

HOUSE OF ASSEMBLY

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE

Tuesday 30 November 2010

MEMBERS

Ms Archer
Mr Hidding
Mr Morris (Chair)
Ms White
Mr Wightman

SUBSTITUTE MEMBERS

Mr Brooks
Mr O'Halloran

IN ATTENDANCE

Hon. Lara Giddings, Minister for Infrastructure

Ministerial Office

Ms Jessica Radford, Adviser
Ms Denise McIntyre, Adviser

TasPorts

Dr Dan Norton, Chairman
Mr Paul Weedon, Chief Executive Officer
Mr Geoff Duggan, Chief Financial Officer
Mr Terry Friend, General Manager Business Development (Observer)
Ms Barbara McGregor, Manager Corporate Communications (Observer)

The committee met at 4 p.m.

Dr NORTON - I will start unashamedly by raising the issue of safety, because any business needs to send its people home safe and well at the end of the business day. TasPorts inherited a less than satisfactory safety record and we have done a lot of work ever since TasPorts has been established. We have now got our lost time injury frequency rate, which is the standard measure, down to below two, which is an 86 per cent reduction. We have had a 50 per cent reduction in our medically referred injury rate and basically our aim is, as for many businesses, a no-harm environment, both in terms of the environment but also our people. So we are very proud of that. It has been a lot of hard work and effort over a number of years and it is a critical factor in any business. We are proud that we have got to where we are. We certainly were not proud of where we were.

It was a tough year last year. Our operating profit was \$1.4 million. There were difficult economic conditions, and we can talk a bit more about that as we go. However, we have also been able to reduce our debt. It is down from \$33 million in 2007 to \$20 million now, so we have been dealing with that. Our total freight volumes are only 13.4 million tonnes, and that is probably the lowest in 10 years, I would say, predominantly due to reduction in bulk exports.

We appointed Paul Weedon as CEO; Paul has been with us since the end of January and as far as we are concerned he is doing an excellent job. We were winner of the Australian Port of the Year award and runner-up for the Innovation and Security award at the Lloyd's List DCN Shipping and Transport awards, which was a peer assessment. That does not necessarily mean a hell of a lot, at the end of the day we have to perform in Tasmania for our customers, but it is nice to get that peer recognition.

We have been concentrating on a number of things. We are effectively an infrastructure company. We have aged infrastructure assets. It has taken us a number of years, probably longer than it should have, to be quite blunt about it, to really get a thorough understanding of the state of those assets and not only the state of the assets but how much, and when, money needs to be spent to continue to maintain and develop them. We are very close to having a 10-year infrastructure plan. It has been one of our key areas of focus.

We have also been focused on developing three of our ports. In terms of Hobart, we have been trying to ensure that we meet the increased needs of the Antarctic community, plus cruise ships, and we have a proposal for the redevelopment of the Macquarie No. 2 that is in the development stage. In Bell Bay we are continuing with the long-term development of Bell Bay, and in Burnie we have been spending a lot of time this year on a Burnie optimisation plan to better meet the needs of Toll in particular, but also to maintain the port so that the bulk exports can get out efficiently, and we have been working very closely with Tasrail in terms of the rail interchange there.

Our focus is pretty much on trying to ensure that we have our infrastructure in place to meet the future needs of importers and exporters. We have a gap between what we assess as being the needs for investment in maintaining our infrastructure and how much we are putting in at the moment. We are currently spending about \$8 million a year on maintenance and refurbishment. The infrastructure plan is suggesting that it probably needs to be around \$15 million - perhaps even higher - a year so there is a gap there. As you can see, our operating profit is only minimal so we have to address that in some way and the issue of how you do that. In terms of our revenue

base, it is critical and a lot of our revenue is locked in because of long-term contracts. That is the real challenge in our business, to make sure that we get the infrastructure in place and how we do that with modest earnings.

Mr HIDDING - Dr Norton, you have a safety culture issue which you are addressing and appear to be getting on top of. I note that the Auditor-General has also pointed out that you have an accumulation of leave interest over a period of time; are you addressing that now?

Dr NORTON - Yes, we are.

Mr HIDDING - That has also been linked to safety outcomes in the past, where people have not had sufficient breaks and holidays and the rest of it. I am not saying it is linked but you can construct an argument that it could be.

Dr NORTON - In our case it is more to do with the nature of work of a large part of our organisation where if you take the pilots, for example, they are on a systematic roster. They get a great deal of downtime in that roster environment and really the solution to accelerating leave taking is more in the industrial frameworks and the enterprise agreements we put in place to encourage individuals to take their leave within their rostered downtime periods, rather than have to roster downtime and then taking additional leave. A lot of these guys and girls get as much downtime as they need within the roster system and they tend not to take leave. But there are some cultural issues that we are working on.

Mr HIDDING - Are you getting on top of the leave issue?

Dr NORTON - We manage it tightly. We do a monthly review with the executive group and we have a quarterly reporting and action plan reporting system back to the board as well.

Mr HIDDING - Last year you were required by the Government to pay 100 per cent profit dividend and you sought a 25 per cent haircut on that because of how the first three months of the year looked. You are looking puzzled; is that not right?

Dr NORTON - That is out of the 2009 financial year profits. There was a request for 100 per cent but we paid an interim dividend of 70 per cent after-tax profits. That is due this month. The Government has released a new dividend policy which does not articulate a fixed percentage. It is open to discussion between us and Treasury and the minister's office, taking into account a range of things, including financial performance and the latent liability that we have for maintenance and capex.

[4.15 p.m.]

Mr HIDDING - So the picture for the 2009-10 year financial performance is fairly ugly in terms of net revenue and the rest, 17 per cent down I think. They are pretty nasty numbers. Has that continued since 1 July? What has happened over the last four months?

Dr NORTON - You have to break it down to the segments of our business to get a better indication of what the aggregate number means. If you look at the container segment of our business that has been reasonably steady. Annual growth rates are running at 2 to 3 per cent. That is well below other ports around the country. Sydney and Melbourne, for example, are enjoying growth of 15 per cent year on year in container flows. But for our part at least it is not negative and our assessment is while unemployment remains reasonably low in the State people

will continue to consume and typically it is consumer goods, televisions and those sort of things that come in in containers.

We have had, if you move on to minerals and metals exports, something of a rebound in that sector, on the back of very strong commodity prices. Global demand has picked up in what was a pretty tough market two or three years ago. They are not immune to the strength of the Australian dollar but certainly metals volumes have rebounded.

The other segment of our business which is critical to our revenue base is forestry. That remains very depressed. Volumes are still well down and they are very impacted by the strength of the dollar.

Mr WEEDON - The important additional point to make is that with the container-based freight our revenues are relatively constant because some of our major customers do not pay a volume-based fee, whereas with minerals and woodchips we see our revenue as volume-related.

Mr HIDDING - What are your revenue projections for this year then?

Mr DUGGAN - They will be similar to last year. Profit will be lower but that is on the back of a conscious decision at a board and management level to increase our funding of infrastructure maintenance by 60 per cent this year and that will drive a lower profit model without a significant rebound in volumes.

Mr HIDDING - Are your maintenance capex plans for this year stated anywhere at this stage?

Mr DUGGAN - Certainly internally they are stated; they are not stated in that tabled document.

Mr HIDDING - Can you give a us a clue where your main maintenance work is going to be then; where you are expending this year?

Mr WEEDON - There are a variety of projects around the State.

Mr HIDDING - Chipping away at the whole task, are you?

Mr WEEDON - It is all 12 ports that we deal with essentially.

Mr O'HALLORAN - I think you have partly answered this question, which is basically around expected trends in freight movements. You have talked about the downturn in the forestry industry and you have talked about an increase in the minerals sector, and I note that you put out a media release on 5 November stating that you are working with council and stakeholders to pinpoint where future developments might be. I am just wondering if you can highlight any areas where there may be future growth, where there may be future reductions in transport? Have you any information there?

Mr WEEDON - Beyond the comments that I have already made I think that there is still a great deal of uncertainty around the growth forecasts for forestry. As you say, woodchips are very delicate around the Australian dollar exchange rates. We do not see any real rebound in that and everything that we see at the moment is fairly consistent so we are not going to see much

growth in forestry. On the other hand, cruise-ship calls are tending to grow. The number of passengers per vessel continues to grow. We are getting ever larger vessels calling into both Burnie and Hobart. There is some growth in that sector. It is mixed across the segments.

Mr O'HALLORAN - I am glad that you mentioned cruise ships. Regarding the fee restructure that I believe is being undertaken, is that likely to have an impact on cruise visitation numbers, specifically for Burnie?

Mr WEEDON - I do not believe so, no.

Mr O'HALLORAN - It will not have a cost impost on cruise ships?

Mr WEEDON - It will increase the cost of cruise ships calling in Tasmanian ports.

Mr O'HALLORAN - By what amount is that likely to be?

Mr WEEDON - We are still working our way through cruise ships. One of the important things with the cruise market is that it is a high seasonal business and therefore it is important that you do not make any changes to their cost structures during the season so we have made a conscious decision not to do anything on cruise pricing during this season. So we have still some work to do to complete our analysis and we will be engaging with the industry after the season - they usually start to wrap up about March-April - to talk about an implementation plan for new pricing for cruise ships.

