

UNCORRECTED PROOF ISSUE

**Friday 4 December 2015 - Legislative Council - Government Businesses Scrutiny
Committee B - TT-Line Company Pty Ltd**

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE B

Friday 4 December 2015

MEMBERS

Mrs Armitage
Mr Dean
Mr Finch
Ms Rattray (Deputy Chair)
Mrs Taylor (Chair)
Mr Valentine

IN ATTENDANCE

Hon. Rene Hidding MP, Minister for Infrastructure

Ministerial Office

Mr Vince Taskunas, Chief of Staff
Mr Richard Wilson, Senior Adviser

TT-Line Company Pty Ltd

Mr Michael Grainger, Chairman
Mr Bernard Dwyer, Chief Executive Officer
Mr Stuart McCall, Chief Financial Officer
Mr Kevin Maynard, Company Secretary

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The committee resumed at 2.37 p.m.

CHAIR - Minister, thank you and welcome all of you at the table. If you would like to make an opening statement, that would be good.

Mr HIDDING - Indeed. What I am going to do is announce my chairman of the board, Mr Michael Grainger, who is going to announce everyone else.

Mr GRAINGER - Thank you, minister. On my right is our chief executive officer, Bernard Dwyer, and on the left of the minister is our chief financial officer, Stuart McCall.

Mr HIDDING - If I may, just a couple of points as an opening statement.

This Government has a plan to grow visitation to Tasmania to 1.5 million people a year by 2020, which the industry tells us will create 8 000 jobs. We are on track to deliver that.

As part of this plan, the Government committed to refocus TT-Line on growing its passenger numbers, following a decline that was worrying us in the final years of the former government. We also required that this growth should not come at the expense of freight. The freight business of TT-Line is crucial to the state's economy, particularly the perishable goods, and the fact that the ship is the last to leave and the first to arrive is crucial to those people. A very important part of the economy.

The TT-Line annual report that we are scrutinising today reflects the first full year of operations under this Government. This annual report illustrates the unquestionable success of our policy, which we have implemented despite some opposition in the parliament. I am pleased to advise the House that passenger numbers increased 8 per cent in 2014-15, the year under scrutiny here, to more than 384 000. That is more than 16 per cent higher than two years before which was Labor's final full year in government.

The TT-Line's operational profits also increased to \$17.5 million, from \$11.6 million in the prior year. Other measures that you are going to be interested in is TT-Line's cash and cash equivalents have also increased over the period by about \$9 million, to about \$90 million now.

These results were registered before the completion of the *Spirits* refurbishment, so this 30 June. The *Spirits* were being refurbished at that time, so it does not even reflect these.

Mr VALENTINE - Not even part of the cost?

Mr HIDDING - No. The year in scrutiny here today is with the old ships, but what we saw was the discussions, excitement, and all the stuff that we were generating - and it has to be said, a booming tourism market in Tasmania. It is our job to take advantage of it, and we are taking advantage of it.

Mr DEAN - Sorry, are you saying the refurbishment costs of the ships will be reflected in the 2015-16 year?

Mr HIDDING - Yes.

Mr DEAN - That is a bit different.

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CHAIR - The benefit will, but the cost of the refurbishment - that is not in this, or it is in this?

Mr McCALL - Half the cost was in last year, and half this.

Mr DEAN - That is what I was trying to clarify - what the minister was saying. It is half in both years.

Mr HIDDING - What I was discussing here was the performance of the new ships. That has radically changed, I can tell you.

Ms RATTRAY - We have expended half the money.

Mr HIDDING - We are excited by new figures from TT-Line that illustrate that passenger numbers are already up a further 15.8 per cent in the first few months of this financial year. This increase appears to be sustained, with passenger bookings up more than 17 per cent through the peak period of November, December, and January. I have here one example. There is a snapshot taken towards the end of November through to the end of February. That is our summer. In 2014-15, the bookings being held at that point in November were 93 259. Just a couple of weeks ago, for this summer, we are already holding bookings for 111 909. That is a full 20 per cent increase on bookings held for this summer, so it is going to be a great summer. We announced 16 new sailings. That is the kind of activity we have going on as a result of those things.

Those refurbishments themselves are the great driver. It is fair to say that, in the past, you could rely on Sunday sailings in the very busy parts of the year, but you could not push it further into the year because the day sailings were not - it was a sleeper ship being used for day sailings, with no facilities for day sailings to speak of. It is now fitted out as a dual-purpose ship. It has great day sailing capacity and facilities, but also a terrific night experience.

