not a great advocate of the private sector being able to make the provision. If they do not do it, the reliance on government to provide services is hamstrung by the constraints they operate under.

Mr FARRELL - I am not sure what the total cost to the government is for providing the service, but has any study been done on comparing the cost of providing the service with the cost of improving the port structure?

Mr LAUGHER - Not that I am aware of, no.

CHAIR - There are a couple of other points you have made in the submission, such as the council request that your subcommittee consider opportunities for government to invest in developing layover berth facilities in the north-west, thereby increasing King Island's and Tasmania's access to new shipping providers across Bass Strait. Could you discuss that a bit further?

Mr LAUGHER - With the proponents who initially expressed interest from the private sector around providing shipping services here, the barriers were around their access to port facilities and what the cost of that would be. Their loss and the reason they withdrew is that they

PUBLIC

could not make the numbers work, but they could not get access to services without meeting those costs. It is fairly challenging to put a ship on the run and access a ro-ro berth in Devonport, as an example, unless you are one of the operators who currently control that area.

CHAIR - What are your views on whether it is a standalone service or a commercial operation not only servicing King Island and the Tasmanian mainland?

Mr LAUGHER - A standalone service solely for King Island is going to come down to a question of economies of scale. The volume of freight, while it is significant for the island, is not significant in the Bass Strait scenario. We come back to that whole public versus private sector debate. The private sector will say that you need economies of scale or the volumes to make it work and that has been the challenge we have had all the way through. We did a lot of work as we started to look at what the future might hold. Some of that was about community-owned infrastructure, investing in shipping as a community consortium, through to the private sector and/or government being the providers. It was clear we needed to look at the private sector and some market competition, and look at what the volumes of product going on and off the island would be and where that would best be met.

A diversion call that SeaRoad was doing seemed to be the best mix. There was some capacity then to offset the overall costs of running. They could call in here once a week and have even less than half the ship available to load or unload materials. That worked quite well.

CHAIR - It also allows for the capacity to manage their seasonal variations, which is a nature of their freight task on King Island. Is that true?

Mr LAUGHER - I think those seasonal variations are consistent across the board. They are there and they are a factor.

CHAIR - You talked about the need to examine opportunities to offer de-hiring containers at Grassy port. That could contribute to a reduction of the overall cost of all shipping freight to and from King Island. Do you have any ideas about how that could work?

Mr LAUGHER - No, I think that is a matter for the operators themselves. The cost of containers has been identified as one of the cost components for anyone moving goods on and off the island. It is a question of what shippers are prepared to do in having containers available and how they are working. If you are paying to bring goods over and then paying to send the empty container back, that certainly adds to the cost.

CHAIR - If more containerised freight was leaving - for example, the scheelite mine would have containerised freight and an abattoir would have containerised freight - some of those developments could improve that by being able to backfill them. Is that likely to be a reality with some of these possibilities?

Mr LAUGHER - Over time as industry develops, yes. In the short term, you are still facing that same issue - if you bring goods over in a container, the container has to go back empty. They will change. With some of those containers, you can't. Meat being processed through an abattoir here is going to go in a chilled container, not in as standard general freight cargo, so you need to recognise that there will still be some of those.

PUBLIC

CHAIR - You say your role was one prodding the back of state Government. How do you feel that is going in getting a longer term solution? It is clear the island needs a long-term, sustainable, affordable, reliable service. How long have you been here?

Mr LAUGHER - Two years.

CHAIR - In that time we have seen *Searoad* go off the run and the *Investigator* come on. In terms of your experience, could you give us a bit more information about that?

Mr LAUGHER - With all due respect to the political process, it tends to move fairly slowly. In the time I have been here we have moved from a number of years of people talking about the service ending - certainly there has been plenty of warning that was coming - and almost an attitude of hoping it will all be resolved and someone will step into the breach, through to pushing to ensure we went out and tested the market.

That is why the expressions of interest went out - to provide us with an opportunity to look at what would happen - into assessing King Island's needs, how should they be met, who can do it and at what cost. We received a number of submissions. I sat on the state Government's assessment panel that identified who were the providers and who might best meet the brief that was given. We had to push pretty hard to ensure that occurred and we got it out there. In that respect quite a bit of work occurred to bring us to the state of testing the market and moving it forward.