Mr O'HALLORAN - You cannot give an indication at this stage what that increase might be?

Mr WEEDON - No, I think the important thing is what we are trying to do in TasPorts now is to make sure that we engage actively with our customers to work on transitions to new arrangements. So we might have a series of increases that we need to introduce over a period of years and work with the industry around how it can cope with that.

I think the other important thing to recognise is that the cost of vessels calling into Tasmanian ports is significantly below the national average. The costs they bear into in Sydney, Melbourne, Brisbane and Fremantle are well above our current levels and do not really drive cruise-ship numbers. So we are confident there is some capacity to pay higher costs in this region.

Mr O'HALLORAN - I could argue that is one of the reasons that they come into ports like Burnie is that the fees are lower.

Mr WEEDON - No, again I think you have to understand the cruise-ship market. Essentially you can segment the market into three distinct groups. The first group is what gets a lot of media attention - they are the five star-plus international cruise vessels, whether it is the *QE2* or the *Queen Mary*. They tend to do an annual route down to the South Pacific and sometimes will come to Tasmania; a lot of times they will not. A lot of the time they will only call in to Sydney. They are almost immune to cost variation.

The second group is what are often referred to as regional deployment vessels. These are vessels that will typically work in the Mediterranean or the Baltic or even the Alaskan market during the northern summer and then the vessels are relocated to work in Australia and New

Zealand in the southern summer. The market for those vessels are typically Europeans, Americans and Asians flying into Australia to join a cruise around the South Pacific and the cost base on those vessels is quite distinct and their capacity to pay is quite good.

The third group is domestically based vessels. Two are operated by Carnival and one by Royal Caribbean. They are very much targeting the Australian domestic market. So it is people travelling largely from within Australia to join a cruise and do the 10 days or two weeks out to Fiji and the like. That segment of the business is more price-sensitive. It is more about price-cutting to fill a vessel and to maximise the use of that vessel all year round.

So how we structure our pricing has to reflect those different segments of that market and, as I say, the industry's capacity to pay. So there is still some work to do on that.

Mr HIDDING - The ACCC recently gave Australian ports a bit of a nudge and suggested that they get their act together. It was in the *Australian* a couple of weeks ago. It has urged a shake-up of Australia's major ports to cope with the forecast tripling of trade levels over the next two decades amid concerns that the ports might not be up to it. So that raises the question of how, while we do not fit into the major ports category, we stack up on this national indicator that the ACCC is concerned about.

Mr WEEDON - We are significantly different. I think a lot of their focus is really the high-growth markets in Western Australia and North Queensland where the volume forecasts are almost unbelievable and the capacity to create infrastructure quickly enough to cope with that demand is a real concern. We tend to look at the issue of berth utilisation on a port-by-port basis. If you take a port like Burnie and look at the capacity of berths we have there, it is currently operating at less than 30 per cent utilisation. So there is a tremendous amount of excess capacity for us to cope with more ships and more freight through a port like Burnie. Bell Bay is around the same level. It is less than one-third. Devonport is around 40 per cent.

Mr BROOKS - But also that makes up 45 per cent of your container traffic.

Mr WEEDON - Yes, it does.

Mr BROOKS - So it is a significant impact.

Mr WEEDON - It is and therefore our focus has been on how we can use underutilised capacity in a different way. A lot of the work we have been doing with Toll around Burnie is on how we might use existing assets rather than just building more, using what we have in a different way to try to drive more volume and support more growth without having to put a lot of cost into port expansion. It is a different position from some of the other ports.

Mr HIDDING - Julia Gillard has said there is a job to do on the supply side of the economy and our ports have to be competitive. There is going to be money around and I know in the infrastructure plan, Minister, Bell Bay has been put on the list of first reserve or whatever it is called.

Ms GIDDINGS - Yes, the priority list of Infrastructure Australia. That is where the long-term planning is quite important. We did a lot of work around that Infrastructure Australia submission. We were seeking to invest about \$150 million in our ports. With recent changes that have occurred with ANL and Toll, the focus has shifted from Bell Bay, for instance, and more to

Burnie. All that work we have done is still there but in terms of pushing that work there is now less of an imperative. It is much more about medium- to long-term planning around our ports now. As Paul said, in the short term we need to look at the capacity we have and the existing infrastructure and how we can reorganise particularly the Burnie port to maximise the space there. That IA submission remains in place and we continue to talk to IA around what we need to do with port infrastructure. It is very difficult because the Australian Government wants to support projects where there is a high demand, like those ports that Paul mentioned, so they want real productivity-based decision-making. The danger we have as a small State, the bottom of Australia in that sense, is that we are forgotten. Even though we are not a major port, we still need our fair share.

Mr HIDDING - Yes. On the question of infrastructure expenditure, I guess all ports are critical to a degree but you have, for instance, the port of Devonport. We have just had TT-Line before us and clearly it is critical to the tourism industry that it works well, and they are looking at a new ships program. They have a committee looking at that. It appears that they might be port-constrained by the Government; I am not absolutely sure. It is a little unclear but it appears that Devonport is it. So what discussions has TasPorts had with TT-Line as to the future? Clearly, you must be part of discussions.

Mr WEEDON - Yes, we are. Essentially we have had a number of chairman and CEO discussions on the issue. I am meeting Charles Griplas later in the month to construct a joint project team to start getting to that level of detail. For us there are two primary issues. One is vessel size and the ports with the capacity to handle that, and importantly the amount of backup area or terminal space that is required to support effective operations for both passengers and freight.

Dr NORTON - The other thing in Devonport that is important to recognise is that Searoad's terminal is next to TT-Line and Searoad are considering resizing their vessels as well. So it is a matter of talking to both, which we are doing, and then trying to ensure we get a solution which meets both requirements.

[4.30 p.m.]

Mr HIDDING - I do not want my Devonport colleague here to fall off his chair or anything but Devonport is a smallish port, beautifully close to open water, midway along the northern coast. It is beautifully positioned and has wharves on both sides of the water. If TT-Line went to a model - and we have been told by TT-Line that nothing is out of the question - where they might retain one of their ships and do a double run and then go to a passenger-only or a passenger-focused fast ferry on a daytime run, does TasPorts have a view? Have you considered or looked at the notion that Devonport is a port on both sides of the river, that you don't have to be on one side or the other?

Mr WEEDON - It is a port on both sides of the river. There are cement and fuel and smaller boutique passenger vessels calling on the west side of the river. It is not just a matter of looking where the vessels might call; it is the amount of terminal space that is required to support the operation. If TT-Line were to contemplate a significantly different basis of operation then we would have to respond to that need, but if one assumes their current mode of operation, for which they require a fairly large amount of backup land to support the ship operation, then on the west side of the river there is just not the land space, no matter how you configure it.

Mr HIDDING - I am just demonstrating that the Devonport issue is quite complex, especially as it comes to consideration of vessels. I wouldn't want to see too many constraints on what is the future resolution for TT-Line because it is absolutely crucial to our tourism.

Mr O'HALLORAN - I want to ask a question around the fumigation of logs with methyl bromide on the Burnie wharf. What roll has TasPorts played in that? Why was it seen fit by TasPorts, or somebody else, to not fumigate in port and therefore put at risk the health of Burnie citizens but it was okay to move the ship offshore, 2 nautical miles, I think, and expose overseas maritime workers, who were shut in their cabins, to methyl bromide? I am wondering where your responsibility lay in that. With regard to the blood testing that was done on the maritime workers, is the data from that blood testing publicly available?

Mr WEEDON - Essentially our role in that was as a service provider to our customer. We conduct fumigation operations around the State today in support of our cold-storage warehousing operations. We have teams that are certified, compliant with Australian standards, and knowledgeable in that space. We were requested by our customer to provide a service and we entered into an agreement with them to do that. There were special safety and security arrangements made for doing fumigation in the hatch of the ship and those all complied with the Australian standards. AQIS essentially was the governing authority on those matters. The conduct of the fumigation went according to plan. The decision to move the fumigation offshore was really driven by both our customer and our response to community and stakeholder concerns. From all the work and safety analysis we did we would still stand by the view that fumigation could have occurred safely alongside at the port. We are responsive to our customers' needs, and our stakeholder and community needs, and therefore we took the initiative, in conjunction with the customer, to shift the vessel offshore.

Mr O'HALLORAN - Were the overseas maritime workers kept on board for the security of the ship?

Mr WEEDON - A skeleton crew was required to be retained on board for the vessel's safety, but the majority of the crew were taken ashore.

Mr O'HALLORAN - About half of them?

Mr WEEDON - Yes, about half.

Mr O'HALLORAN - So that skeleton crew was on there to maintain the ship at anchor?

Mr WEEDON - Yes. If you look at the risks in doing any sort of activity such as this offshore or at an anchorage, the ship is much more impacted by weather.

Mr O'HALLORAN - So have you had access to the blood sample data?

Mr WEEDON - I have not, no.

Mr O'HALLORAN - Who has it? One of the conditions of fumigation offshore was that blood testing would be done on those workers. Was it done as one of the conditions of the fumigation and, if so, where is the data?

Mr WEEDON - I am aware that the blood testing has been done. The blood testing has been done by the owner of the vessel for their employees.

Mr O'HALLORAN - Who has access to the data, then - the owner of the ship?

Mr WEEDON - The owner of the ship.

Mr BROOKS - Mr Weedon, concerns have been raised with me that TasPorts carried out a witch-hunt to find out who made the fumigation details public. Is it true that TasPorts' senior management were more concerned that the information got out than the actual issue of potentially fumigating Burnie residents?

Mr WEEDON - No.

Mr HIDDING - On the methyl bromide issue, what is the procedure for other ports? Do you have a statewide arrangement or is it port-specific?

Ms GIDDINGS - There are regulations in place. There are national regulations about the use of methyl bromide. I think that is the concern; there was a lot of concern on the ground in Burnie. Arguably concern was not really justified, but because of that level of concern it was decided to take the ship 2.5 nautical miles offshore to carry out the fumigation. But that has not changed the national regulations, as I understand it; those national regulations are still in existence today and we could still today pull up a ship at Burnie or Hobart or anywhere, and as long as it is within that radius it would be okay.

Mr HIDDING - I think only a couple of years ago there were logs on the wharf down here. Were they treated here in Hobart?

Mr WEEDON - I do not know.

Ms GIDDINGS - It depends where they are going as to whether or not they need to be treated. Forestry Tasmania, as I understand it, are looking at markets where you do not need to quarantine or fumigate logs as a priority in that sense, but should the market require the quarantine fumigation it will be done as we expect things to be done here. We forget that methyl bromide is used on a lot of fresh fruit and vegetables that are, in fact, imported into Australia and Tasmania in order to pass our strict quarantine levels. It is very easy to make these things sound scary and offputting to people, but there is a lot of regulation around their use to try to ensure safety to all of us.

Mr O'HALLORAN - I want to talk about the King Island situation. On 2 November it was stated that in the coming months senior TasPorts staff will be spending more time on King Island to establish and improve services. What progress has been made on this commitment, and what feedback has been received from former King Island Ports Corporation employees, the King Island Council and other stakeholders, particularly those in the beef, cheese, fishing and kelp industries? I am also wondering whether you might have information about the likely impact on petrol prices on King Island because my understanding is there is a link between King Island Ports and petrol prices. Are there plans to progress the Grassy port redevelopment?

Dr NORTON - Perhaps I will just make some introductory comments and put a little bit of contextual background and then I will ask Paul to comment on some of the specific issues and

where we are with it. When the ports were merged six years ago, there was some consideration as to what would happen to Flinders Island and King Island. As it happened, for Flinders Island, although there was a separate port corporation of which I am a director, it does not do anything. It had been incorporated into the Port of Launceston operations so it was operated out of Bell Bay. King Island was a separate subsidiary company. We had enough to do at the time and I discussed it with the Government and it was agreed that it would be better to focus on the big merger between the major ports and not to deal with King Island at that stage. We subsequently had a piece of work done independently which assessed whether there would be benefits in bringing King Island operationally as a part of TasPorts. The work was done by Meyrick and they concluded that it would be beneficial but they did not see any reason to do it at that point in time while we were still settling down the major merger, but they identified some potential triggers when it would be sensible to make the shift.

The board has kept this under active review over the last few years and we have reached a point where we believe it is just much easier to run the port as a part of TasPorts. That does not mean in any instance that there would be a diminution in service levels on King Island. In fact it would be a maintenance of service levels on King Island. We talked to the board and we have been going fairly slowly I suppose at dealing with it, making sure that the adjustment occurs. Paul can give you an update on exactly where we are at the moment and we can also talk about the redevelopment issue in terms of Grassy.

Mr WEEDON - We have had a series of visits by senior and middle management working our way systematically through their processes, how they go about doing what they do to come to a fairly detailed conclusion as to how we will integrate the operation into TasPorts. Essentially the message for both the King Island organisation and the market is that it is business as usual. Really the things that will change is there will not be an independent board, there may be some streamlining of management responsibilities, but regarding the provision of services - both in terms of ship services through both Grassy and Currie, our obligations to maintenance - none of that changes. The operation of the fuel business is part of what King Island Port Corporation does and we will do a review of that business once we integrate it in.

Mr O'HALLORAN - So TasPorts will take over that part of the operation as well, like the fuel storage and so forth.

Mr WEEDON - King Island Port Corporation is a 100 per cent owned subsidiary of TasPorts today. Some of this is about streamlining the governance arrangements and taking some costs out of the business, but importantly allowing that market and that port to draw on and increase the enhanced capital capacity that TasPorts has, the wider resource support that we have - whether through HR negotiations and enterprise agreements, whether it is the supply of technical engineering support and all those things that can be done in a more streamlined way.

Mr O'HALLORAN - And Grassy redevelopment.

Mr WEEDON - Certainly our view is that the business base in King Island is such that we cannot ever see a justification of a support expansion of the magnitude that has been contemplated. In reality, if you look at the core business, which is container flows, about 6 000 containers a year flow in and out of King Island. It is a very, very small port and I think a lot of the interest in reconfiguring the port and spending somewhere between \$35 million and \$50 million on it was driven by an expectation that you have to accommodate large Searoad ships. In fact ships are by their very nature flexible assets. Yes, we need to make sure that the

infrastructure supports continuity of shipping services to and from the island, but there are many different ways to skin a cat in a shipping scenario. Just throwing money and building bigger ports is uneconomic and is not the way to go.

Ms GIDDINGS - It is that shipping aspect which falls then into the responsibility of the Department of Infrastructure and they have been working on a shipping policy. I believe that draft shipping policy has now been presented to the King Island community or at least the council to look at working further around it, which is a similar process we have taken with Flinders Island. It will be the department that works then with the business that looks after King Islanders around that shipping policy. What we do not want to see is ships not going to King Island, but that is more the role of government through the department than TasPorts. TasPorts is just interested in the actual infrastructure in the ports themselves.

[4.45 p.m.]

Mr O'HALLORAN - So TasPorts will review the whole operation on King Island.

Dr NORTON - As we review all our operations. But King Island has the port and two other businesses. It has the fuel distribution business and we will look at that as to whether that is something which we should be on and that fuel distribution is to both King and Flinders. They also bought a local trucking business a few years ago and we will look at that as well.

Mr HIDDING - Who owns the wharf at Currie?

Dr NORTON - King Island Ports Corporation.

Mr HIDDING - What are you going to do with that? I think that was costed for a revamp.

Dr WEEDON - We have been working closely with them; TasPorts has been supporting KIPC on all the engineering analysis. There is a capital investment of around \$500 000 required to replace fenders and do some structural underpinning of the wharf.

Dr NORTON - The wharf itself is in pretty good shape, it is just the wooden fenders on the side, and there is a slip next to it.

Mr HIDDING - Yes, I want to ask about the slip as well. In terms of infrastructure, it is fair that the ports corporation looks at return on capital but there is also the question of fair supply of basic key assets and slips around Tasmania are going to be a major drama for the fishing industry because of new regulations about the management of slips. They have been trying to bring them in now for 10 years one way or another but they will get it in, there is no question. Surely there is no circumstance by which King Island cannot have a slip; it has to have a slip, as does Flinders, as does Stanley, otherwise there will not be any fishing boats based out of the area. So what are your plans for the slipway? The winch is stuffed, as I understand it, or at least needs work. If that is not on top in your minds at the moment, can I direct your attention to that?

Mr WEEDON - Yes, certainly. I had the option to inspect the slip lines in King Island recently. I think some minor reconfiguration works are needed to accommodate the larger fishing vessels that are using Currie as their base today but I certainly would have to take on notice the question with respect to the other operators.

Mr HIDDING - Okay. We will move to Macquarie Wharf because Ms Archer has some questions.

Ms ARCHER - Yes, the other end of the State. In relation to Macquarie Wharf Shed 1, we have heard that David Walsh is pulling out of that process. Can you confirm that there are no viable tenders currently underway and what is the process?

Dr NORTON - Yes, we went through an open expression of interest process and we had two expressions of interest that went through to the next stage. One pulled out, the Walsh proposal was continuing and then, unfortunately, as was made public, he withdrew and was unable to continue, so that left no live proposals in respect of Macquarie 1. We are keen to not let that facility just sit there so we have raised with the Government our intention to go back out to the market and probably in a different format, perhaps in a less formal expression-of-interest format, to see if there are other interests. It has some fundamental constraints in terms of development in that the Sullivans Cove Waterfront Authority's planning guidelines effectively limit the redevelopment to maintain the shed pretty much as is in terms of the external structure. It has very limited car parking and so for things such as boutique hotels it has some real constraints. If you could put up five storeys and do some of those things - no, you would not want to do it, but developers like a lot of freedom in terms of putting in apartments and so on. So we are not sure what will come of it. There are some parties that we think might be interested and our intention is to go out to seek expressions of interest again.

Ms ARCHER - Is there still an independent panel of experts evaluating any such proposals?

Dr NORTON - We have to look at that.