Unfortunately, as I indicated earlier, the affordability issue was the thing that killed that proposal. The government then turned around and asked the GBE, TasPorts, to find a solution into the future. In my view that is very much a short-term, interim solution. I do not think TasPorts is a shipper. I do not think they would mind me saying that; it is not their core business. It needs to go to the private sector and there needs to be a transition to that as soon as it can occur.

CHAIR - Did you have any interaction or communication with Port and Coastal Marine Services?

Mr LAUGHER - I have not for some time.

CHAIR - Did you, during this whole time?

Mr LAUGHER - Yes.

CHAIR - Are you able to shed on any light on what happened there?

Mr LAUGHER - I think that is a commercial matter for them to indicate. I have some views on it but it's very much a question of it not being commercially viable for them at the end of the day.

CHAIR - Do you understand why that is the case?

Mr LAUGHER - I think I understand part of it, yes.

CHAIR - Are you willing to share that with the committee?

PUBLIC

Mr LAUGHER - As I said, I think it is a matter for them to provide that information. They entered into a joint venture with SeaRoad. Whether that was naive, I do not know, but the cost arrangements between the two parties made it unviable.

CHAIR - Are there any other areas you want to explore?

Mr FARRELL - I wonder about the time frames. The ship running at the moment is for a fixed period and there will be a change to schedules and costs. What longer term impact do you see on the island if a sensible, practical and sustainable solution is not found? How long do you think you have before there are some more negative impacts of the current arrangement?

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

It is no different with the proposal for a large beef abattoir. If that goes ahead, and they are certainly well down the path of that proposal, there will be construction costs associated with it. All of these proposals are in a land of uncertainty around the capacity of shipping now and into the future to provide that service. That is really quite concerning and it raises some questions for us.

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

CHAIR - What you were speaking about, David, is opportunity lost. Potentially, there will be a significant cost to the community, to the King Island and the Tasmanian economy - and employment opportunities and growth on King Island - if we do not get this sorted.

Mr LAUGHER - It is across the board. I am certainly not a beef farmer, but I am told by some of the proponents that there is more than adequate capacity to increase production levels here by at least 20 per cent. That is a freight task component that would add to the mix. Then, as we look at the building construction side of the business, there are lost opportunities there.

We look at, across the board, the demand as we go into that. Council is about to go out to tender for gravel crushing. To do that, most of the proponents are going to have to look at bringing a crusher over here. They will have to ship it over and the freight costs component adds to that mix.

PUBLIC

Early last year we looked at replacing a large part of the roof on this building. We had an allocation of funds in the budget. We could not get one of the local operators to tender for it. The external tenderers came back with prices that blew our budget dramatically. It blew our budget dramatically because of the additional costs that they had to load to bring people and equipment over. Unbelievable. We were fortunate we were able to go back to one of the local operators and ask them to reconsider their priorities and look at putting a price in. Their price then came within our budget, but the mobilisation costs were the absolute killer. We were talking between \$50 000 and \$80 000, depending on what you were talking about, for a \$350 000 job. It is massive.

CHAIR - You can imagine the cost of a 5-star resort, and you are only talking about a roof.

Mr LAUGHER - Yes. It is not just shipping in terms of those costs. It is all interrelated: the cost of accommodation generally, if you want to bring a tradesperson over to do some work for you here, the accommodation becomes the next issue. If you are going to do that during the tourist season, they will be competing with everyone else and paying premium dollars for accommodation - or you are because you are the customer.

CHAIR - I noticed how it has gone up in the last couple of years, just for basic accommodation. The cost of it has risen quite a lot.

Mr LAUGHER - Across the board. As in most places, as you see increased demand, people quite rightly say, 'There is a window here for me to make some money', so a lot of rental properties went into the Airbnb market, for example, so costs spiralled.

We have been doing a lot of work identifying and analysing workforce demand into the future, to understand our accommodation needs now and into the future and where our growth components ought to be. It is tied very much to affordability issues, which come back to how much it will cost to bring materials here.

If we could get some economies of scale by putting stuff together and then go back to investors saying, 'Here is an opportunity', we would then be talking about volumes. They could then start negotiating volume deals for what they might do.

Here is an example: at the moment we are looking at a proposal from a local investor who wants to build seven, three-bedroom units here in town. He negotiated a deal with a pre-fab manufacturer. They will bring the flat-packed units over and construct them here. It is about thinking outside the square in terms of how they need to go.

CHAIR - Has council had any discussions with LD Shipping?

Mr LAUGHER - Yes.