Mr WEEDON - We will be making a recommendation to the board today on a more streamlined process around the re-marketing and probably shift some of the evaluation resources in-house to TasPorts, but we will need to supplement that with some externals.

Ms ARCHER - With the past panel, was there remuneration for those members?

Mr WEEDON - I assume so. Essentially because we ran such a formalised process around expressions of interest and a formal tender process with probity advisers and the like, we actually need to wrap that up and we're in the process of doing that, and then we can begin a new process.

Ms ARCHER - Do you know what the cost of that process has been to date?

Mr WEEDON - Internal costs?

Ms ARCHER - In relation to the tender process as well as the panel.

Mr WEEDON - Our internal costs are about \$95 000 and that includes preparation of documentation.

Ms ARCHER - So if there was remuneration for the panel of experts, there would have been additions.

Mr DUGGAN - No, that's all-up costs.

Dr NORTON - Whatever remuneration would have been relatively limited because they weren't on a retainer basis, as far as I can recall. It would be minimal.

Ms ARCHER - I have one further question in relation to that, because you mentioned parking as well. Obviously parking is a bit of an issue down on the waterfront. We have a plan for public open space but there is also the design here of a working port. We also have IMAS on the other side and Princes Wharf 2, which I understand TasPorts still owns technically.

Dr NORTON - Technically.

Ms ARCHER - What is the future strategy of parking in the cove, given that people have been used to being able to park there? It doesn't seem to me that parking is being replaced, so what are we doing to appease that situation?

Ms GIDDINGS - There are still the Ali Sultan plans, of course, at Montpelier Retreat, which you would be aware of, I'm sure.

Ms ARCHER - Very aware, but I'm not sure when that is going ahead or if it is going ahead.

Ms GIDDINGS - I think it's a matter of when rather than if, but that is an important part of the parking strategy for around the waterfront.

Ms ARCHER - Is relying on a private developer the only strategy?

Ms GIDDINGS - No, but obviously there has been a call to reduce the number of cars on the waterfront because it is seen very much as an area which is used by pedestrians as well so we are trying to get a better balance between public open space in that sense as well as parking on the waterfront.

Mr HIDDING - It is always a good way to deal with parking - make them go away.

Dr NORTON - The waterfront authority effectively controls the extent of parking there. We own it so to speak and we get some revenue from it, but the number of carparks is being reduced.

Ms ARCHER - There is that parking area behind the art school there. Do I understand correctly that that is owned by TasPorts?

Dr NORTON - No. Outside the cruise season we offer car parking inside Macquarie 2 shed.

Ms ARCHER - Is that the only parking area that you are responsible for now, because I know that some that were previously run by TasPorts have been transferred to the Hobart City Council?

Dr NORTON - The only revenue that we get as far as I can recall is on the wharf and we identified Macquarie 2 as a short-term - I don't know how short short-term is - facility which could be used for parking, especially when the Princes Wharf 1 development started, because there was quite a bit of parking associated with PW1 that had to be removed, so we were able to make Mac 2 available, so that took some parking, but I think it is a broader issue beyond our area of responsibility to plan for appropriate parking in that area.

Ms ARCHER - Do you recognise it is an issue nonetheless, because every time you take away parking, where do people go?

Dr NORTON - It is, yes. We're a bit uncomfortable, put it that way, with the way we operate in that precinct. It is not part of the industrial port, but we have asset ownership responsibilities. We have been working very closely recently with Tourism and Economic Development and the Hobart City Council, I believe, as well to try to better coordinate things such as the Sydney-Hobart festival operations. We have an open mind as to how that whole precinct is managed and our role in that. We are not trying to take it over, obviously, but what I am trying to say is that there are a number of key players and better coordination is gradually occurring in respect to that. We have the Princes No. 1 development that is in situ. Our real interest is to make sure that the infrastructure we own is properly maintained. There is quite an investment required in the next 10 years just to continue to maintain that infrastructure.

Ms ARCHER - Macquarie Wharf No. 2 - are we going to get a cruise ship terminal there? There were comments by the CEO in March this year that the cruise ship terminal could begin in late 2012. Is that still the case?

Mr WEEDON - Yes, we are well on track for that. We have run a quite structured process in engaging the customers and stakeholders very early. One of the first TasPorts events that I went to was to participate in those workshops. We use that as a basis to articulate what the industry wants, bearing in mind that we are looking at a cohabitation arrangement with Antarctic and cruise, what their 'must haves' as distinct from their 'nice to haves' would be. We used that input to inform us in the selection of an architect and we have made that architect selection and signed him off about a month ago. They are now working in more detail with us and our customers about finetuning some concept designs to then start building a business case for me to take to the board to justify the investment.

Ms ARCHER - Is it relying on private investment, State government, or a combination of both?

Mr WEEDON - We are not at that point in the process yet. You really have to decide what you and your customers need, what you think you can afford and then once we have landed what those ballpark budget numbers will look like we will start getting in more details about funding.

Ms ARCHER - It is possible either way?

Mr WEEDON - We are open to any number of options about how we might fund it.

Ms GIDDINGS - We are also working with Infrastructure Australia around these issues as part of a liveability concept that we are developing through Economic Development in particular, which includes Macquarie No. 2, the cruise ship terminal and compatibility with the Antarctic Division. At the moment that is already in the potential list of IA, in the pipeline projects list. Further work has been undertaken to try to lift that project up beyond just being a pipeline project and to get the stamp of approval from IA. There is no funding with Infrastructure Australia. I am not sure that there will be any funding but we certainly see that as an appropriate process to go through which strengthens our case in terms of being able to ask for Commonwealth funding in the future.

Mr O'HALLORAN - I want to talk a little about Devonport Airport. Firstly, parking is outrageously expensive at \$1 for as long as you like.

Laughter.

Mr WEEDON - We would be happy to increase it.

Mr O'HALLORAN - What is happening with Devonport Airport? What are the intentions?

Ms GIDDINGS - As you would know TasPorts has been through a tender process, which did not come to a conclusion, to proceed with a sale of Devonport Airport and therefore that process was concluded. I have been doing a lot of work through Economic Development with the consortium to look at their business case and ensure that it is robust. That work has been undertaken and we are in the process now of formulating a direction from the two shareholder ministers to ask them to reopen discussions with the Devonport consortium. We are not directing that a sale must occur but certainly we believe there should be some further discussions with the consortium to see whether or not a mutually agreeable outcome can be reached.

[5.00 p.m.]

The most important aspect of this is that we all want to protect the asset of the airport at Devonport and ensure that, whatever happens, whether TasPorts continue as the owner or whether another ownership model is adopted, the airport remains open and that the asset has investment put into it to improve it. TasPorts have a strategy to improve the infrastructure there. That is basically where we are with it. We are at a point of drafting correspondence and ensuring that we abide by all the probity issues as well, that we behave appropriately through that process and reopen discussions.

Mr O'HALLORAN - The reopening of discussions really is around tender price?

Ms GIDDINGS - It would be around a tender price but also ensuring that all aspects are covered in terms of what is happening with that asset because it is an important asset for the north-west of the State.

Mr O'HALLORAN - There is no doubt that the airport will remain open?

Ms GIDDINGS - The important aspect is we must ensure that the airport does remain open. We also want to make sure that any agreement reached is of commercial value to TasPorts as well and does not fall below their bottom line. I think that is very important, that we are not sending a message here to sell at any cost. That is not appropriate either but there has been a lot of work done since the tender fell over and I think it is important that those discussions are reopened.

Mr BROOKS - So you effectively support Devonport Airport being sold in appropriate conditions?

Ms GIDDINGS - If all the needs of both parties are met in that sense then absolutely we are supportive of the sale. We do not see Devonport Airport as a core asset of TasPorts. We wanted to be very careful about this whole process to ensure that we were not selling an asset that then would not be properly managed and invested in. That is the robustness of the work that I wanted to ensure is behind the consortium's proposal before I ask TasPorts to look at this issue again.

Mr BROOKS - The airport has had no significant capital spent on it for a long time, I understand. On page 5 of the TasPorts' annual report, Dr Norton says that it is not considered a core business activity. On 5 November this year you said major investments should be directed into core infrastructure projects. Given those comments and given the comments earlier today about how you do not have a lot of money sitting around for development, is there any prospect of the Devonport Airport being developed under TasPorts' ownership contrary to your media release of 25 June?

Mr WEEDON - In fact a great deal of energy has been applied by the organisation in light of the unsuccessful outcome in the tender process. It was recognised in the past that there was a hiatus in activity around it. Some of the work that we have done, for example, is that we have been working very closely with architects to look at a redesign of the building to improve the amenity, to provide for expansion of the facility to cope with increased passenger and baggage throughput, and to cope with the new security obligations of the building. We are currently assembling some preliminary cost estimates around that at the moment.

We have also engaged specialist experts to assist with conditions reported and work required to maintain the runway. That work is ongoing. It is non-core but as a stand-alone business it is profitable. It can support a certain level of reinvestment of those profits into its ongoing utilisation and enhancement, and that is the focus of the work. We are looking at what we can do to upgrade the facilities to improve amenity and ensure that we comply with the security obligations that come into effect in 2014.

Mr BROOKS - There is nothing budgeted in the immediate future, though, for a major upgrade or investment in that facility?

Mr WEEDON - We are bringing all this together in a full business case for proposals to our board as to what we should be -

Mr HIDDING - All those things are there. That is all viable to a buyer as well, isn't it? All those are the same considerations for a buy-out of the airport.

Mr WEEDON - Sure.

Dr NORTON - I think it is important to clarify what we meant by non-core asset. By non-core asset we did not mean that we would sell it if we could and if we could not sell it we would close it down. Our view is that we have an obligation as the owner to ensure that airport remains as a viable, productive airport. When the sale process did not come to a conclusion we then went to Plan B and Plan B was okay. We now need to cater for a number of things. We need to do maintenance on the runway, which is scheduled. We need to refurbish the facility. We need to work with QantasLink to ensure that we are meeting their needs, that we have security and so on.

Mr HIDDING - Just take a step though. Why didn't it sell?

Dr NORTON - Because the sale requirements were not met by the consortium.

Mr BROOKS - Was it the valuer that was appointed? Were they also appointed to handle the sale process, and do you think that could motivate them to inflate the valuation price?

Mr DUGGAN - No, I do not see how you can link the two to your conclusion there. Before we entered into the sale price we had indicative valuation ranges provided by an independent valuation firm. We then engaged that same company who are not just valuers, they are corporate financiers, to assist us through that sale process. To make sure that things like that would not occur, we also engaged an independent probity adviser who oversaw the whole process. There was no risk of that type of event occurring.

Mr BROOKS - Was the valuation based on, and did the tender document state, the fact that the airport was capable of handling jets?

Mr DUGGAN - The jet issue always comes up and my response to that would be what sort of jets are you referring to?

Mr BROOKS - Medium to small-sized jets. To pick one - say 737s.

Mr HIDDING - But it could have a material effect on offered prices. There is some doubt about this jet business, isn't there?

Mr BROOKS - Did it say in that document, and was the valuation based on, the fact that the runway can handle sustained commercial jet flights?

Mr DUGGAN - The runway and the business plan is based on a fit-for-purpose runway for the size of the aircraft that we expect and Qantas expect to be operating in that airport for the foreseeable future. The size and the dimensions of the runway also cater for use of larger aircraft. The difference would be the amount of runway that you need to maintain on a permanent basis if there were larger aircraft flying in there on a permanent basis. We do not think - on all the evidence presented to us in discussions with QantasLink with the aircraft they are currently flying - that there would be in the foreseeable future larger aircraft than the Q400 that they are currently flying.

Mr BROOKS - The question was whether the valuation took into account that you can fly jets in there and did the tender document say that?

Mr DUGGAN - Our valuation took into account maintaining the runway for the aircraft that we expect. We had discussions with the consortium around the size of aircraft that they were expecting. We made available to them the runway inspection reports that we had previously had done. So there was discussion with them about what the future requirement would be. QantasLink are running about 75 per cent capacity now and they can increase capacity by going fully to a Q400 fleet, so their aim is to get Q400s - which are the 74 seaters - flying into Devonport. They are not talking about introducing larger aircraft.

Mr BROOKS - But can you fly jets into there or not?

Mr DUGGAN - You can fly larger aircraft than those we currently have.

Dr NORTON - It has a runway length that can handle jets but the issue with jets, as Geoff said, is that you need to maintain a broader area of the runway.

Mr HIDDING - What we are talking about here is a significant disappointment in a process that identified a value for the airport and a local consortium that, to all intents and purposes,

wanted to pay as much as they possibly could for the thing and hopefully win it and win it for the local community - to hold it, develop it, own it and manage it locally. The concern that we have is whether there was any discrepancy in anybody's mind - the valuer and the market - about its capacity to operate certain aircraft?

Mr DUGGAN - Going back to your initial point, paying as much as they could afford does not necessarily mean that that equates to market value with the asset for a start.

Mr HIDDING - Well, that the business case could afford.

Mr DUGGAN - We had open disclosure with regard to current passenger numbers and predicted passenger numbers. That airport had seen growth from four years ago of 88 000 passengers through to last year with 125 000 -

Mr HIDDING - Yes, it has grown.

Mr DUGGAN - So it has significant growth. As to what the potential market is, the most it has ever done is 140 000 which was pre-discount airlines. We would expect that we would get to that number again, if not exceed it. How far it can go is the issue and that will drive QantasLink's decision about future aircraft.

Mr BROOKS - The runway surface now is effectively 24 years old. The industry standards suggest an expected life of asphalt runways is 15 years. Given that the life has been extended so long and even TasPorts acknowledges the tarmac needs upgrading, do you think that would have impacted on the offers you received?

Mr DUGGAN - The consortium made their own assumptions -

Mr BROOKS - And the other offers.

Mr DUGGAN - Sorry, other offers? They were?

Mr BROOKS - Oh, okay -

Mr DUGGAN - We only negotiated with the TAC. We have had an independent -

Mr BROOKS - In the report it says 'offers'.

Mr DUGGAN - We have had an independent report done of the runway. We know what we have to spend on that runway over the next 20 years. As with any asset there are periodic times when you need to spend more than you are currently spending.

Mr BROOKS - I refer to budget Estimates' *Hansard* from 1 July, where the chief executive of Tourism Tasmania stated that airlines - and I quote - 'cannot land jets at that airport'. That is on the public record. Industry experts I have consulted have also told me that the surface cannot handle ongoing commercial jet flight operations. So the question is: what was the difference between the valuation and the offers that you received?

Mr DUGGAN - We are not disclosing that.

Mr BROOKS - Can you tell me the percentage?

Mr DUGGAN - No.

Mr BROOKS - Okay.

Dr NORTON - The point you made is true that if you are going to run jets in there on an ongoing basis there needs to be a greater refurbishment of the tarmac than is needed if you are not running jets in there. So you can run jets in in terms of the length of the runway and you could run a jet and land it adequately today, but if you want to run jets in on a regular basis it will require more maintenance of the tarmac than if you run existing aircraft.

Mr BROOKS - So was that taken into account in the valuation?

Dr NORTON - Our valuation was on the basis of existing use.

Mr BROOKS - Normally my experience with an open tender system is that a fair market value is determined by the offers you receive. It says in your report, Doctor, that you declined all offers received. We now know that is the only offer you received. Wouldn't that indicate a market value?

Dr NORTON - No, not on its own.

Mr BROOKS - Did you get a second valuation or a local knowledge valuation?

Mr WEEDON - We continually updated our valuation on the way through the process.

Mr BROOKS - From a separate entity or from the original entity that would have been based on a commission?

Mr DUGGAN - On that point it would have been in their interests to sell it.

Mr BROOKS - To a point.

Mr DUGGAN - The ultimate decision was made by our board based on the independent valuations we had, the probity guidelines that overload the process and the quantum and the structure of the offer that was received.

Dr NORTON - At the end of the day, at the board level we saw two prime requirements: if a sale occurred because of the discussions we had had from our owner, in terms of their agreeing for us to sell it, we had to be convinced that the airport would be sold and continue to operate as an airport, so that was one consideration. The other consideration was, because we are custodians of public assets, we had to make sure that an asset sale was something that we could defend to the Auditor-General or whomever, and we did not reach that level with the company.

Ms GIDDINGS - Just two points I will make in addition: at no point have we ever said that it was a sale at any price; it is a decision of TasPorts as to whether or not they feel that it is a fair price and they don't have to go ahead with the sale. The other aspect that I picked up on in my discussions with the consortium was that I am not sure that they put in the best end tender in that process and that is what they are frustrated about and why they came to me and said, 'We want to

continue talking with TasPorts to see whether we can close gaps or deal with any of the issues that might be there'.

[5.15 p.m.]

From TasPorts' perspective - and they can speak for themselves - they shut their tender process down because it had not met what they were looking for. My role then as a shareholder minister is to look at the issues the consortium raised and get further independent advice through Economic Development - and I can't provide you with that advice because it is commercial-in-confidence from both sides - as to whether or not as a shareholder minister government should be thinking about asking TasPorts to reopen that process. I have received that advice now and am in the process of drafting correspondence to TasPorts to reopen discussions. That would indicate that I believe there is room for discussions to occur on both sides.

Mr BROOKS - I have one more question on the airport sale and then we will move on. My understanding is that you have only had one offer from the Devonport Airport consortium, which included the make-up of four local councils to be part-owners. Given the Premier's comments on *Hansard* on 24 August - and admittedly he was talking about a different asset - where he said - and I quote:

'The Government should not be selling off everything to the highest bidders for the most rank commercial return.'

Minister, if the offer wasn't ridiculously low, so if it wasn't \$1 or \$5 or whatever -

Ms GIDDINGS - There was a gap and I think that is the problem.

Mr BROOKS - Was it \$10?