CHAIR - Some of our witnesses yesterday were talking about contracting LD Shipping to do a Melbourne to King Island run with potentially building materials, livestock and that sort of thing. How does council feel about the interactions with LD Shipping? It is not going to provide for the whole freight needs of the island but -

PUBLIC

Mr LAUGHER - It is a commercial operator. Fundamentally, the question comes back to whether council ought to be the intermediary that drives the shipping solution or whether we simply stimulate the private sector to look at what the solutions are. There is a market out there.

It is no different to the building industry. Council does not want to be in a position where it becomes a builder. It does not want to be in a position where it becomes a shipper. I am more than happy to have those discussions. One reason I was late coming in was that Les and I were meeting to discuss some of his proposals. All sorts of things will need to happen as a result of that. We have had those discussions and we will have those discussions with anyone looking at potential solutions.

Mr GAFFNEY - What do you see are the immediate challenges or concerns you may have with the council in the next two or three months? We will be reporting soon, so what do you see as the most urgent thing from the council's point of view?

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

CHAIR - What was the absolute priority, the Melbourne leg?

Mr LAUGHER - Yes, to get that in place. As I understand the discussions, the search was on for a wave-piercing bow vessel that would be more suitable for the Victorian run and to try to get that in place as quickly as possible. That opens up a range of possibilities. I come back to what I was saying earlier: the demand for freight movement to and from the island is, as with the rest of Tasmania, a trading scenario through Victoria - adding that extra leg doesn't help.

Mr GAFFNEY - In your submission of 21 July, the last paragraph says, 'Bass Island Line and TasPorts have been responsive to requests for information from Council where possible'. Have they not been able to provide clarity on what will happen when the *Investigator II's* initial term comes to an end on 31 August? Can you recall your last discussion with TasPorts about that? It is now 8 August: Does council now send another letter to them asking what will happen after 31 August? Have you been given assurances? What would council's role be in gaining clarity?

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

Mr GAFFNEY - You have raised two points. One was about the newsletter about shipping hours - one concern was that it says when it leaves the port, not when it gets here. That has been a concern for some of the people who have product here, especially from the live cattle trade. With the 31 August deadline is coming up, do you have to go through council to contact the minister or have you been given carte blanche to do that?

PUBLIC

Mr LAUGHER - We have been dealing directly with the minister. Both the mayor and I have kept regularly in contact to pursue updates, as far as we can get them.

Mr GAFFNEY - Okay. Are they tabled then in council as soon as you receive those? How do you share that with the community? Do you use papers or is that confidential information? How do you update the community?

Mr LAUGHER - It is a combination of both. Some of it is confidential. The proposals we have been putting to the minister, and particularly Bass Island Line, have been about increasing their communication with the community. I think it is their responsibility to keep the community advised. Our responsibility is to ensure we become the conscience of that entity, to say, 'You must engage, you must communicate more - otherwise, we will.'

CHAIR - Before that discussion with Mike, you said the government has indicated to you that the establishment of a link between Victoria and King Island is a priority for it? Many our witnesses were told - I have heard it said myself - that when the *Investigator* was put onto the run, it was not a priority. The government were only interested in ensuring there was a link between the Tasmania mainland and King Island. It appears the government is saying something different to you than it is to the community at large.

Mr LAUGHER - The minister met with the shipping group in this room to talk about the same issue.

CHAIR - When was that?

Mr LAUGHER - I would have to go back and check. Before the Bass Island Line took up the run and started to provide services, there was extensive discussion around how that was going to work. The minister was over providing that update to the community and particularly to the shipping group. It was clear at that stage that was the intent. I would need to go back and double-check the times.

CHAIR - It seems there has been this big focus. Obviously someone is not hearing the message right or something. This has been the major concern raised - freight has to come from Victoria to mainland Tasmania and back, and cattle going north have to go via Tasmania and back up to Victoria. All the challenges in animal welfare and costs associated with that - you are well aware of all of those. I believe the minister - I do not have *Hansard* in front of me with the comments made in the lower House - said that their priority was to service mainland Tasmania and King Island, and that was it.

Mr LAUGHER - I am aware of the views that have been expressed. It has not been the discussions we have had. I think there has clearly been a need to ensure trading continued with Tasmania, as opposed to replacing it with trading with Victoria. The need to ensure there was capacity to move freight directly to and from Victoria was an absolute priority.