Ms GIDDINGS - I am not going to disclose anything. I am not even sure that I have had that information as to exactly what the gap is because, as I have said, there are commercial-in-confidence issues around that. But I am confident that there was a gap and the concern that the consortium had, and I have taken on board, is that the door closed at a point where they did not feel that they had finished talking. They are prepared to continue talking if TasPorts is, and that is the process we have been going through. TasPorts had plans for Devonport Airport. They want to see this asset maintained and they are quite within their rights to have made a decision to draw that line and say, 'We've finished a process that didn't create an answer we wanted, but we will move on and invest', and they are doing that. They already have plans to upgrade the terminal, there is paintwork and the like that they want to do fairly quickly.

Mr MORRIS - And the parking.

Mr BROOKS - But they failed to invest in the airport previously. They have had no interest in retaining the facility; they don't consider it a core business. They put a questionable price on it and had no plan and no budget for the future and now they have received detailed tender documents no doubt detailing business plans and business cases. Can you rule out TasPorts using any of that information provided to develop its own plan, and if it uses any of that information, will it be paying or compensating for the intellectual property provided within that tender document?

Mr WEEDON - We haven't received their business plan.

Mr BROOKS - Not included in the tender document?

Mr WEEDON - No.

Mr MORRIS - If we could come back to Hobart and another asset of yours, the cold store and the future planning around that. What are your future plans? You own not only the store but the land underneath it, is that right? How much land exactly do you own or have title to around the railyards? Where are the boundaries, particularly in relation to the cold store?

Dr NORTON - We would have to take that on notice.

Mr MORRIS - Can you provide a copy of where your titles are from the Macquarie sheds across into the railyards?

Dr NORTON - Yes, we certainly can.

Mr MORRIS - I have seen some plans with the Royal Hobart Hospital redevelopment.

Ms GIDDINGS - It was only a tiny little sliver that belonged to TasPorts, from memory. Most of the railyards behind is not TasPorts' land.

Mr WEEDON - Essentially if you follow the port road down past the port tower building and around towards 5 and 6, from the port road out to the river, that's more or less our territory. Everything behind that is the railyards, more or less.

Mr MORRIS - Right, and in the ownership of TasRail? Do they have any railway lines on your property?

Mr WEEDON - In Hobart?

Mr MORRIS - Yes.

Mr WEEDON - No.

Mr MORRIS - So whatever is railway line is TasRail-owned, or at least not yours.

Ms GIDDINGS - Well, crown-owned. I don't know that it is TasRail either, it would be crown land.

Mr WEEDON - Except for the cold store.

Mr MORRIS - Okay. So on the cold store itself you have Tassal as your main customer there.

Mr WEEDON - Yes.

Mr MORRIS - What are they doing there essentially? Are they trans-shipping from loading containers or what is the activity there?

Mr WEEDON - It's predominantly a cold storage facility. A lot of their product stays around for up to 90 days before they package it up and move it, predominantly to Melbourne, but obviously a lot goes into the domestic market as well. So they use us as their principal cold store.

Mr MORRIS - So it's a distribution centre and repacking centre?

Mr WEEDON - Yes.

Mr MORRIS - Is that anticipated to continue?

Mr WEEDON - Until such time as we have clarity as to the future planning for the railyards precinct for us it's business as usual. We have commercial contracts in place with Tassal and other smaller customers and we will continue to serve those customer needs until we have some clarity as to the precinct plan.

Mr MORRIS - Do you have any relationship with the railway in terms of product going onto the trains, containers in particular going onto the rail at Hobart?

Dr NORTON - No, essentially there is no freight that goes either from rail across the wharf onto a vessel or comes in across the wharf onto rail. Historically, obviously, there was a relationship, but for many years there hasn't been any relationship between containers moving one way or the other. Some work has been done on our land, pre-packaging for containers that have gone onto rail, so there's been a bit of that that has occurred in the past.

Mr MORRIS - In relation to log storage, going into containers and on the rail?

Dr NORTON - I think some of the Nyrstar product at one stage was stored in one of our facilities and then packaged onto containers and went off via rail or road, but that was really just using some of our land; it wasn't an intricate relationship between shipping activity and rail.

Mr MORRIS - So the main exporting you have from Hobart of freight is from Ta Ann.

Dr NORTON - Yes.

Mr MORRIS - How often do the ships depart?

Mr WEEDON - Monthly. They operate a dedicated vessel on a 28- to 30-day round voyage between Japan, Burnie and Hobart. So they will bring their product in usually about a week or 10 days before the ship arrival, load the vessel and essentially the decks are cleared for a couple of weeks until they start the process again.

Mr MORRIS - Right. So with the cool store operation and the Ta Ann operation, you have fairly steady trade in and around the Hobart port. Is there much activity other than those two in any terms of quantities?

Mr WEEDON - Yes, the Selfs Point facility is obviously the main fuel port depot and terminal for the State, so that's a critical part of our business.

Dr NORTON - And any Antarctic business as well.

Mr WEEDON - Antarctic and cruise, obviously.

Mr HIDDING - On the Selfs Point issue, you purchased that a couple of years ago?

Dr NORTON - Also shipping and towing.

Mr HIDDING - So you would have knowledge of the arrangements of ships going underneath the Tasman Bridge. Have there been any other incidents or moments, other than the two in the last couple of years, that have occurred with navigation scares?

Dr NORTON - No, but if there is one, MAST deals with it. We had one, I can't remember if it was last financial year or the previous financial year.

Mr MORRIS - The last financial year in January?

Dr NORTON - We had one of our tugs lose power, but that's the only incident I can recall.

Mr HIDDING - All right. There has been none since?

Dr NORTON - We did have one bridge incident that is worth mentioning. There was a power outage in 2010 which meant that the lights on the bridge went out - including the navigation lights - and we have been working with DIER to try to come up with a solution which ensures that if there is a power outage there is emergency back-up.

Mr HIDDING - Did you have a vessel on the water?

Dr NORTON - No.

Mr WEEDON - It was just an outage but it could have been a situation we did not want so we are trying to make sure -

Mr HIDDING - I do not even want to think about that.

Mr WEEDON - We are trying to make sure it is a triple redundant system. Power comes from the east and west side of the river to support the nav lights. We are also looking at a stand-alone solar battery-powered back-up system so that in a worse-case scenario, if we had a complete blackout, at least we would have a self-sustaining system on the nav lights.

Mr MORRIS - Is DIER responsible for the lighting on the bridge?

Mr WEEDON - They are, yes.

Mr HIDDING - Nav lights?

Mr WEEDON - The lighting on the bridge and navigation lights.

Mr HIDDING - Cruise ships - Tasmania's tourism industry needs every bit of help that it can get. I know that cruise companies do their itineraries years in advance. It is lovely when a ship arrives and spends 24 hours or 18 hours in a Tasmanian port. What do we need to do to get some

of these ships to double their stay? Is the charge by TasPorts material to them? Is this a big issue?

Mr WEEDON - No.

Mr HIDDING - Is it cheaper than Brisbane, for instance?

Mr WEEDON - Brisbane's costs are five times the cost of the average Australian port and we are even lower than that. We are significantly out of market. They already enjoy a very significant advantage in coming here. I commented earlier that we think that there is some headroom there, that they can afford to pay some more, but we are very sensitive to ensure that we get that pricing strategy right. The last thing that we want to do in this market is drive that business away.

Mr NORTON - It is not pricing that is the reason that they come down and spend a day.

Mr HIDDING - Isn't it? What do you think we need to do to get a couple of ships to double their stay?

Mr WEEDON - It is hard to speculate. The cruise operators' strategy fundamentally is to keep passengers on board and spend every dollar they have on board. Is it counterintuitive for them to think about allowing their passengers to spend more time ashore? Ultimately it comes down to the attractions. That is what brings the ships into the port. That is why ships come into Burnie. With all due respect to our colleagues in Burnie, it is not to see Burnie, it is to go to the Cradle Coast, it is to go to Cradle Mountain, that is where all the day-trippers go. It is similar here. While there are attractions in Hobart that they want to visit, whether it is the wineries or Richmond -

Ms GIDDINGS - Port Arthur.

Mr WEEDON - or Port Arthur, they are things that can generally be completed within the eight- to 12-hour stay.

Mr HIDDING - In this last half an hour there are a number of matters that I want to tidy up. The port of Devonport - I started asking a question and we got diverted. In your report, Mr Weedon, you say that one of the things that you have done is the upgrading of the TT-Line upper-deck loading ramp to handle increased highway truckloads. TT-Line notionally objects to the language there because when I asked them what about the increased highway truckloads, they said there was no increase at all. Could you explain what you understand that to be?

Mr WEEDON - Generally it is a safety issue when you talk about the ramps that connect your landside operations to your ship. In most cargo classes unit weights are getting heavier and our engineering assessment was that it was in our interests to invest in upgrading the ramp and doing some additional work to it to make sure that we could cope with any of that forecast increase in truckloads.

Mr HIDDING - So your increased highway truckloads was the same number of trucks, but heavier weights?

Mr WEEDON - Generally, yes.

Mr HIDDING - As weight is generally charged, well a mix of size and weight, I suppose, it certainly got them exercised because it looks as if there were an increased number of flyaway truckloads.

[5.30 p.m.]

Mr WEEDON - It is specifically about truck weights and the capacity for the ramp to cope with them.

Mr HIDDING - The Bell Bay port, what is its prognosis? Obviously we want to spend money on it but what is its future in the north of the State? Clearly the north is very interested in it, it is a good port, a deep port and after you spend the money on it, it is going to be -

Mr WEEDON - It certainly is.

Ms GIDDINGS - In the short term it is not the priority because we have had business move from Bell Bay to Burnie, but in the medium to long-term it is a priority. It is seen as the container port for Tasmania and that Infrastructure Australia submission is still there sitting on the books of IA, in that sense as being \$150 million investment that we want to see. In the long term we see it as having an important role in terms of shipping but in the short term the reality is that business has moved to Burnie and we need to address that issue.

Mr HIDDING - How will you address it?

Ms GIDDINGS - There is a lot of work that has been going on in discussions with Toll particularly, as the company most affected by constraints at Burnie, and I am very happy for Paul to talk to you about that.

Dr NORTON - I will talk about both. The focus of the submission that Infrastructure Australia did last year was on upgrading the container part of the port and upgrading the woodchip berth as well as part of a more holistic expansion, a major-scale reclamation and also work to ensure that there we shunt rail right down onto the river edge in a more productive fashion. That forward plan remains in place but because of the short-term change of imperatives we are rescoping the project to look at doing it in a phased way so that we can deliver the same end game but in a progressive way as we see the commodity build up over time.

In terms of customers and users of the port, in the container sector we did have some setbacks with ANL forming their joint venture with Toll and shifting to Burnie and with MSC - the Mediterranean Shipping Company - deciding to withdraw services from Tasmania. The good news then is that we have had the introduction of a new operator to compete with Toll and SeaRoad and it is group called Agility Logistics or TME as they brand it here. They are offering a weekly service. They are winning some market share. They are now in the market for a larger vessel. We are encouraged by that and we have high hopes that they will continue that service and continue to serve Bell Bay because that has been the basis on which we have been able to work with TasRail to have the rail freight put back in and that is very important for Agility to be able to link rail and their short sea operations. That is a very positive development.

Minerals are obviously a big issue for us there and obviously the Rio Tinto's Alcan exports. Temco and its ferro-manganese is important and those volumes have recovered somewhat so we are encouraged by that. There is a flat, if not a slightly pessimistic, outlook for woodchips.

Mr MORRIS - While we are on that, in this update report of October 2009 it says that the Government intends to provide a final submission to Infrastructure Australia mid-2010. Did that happen?

Ms GIDDINGS - That is a process that we are still working through, which is to get to IA by the end of this year. In fact Infrastructure Australia have sent down consultants to work with us on that as well. We have been working closely with IA and I believe it is in December that that final work will be presented to IA.

Mr MORRIS - So you have not met the deadline or the time line you had set yourselves?

Ms GIDDINGS - I have just been reminded that the Australian Government has had an election in that period so there has been a hiatus there.

Mr MORRIS - Entirely predictable that this was written.

Ms GIDDINGS - Yes, that is right but in terms of the deadline we have with IA, I believe it is December. There has been a lot of work going on in that time. That was not a fixed-in-concrete deadline.

Mr HIDDING - Stanley's port is not in a particularly good place. There is a series of issues there that are compounding and some deep underlying issues are not being addressed through sheer lack of money, I guess, with priorities and the rest of it. It seems to me that things will come to a head where we need to see some deals being done with local council to develop private investment where possible. The finger pier, as I understand it, is essentially scheduled between none and four years for redundancy. The wharf under Stanley Fish is dodgy. A major operator on the wharf runs a septic tank; in some circumstances effluent flows into the sea and finds its way around to beaches. It is a bit of a mess and I think there are opportunities there. I absolutely understand how in a commercial, corporate sense it will be difficult for you, but if local council are held to account, and even private investment and the fishing industry, and if we can get them in the room and work something out for Stanley, I feel that something could happen there. So where is TasPorts' mind on this?

Mr WEEDON - To update you, we have been focused on addressing the issues with the fish factory because that was the most viable commercial operator in the port. We have recently reached agreement with them to enter into an extended lease. Part of that is that we will jointly contribute up to \$500 000 to repair and underpin the fish factory wharf. So that work is at a commencement point and I am confident that will be an excellent outcome.

We have also committed to do some maintenance and upgrading work on the pens where the fishing vessels are located because, again, they are a commercial enterprise and it is important that we support them. So they have been the two priority projects in Stanley over the last 12 months.

Mr HIDDING - A year or two ago there were other proposals for commercial investment at the port which would have been tourism positive. I understand that last year with the GFC and what have you things have cooled off a bit, but I am led to believe that is still a possibility. Are you in a position to dust off those proposals?

Mr WEEDON - We certainly would be. There is nothing that I am aware of in the pipeline. Any of these parties that may have given these projects consideration in the past have not come back out.

Dr NORTON - There is no reluctance from our perspective for development.

Mr HIDDING - As I understood it back then and still understand it now, the council looked at it and said you need kilometres of kerb and guttering and roading and basically killed the thing off. If they, however, were brought to the table in terms of coming up with a fix for the Stanley wharf, and with a realistic overlay of their requirements, then we might get something happening. It will require a bit of a partnership and the ports, I think, will have to be the driver of it - as the key player. It is good news that you have entered into that arrangement with the tenant on the wharf.

Mr WEEDON - That was a good outcome. It took us a while to get there.

Mr HIDDING - Will that address the effluent issue?

Mr WEEDON - It should do, yes, because there was an old septic tank that needed to be removed. We have done some work in enhancing the bunding around this other area. My understanding is that those issues have been addressed. With the safety and incident management system we operate, we should get reports if there have been any spills - whether it is effluent or any other products - into the harbour. It is a standard, routine process we go through and in my time we have not had any reportable incidents coming out of Stanley.

Mr HIDDING - Regarding TasPorts relationship with the fishing sector, over the years they have felt that they are the poor cousin in dealing with you because you have to deal with international shipping operations and the rest of it. I suppose over here they felt they were kicked out of the slip and were feeling a bit fractious, but I think those matters were resolved. Are there any issues down here on the main wharf -

Mr WEEDON - Victoria Dock.

Mr HIDDING - Yes, Victoria Dock where the fishing boats are because from our point of view we think it adds reality that operational stuff is happening -

Dr NORTON - It is part of the character.

Mr HIDDING - Yes, part of the character, boats coming in and out and craypots and all that. It is just priceless to the wharf experience, so how is that industry feeling about their relationship with you?

Mr WEEDON - I think they feel more loved than a year or two ago.

Dr NORTON - They would like to be loved a bit more.

Mr WEEDON - They always want more for less.

Mr HIDDING - They tell me that you have appointed a person who -

Dr NORTON - To specifically manage that.

Mr HIDDING - is developing a very strong relationship, so it is great.

Dr NORTON - Since Paul has been on board we have tried to introduce much stronger client management approaches for different constituent groups. We cannot always satisfy what they want but the important thing is to talk and listen. The Antarctic community is an example. In the past they have been critical of us. I think we have a better relationship with them too.

Mr HIDDING - Just finishing off on fishermen: at Strahan at the Risby Cove pier I think some \$200 000 has been set aside for that. There seems to be some concern that will not go far enough. If it needs more to do the job, is it available?

Mr WEEDON - The current engineering assessment is that that is the money we need spend within this year. We have committed those funds through this increased maintenance budget that we referred to earlier.

Mr MORRIS - I would like to come to dividends and I have the guideline from the Government. I note you did not pay a dividend this past financial year but according to the time line by 30 November -

Dr NORTON - Hang on, we paid 50 per cent of after tax profit.

Mr MORRIS - Oh right, sorry. However, by 30 November you will have reached an agreement with the Government - 'SOC dividend determined by special resolution'. What is the situation for the current year in relation to this policy?

Dr NORTON - In relation to this current financial year, a guideline has recently come out which requires us to develop a dividend policy with our owners, but we are yet to do that.

Mr MORRIS - Right. It has the date 30 November here in the policy.

Mr DUGGAN - That is talking about the prior year. Our dividend is always paid the year after the year has finished, so for the 2010 financial year our dividend is 50 per cent of profits.

Dr NORTON - And that was confirmed at the annual general meeting.

Mr DUGGAN - That went to our AGM in November.

Mr MORRIS - Okay. It does not say it is in arrears.

Dr NORTON - So 2009-10 is 50 per cent of after tax profit and that was confirmed by the owners at our AGM. In terms of 2010-11 we are yet to determine a dividend policy and negotiate that through our owners. We will be doing that early next year.

Mr MORRIS - Right. Is the income you are able to retain sufficient for your debt payments and the capital works that you believe you urgently need to do so that your assets are not deteriorating?

Dr NORTON - Although we have not finalised our infrastructure plan, the indications we have at this stage are that we probably need to spend around \$15 million a year on maintaining infrastructure. We are currently spending about \$8 million, so there is a significant gap there.

Mr MORRIS - So there is a gap there.

Mr HIDDING - Does that include major things like concrete cancer at Macquarie 5 and 6 and those sorts of areas?

Dr NORTON - It does not include remediating Macquarie 5 and 6.

Mr MORRIS - So you have a backlog as well which that falls into.