We have also been advocating for bulk fuel supply here on the island and it is exactly the same issue for our aviation fuel. There are huge cost affordability benefits for everyone on the island in bringing it here directly from Victoria. Perhaps coming in as bulk fuel and diesel, for example, it is better to bring that directly from Victoria than it is to bring it on a dogleg via Tasmania. The costs blow you out of the water, pardon the pun.

PUBLIC

CHAIR - It is interesting you made that comment because it is not something the King Island community seems to understand.

Mr LAUGHER - I hear that. One of the things about belief is that if something is said loud enough and hard enough, it becomes fact. I have not seen any evidence of that. We have been fairly clear with the community that is not the view, and it is not the view that has been expressed to council.

We put out some fairly regular newsletters. A while ago the mayor put out some quite extensive communiqués through the media around our understanding of the whole shipping issue. That raised a few questions within the community. They did not understand that. The interesting thing is that one of our local community members, who has a very extensive background in shipping and has been touted as one of the local experts on shipping for King Island in the past, had a fairly major piece in the following week's paper congratulating the mayor on his article and indicating it was an accurate reflection of the situation: that what we were seeing was a move to a different approach to shipping as opposed to something that was negative, and that it was consistent and appropriate. That was how shipping was being treated across the world. It was people getting used to something that was different as opposed to it being right or wrong.

We all hear stories about what is right and what is wrong. Before I came in here today, I was talking to a community member in the street who indicated to me that his experiences with Bass Island Line and the services it provided had been exceptional, which is not what you would generally hear. Everyone has views. When I first came here, the views being expressed in the community about the services provided by SeaRoad were that it was the worst thing ever, that they were killing the island and ripping everyone off. It is a view. It is not necessarily an accurate one.

I was interested in the discussions I had today about one person's experiences moving horses around and the willingness by the Bass Island Line staff to facilitate effective transport of his horses was quite incredible. He said, 'I can't fault it. From a personal perspective, I can't fault the services I was getting.' It comes back to a matter of perception.

CHAIR - It can come down to the efficiencies of the port and the capacity to move a large amount. You wouldn't have trailer-loads of horses. You have trailer-loads of cattle and they are going to take longer to move. You hear good and bad stories about every service, I am sure.

Mr LAUGHER - That my point.

CHAIR - I have done my street straw poll and it is varied. Some people had no problems and are quite happy with it, except for the freight costs generally. That was a problem well before this service started with fuel costs and so on. There are mixed experiences and people generally base their opinions on their most recent experience.

Mr LAUGHER - Absolutely. I am not advocating for or against what is happening here. That is why our submission largely comes back to saying it is very much about ensuring we have a sustainable, financially viable and efficient service. It doesn't matter what it looks like, as long as it can meet the needs, and do that well, and ensures this economy can grow.

PUBLIC

I have worked all over Australia. If I were to go to an economic development conference as a speaker anywhere in the country now and start talking about what is happening on King Island, my perception is that there would be hushed silence around the room and then a tinge of green-with-envy would start to emerge from communities that would dearly love to see our level of activity. What concerns me and drives a lot of my passion is ensuring we can actually meet that need and make it sustainable. Freight is one of the most critical components. Without that guarantee of reliability and affordability, we could die in the water. We are facing the biggest growth component I have ever seen anywhere in the country.

CHAIR - Obviously the freight task is a really important aspect of it. Earlier you briefly mentioned passenger transport, particularly with their own vehicles. How important do you think that is? There are mixed views about this, having live cattle on a ship where you have passengers drinking their glasses of champagne on the deck, or not. How important is it in terms of the economic growth of the island?

Mr LAUGHER - It is not critical to the economic growth of the island, but it is a component of broadening visitor experience. A number of people do not like flying.

CHAIR - Particularly in very small planes.

Mr LAUGHER - Maybe we could grow the size of the plane, I don't know. We are going to need to look at that component anyway into the future as the numbers grow. One reason I have grey hair now is that during the peak of the tourist season, we are looking at 16, 17 or 18 aircraft on the apron of the airport at any given time. It is a huge growth component. If the proposals that have been put to me come to fruition, visitor numbers to sustain that business model are going to treble at least. If I put three times the number of small aircraft on the apron out there, we do not have the room. To start with, inevitably the size of the aircraft bringing the volume of visitors needed to sustain this model will grow; there is no question about that.

CHAIR - Maybe Rex will start flying from mainland Tasmania to here; that would be my dream as well.

Mr LAUGHER - It certainly is a discussion that has been had with them. They have a different business model. I have struggled at times with understanding how and why they adopt that.