Mr NORTON - All these wharves are old, but obviously our priority is to maintain the wharves in fit-for-purpose condition and we have done that in Macquarie 4 and 3. We have a bit more work to do in that precinct as there is a bit of work that is a priority for us to deal with. So our aim is to have that area fit for purpose. With 5 and 6, basically we are not dealing with remediating those at this point in time but in terms of our overall infrastructure we have a significant gap between what we are spending now and what we think we need to spend -

[5.45 p.m.]

Mr MORRIS - Yes.

Dr NORTON - and that is why we are driving a set of strategies around our revenue and we will be having discussions with our owners as to what is an appropriate dividend in that climate.

Mr MORRIS - You said you are working on the infrastructure plan still; what is the time frame for completion?

Dr NORTON - Our aim is to have that completed before the end of the first quarter.

Mr WEEDON - April-May.

Mr MORRIS - That is the condition of all your assets and what you believe needs to be spent on them in the foreseeable future?

Dr NORTON - It is the condition and what needs to be spent when over a 10-year period to continue to maintain.

Mr HIDDING - We will look forward to that.

Mr BROOKS - Mr Weedon, I wanted to get your comments on an instance out of Devonport Airport with a senior executive of your company swearing and abusing QantasLink staff. The plane was cancelled, a bus was organised and your senior executive demanded a taxi be provided and did it in front of customers. The person is well known as a senior executive; witnesses were absolutely disgusted. What was done about that and have you put in any processes since then?

Mr WEEDON - He is no longer in our employment.

Mr BROOKS - Is it because of that incident or was it because he was leaving anyway?

Mr WEEDON - No, there were a number of factors behind that decision but that was one factor, yes.

Mr HIDDING - So you were aware of that event?

Mr WEEDON - Yes.

Mr HIDDING - And it is not endemic through the -

Mr WEEDON - No, not tolerated or condoned by TasPorts.

Mr BROOKS - I have a quick question about the head office. It was announced on 12 August 2009 that the new head office would be built in East Devonport, to be completed in 12 or 18 months. Recently it was confirmed that it was either never intended to go ahead or those plans have been cancelled and you will remain at Devonport. Why was it cancelled seeing you were happy to announce and commit to it in the middle of the global financial crisis?

Mr WEEDON - When I came into the organisation we put the project on hold. As an incoming CEO I had the opportunity to work my way through the portfolio of projects that were in the pipeline. I felt that was a project that sat behind other more critical projects in terms of wharf and critical infrastructure that needed to be addressed so I kept that on hold until we had advanced that review. The outcome of that review, which I have announced, is that I could not justify spending that money on a project when we have a perfectly serviceable building in Devonport today and in the economically constrained environment that we have talked about this afternoon to spend \$2 million or \$3 million building a new building just seemed to be the wrong focus. That is the decision we have taken.

Mr BROOKS - There were people who spent considerable time offering to purchase and one which was verbally accepted through the tender price -

Mr WEEDON - This is on the existing building, the existing head office?

Mr BROOKS - To purchase the existing head office.

Mr WEEDON - I do not know that that is correct. There was never indication we would accept the offer.

Mr BROOKS - Okay, well the information I have is contrary to that. Then they were advised towards the end of June/July that it would not proceed after, again, they had spent a considerable amount of time and been told that TasPorts would be drawing up the contract as their bid was the highest and had been accepted. Are you saying that did not happen?

Mr WEEDON - That did not happen.

Mr BROOKS - Okay.

TasPorts head office on the north-west coast: how many of TasPorts' board members are based there?

Dr NORTON - We have one board member who is based on the north-west coast and has just recently been appointed, that is Jane Bennett.

Mr MORRIS - What are the arrangements you have in place at Triabunna - with Gunns, presumably? Do you have a contract with them for use of your facilities?

Mr WEEDON - Essentially we own the wharf structure, which is specifically designed to support the woodchip loader. The woodchip loader is their asset, so essentially our obligation is to make sure that the harbour is maintained at the declared depths, so if there was routine dredging or those sorts of things required we would undertake those, and to maintain the wharf structure to ensure that the loading operations can continue. We have been in dialogue with Gunns throughout the last six months about the future use intentions. We have about \$500 000 set aside in our budget this year for the usual maintenance and repair on the wharf structure, but we will need some clarity from Gunns before we commit to that. We have decided that in the light of input that we have had from Gunns we will do that work in two phases, so we are committing to a \$200 000 spend for works now, and then we will do a second tranche of work possibly outside this financial year.

Mr MORRIS - So basically the future is sufficiently uncertain that there is no point in spending the full \$500 000 now, there is not the urgency for it.

Mr WEEDON - That is the input we are getting from our customers.

Mr MORRIS - Do you have a contract over time with Gunns, or a specific period of time? Does it end in 2015, say?

Mr WEEDON - I would have to take that under advice. I am not sure of the duration. Typically it would be a licence agreement which would usually be shorter in duration than a land lease. Typically land leases will be 15 or 20 year lease duration. A licence agreement is typically five to 10 years.

Mr MORRIS - And then they pay on a usage basis or an annual basis?

Mr WEEDON - They pay an annual fee.

Mr MORRIS - And that would cover all?

Mr WEEDON - That goes to the contribution to maintenance costs and the like.

Mr BROOKS - Mr Weedon, regarding Burnie wharf, in the annual report it says the current layout does not meet current or future mid-term growth. Given it is 45 per cent of your freight, and whilst it is at low capacity use at the moment, is that one of your highest priorities?

Dr NORTON - It is, yes.

Mr BROOKS - When would be the completion, or at least the start or time frame around that specific project?

Mr WEEDON - Essentially the thrust of the Burnie optimisation planning is to utilise berths 5 and 6 in the back area, that is essentially the wharf area Toll in the west and the

woodchips in the east. That part of the port is very little utilised and the concept that we have put on the table for Toll is that we would do some small-scale reclamation works, some demolition of tanks and buildings in that area to provide essentially a doubling of the terminal space available to Toll. We made a commercial offer to them some months ago and at this stage that negotiation has been frustrated by Toll, which has chosen not to engage with us in terms of negotiating that deal that is on the table.

The other part of making the whole part of that reconfigured terminal work is to spend a significant sum reconfiguring the railhead to stop shunting around onto the beachfront and to stop shunting into the Toll terminal. To make it all come together, we need Toll to do a deal with us to provide us an income stream to be able to invest in what is necessary to both reconfigure the terminal and make a contribution to the railhead realignment works.

Mr BROOKS - You had an 11 per cent reduction in your maintenance budget for 2009-10 from 2008-09, according to the auditor's office. If you look at your annual report, it runs January to December. With the ageing assets such as the Devonport Airport and other areas, you will have to increase your maintenance budget but you only made a \$1.5 million profit this financial year. What strategy will you have to increase that by nearly double? How will you fund that and manage it?

Dr NORTON - That is a very good question. That is the nub of our recent TasPorts strategic planning exercise on how we deal with it.

Mr WEEDON - So the commitment we've made in the budget and why we're forecasting quite a small profit for the 2010-11 period is that we've committed to increase our maintenance spend from \$5 million a year to \$8 million, so that's the 60 per cent increase that Geoff was talking about before. As Dan has referenced, that may still not be enough, but certainly that extra spend gives us a lot of capacity to deal with some of the very tiny projects that we are dealing with at the moment. How do we fund that? We're funding it predominantly through tight operational cost control. We manage our business pretty tightly, but importantly we are moving to announce a number of price increases to try to ensure that we're optimising the amount of revenue we generate from the business. So we are at the moment talking about a general freight increase across all users, except for Antarctic and cruise, because of the seasonal obligations there. We're talking about an increase in pilotage charges to reflect the need to maintain a break-even scenario around our pilotage operations as a first phase, and then next year we will be dealing with the broader question of how we might increase other prices across the other user segments. But price increases will be a big challenge for us. Securing a good outcome from Toll in Burnie will be very important for us to make sure we're seeing some revenue upside, not just from volume but from unit-based price increases as well.

Mr MORRIS - Just on that subject, with Gunns' recent announcement about the Hampshire mill, have they advised you of their future in relation to Burnie and if so will there be a future relationship for you with them?

Mr WEEDON - Well, I think we're in the same boat as many providers of service to Gunns and we've obviously read and tried to understand their recent announcements. We have good dialogue with them. We are at the stage of trying to interpret what all that really means. We still see that they will move some woodchip volume through Burnie. There will be a reduction. What it means and how we can respond to it is still a work in progress.

Mr MORRIS - Gunns made the announcement on us, I think. It provides an opportunity if they're not going to use as much space, or you might lose income or create opportunities. I was just wondering whether they had advised you yet.

Mr WEEDON - No, short term it has potentially quite a significant impact in loss of revenue and it will be hard for us to take costs out of the business to reflect that loss.

Mr MORRIS - Okay, so you will be facing some difficulty. I will come back to that next year, or the year after.

DEPUTY CHAIR - The time being six o'clock, we will conclude.

Ms GIDDINGS - I want to thank the people from TasPorts for their work and the committee for hearing us out.

The committee adjourned at 6 p.m.