CHAIR - I believe Rex's business model has changed over the years.

Mr LAUGHER - Yes, it is different; it is not one that I would subscribe to. If I were investing in that industry, I would be chasing where the demand is, whereas they seem to adopt a model that is much more about, 'We fly from here to here. If you want to fly, you book with us and this is how much it is going to cost.' From the day I came here, I tried to have some discussions about preparing for the influx of golf tourism and they did not want to know about it. They are slowly starting to recognise it, but they are still not gearing their business model to that market. They will do closed charters at the request of the industry, so some additional flights will go on there, but they still struggle with how they will manage that whole process.

Golf tourism is a bit of a challenge for the airline industry because people come with excess baggage. There are ways around it. A lot of the operators now use pencil bags so the golfers

PUBLIC

don't bring their whole club set with their bulky bags. They put the clubs into a more lightweight pencil bag, which takes up less room in the aircraft. The operators here will hire out other bags when they arrive. There are ways around this, but it has been slow from that business model. That is their business and it is up to them how they operate it, but it has been very much a growing business.

Our market is expanding exponentially. The Sydney market, in particular, is the one I think will grow in the future. The requests coming forward, particularly around aviation fuel, come largely from the Sydney market.

CHAIR - Flying direct from Sydney?

Mr LAUGHER - Yes, because they will need to refuel.

They do not particularly want to divert through Melbourne to refuel because that adds all sorts of other costs to their journey. If they can refuel here, that will make a huge difference to them.

CHAIR - What size aircraft are we talking about from Sydney?

Mr LAUGHER - It depends on what it is and how it operates. If they are going to run as a regular public transport, I would prefer they do not go over the 20-tonne maximum take-off load limit. That incurs security screening provisions.

We have had some discussions, particularly with Tourism Tasmania, around where that might go. For example, in an ideal world, a Q300 aircraft could still fall within the parameters and not trigger the security screening. A Q400 is really what they would need to run from Sydney, though, and that will trigger security screening.

Mr GAFFNEY - What you said about perceptions before is interesting. You commented in your submission on the number of sailings that have been delayed or cancelled. We had a member from the community - whose family has been here for a number of generations - saying this last year has been fortunate because it has been such a calm year compared to other years.

You commented about having some cancellations but the guy this morning said they have been lucky it has been so calm compared to other years.

CHAIR - Thus far.

Mr GAFFNEY - Thus far, yes. It is interesting. Even though there have been a few, he thought there would be a lot more and is an issue for the future. That is how it goes, isn't it?

Mr LAUGHER - I am not qualified to comment in this area - but my understanding is the ships have more than enough capacity to do the run whatever the weather they face.

It is a question of what they have on board. Cattle will certainly trigger a far more cautious requirement because they do not travel as well. The crew, fine; they can handle it. The ships can certainly handle it. It is what the impact is on the cargo. If it is cattle, clearly an animal welfare

PUBLIC

issue needs to be addressed. Even for general freight, you do not want it moving. You do not want it damaged. The heavy weather will certainly have an impact.

Mr GAFFNEY - One of the shipping people yesterday pointed out that the length of the boat impacts whether it can ride two waves at once. That is why the first *Mersey* was lengthened. He gave quite an interesting presentation.

Mr LAUGHER - Yes. The *Mersey*, a vessel of that size, was far too big to handle, even as a dedicated service, freight on and off the island. That is certainly always going to be the case. Bigger is not necessarily better, unless it is tied in with a diversion call, for example, like they were doing.

CHAIR - Okay. We had better wrap up. Thank you for your time, David, and your submission. There will be further communication to and from with the island as we complete this inquiry, but we appreciate the input from the island generally. From yourself, and also from all the other people who have provided evidence to the committee.

Mr LAUGHER - It is a passionate community and it has a lot going for it.

CHAIR - A huge opportunity just waiting. You can see it and feel it out there. It has been evident for some time.

Mr LAUGHER - The changes are occurring. When I first arrived here, the airport terminal was being upgraded. We could see the movement starting to occur. That was the first movement from really a quite depressed economy when JBS closed the abattoir. The whole thing seemed to die. It has picked up considerably and there is potential for it to grow exponentially now.

CHAIR - It is a wonderful community represent, from my perspective.

Mr LAUGHER - Thank you.

CHAIR - Thank you everyone for your attendance.

THE WITNESS WITHDREW.