I understand some members have been to see the ships.

Mr FINCH - We all went.

Ms RATTRAY - We went Wednesday morning.

Mr HIDDING - I do not know whether you saw a before and after.

CHAIR - We have sailed on it before.

Mr HIDDING - There was basically nothing there at all on the top deck. I was delighted to hear that. It was terrific that you went up and had a look.

Ms RATTRAY - We take our role seriously, minister. It was very good.

Mr HIDDING - There is a standing invitation to all other members of the parliament. I think the Leader of the Opposition should go and have a look.

Mr FINCH - We would have liked a trip, until we found out we had to pay for it ourselves.

Mr HIDDING - Yes. Well, this is a government business and business is the operative word.

The job itself of refurbishment generated work for more than 200 Tasmanians and 24 local businesses. At the same time, with all this record activity, freight went up into record numbers. One would hardly have thought that was possible, but this company is proving that it is capable of some terrific things.

[2.45 p.m.]

In short, this scrutiny today will show that passengers are up, freight is up, profit is up, cash holdings are up, visitor spend in Tasmania is up, and fare prices - with \$79 fares now being advertised, which is a huge discount. There was some activity yesterday in the media questioning whether our cheaper fares commitment is there. I can report at this very early stage that the actual across-the-board reduction in fares in real terms is already 8 per cent. We did say that over four years we were looking for around 20 per cent. The yield projections on this business case show a reduction of 14.8 per cent. In order to get that you have to go 30 per cent less for some fares to get that middle point, and we are on target for that. The fares commitment is there and every other area of the business is hitting its mark. We would submit that is a good news story.

CHAIR - Thank you for your presentation. We appreciated and enjoyed the visit on Wednesday. I was particularly impressed. I do not think I have ever seen as enthusiastic and happy a CEO as we currently have in the company. We have seen him in a previous life where he was a very good CEO also, but I do not think I have seen anybody who is so happy to be in the job, so he must be doing something right.

Mr HIDDING - He is, and it is a great place to be.

CHAIR - So he kept telling us.

Mr HIDDING - The day we took 50 or 60 people up there from the tourism industry, the staff were astonishing. They were so proud to be working on those vessels. They are assisting us with passengers on board now in explaining what you are not allowed to take into Tasmania. They are now becoming ambassadors for the state; they are not just workers. The contractors at the end other in Melbourne now are doing the main search for vegetables, et cetera. Tonnes of material, more than was ever stopped before, is now being stopped, and a lot of that is being done through the goodwill of staff.

CHAIR - We certainly found that on board the other day as well. They were cleaning staff and maintenance people, rather than customer service people. There was not a person who did not stop and say, 'Hello, how are you? Welcome on board', which they need not do. Obviously your customer service is very high.

Ms RATTRAY - It was my first visit to the ship on Wednesday and I enjoyed it. We know \$31.5 million has been spent on the refurbishment, and congratulations to all those involved, but that will not add \$1 to the resale value of those vessels. Is that correct, that when you go to sell them it will not make any difference to the value?

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Mr HIDDING - It is all speculation anyway. With vessels like that you would not spend that sort of money in some hope of getting a return after seven years. What you want with that expenditure is get a return immediately.

Ms RATTRAY - So that is your customers?

Mr HIDDING - Yes. By the end of this year we will have the money back. It has been written off out of profits. The return on capital spent is a very short turnaround. It does not have to be about the value of the ships.

Ms RATTRAY - That was my understanding. It does not matter how good you keep your car. They look at the red book and say it was 1996 and you get x amount. It does not matter if you smoked in it or cleaned it every day. You get the same amount when you want to sell it.

Mr GRAINGER - Those rules do not necessarily apply in such a complex industry like the RoPax industry. These ships are regarded as the best in the world. They were regarded as the best in the world when they were built, so it is a very high quality product. The refurbishment was the first done on those vessels since they were launched. What that refurbishment has definitely done is enhance the value. They are a high value product anyway. They needed that work to be done. We have spoken to the ship brokers about this; it will help to retain the value of those ships for the day they will come onto the market.

Mr VALENTINE - It depends what it is going to be used for in the future.

Mr GRAINGER - Absolutely.

Ms RATTRAY - Even though that refurbishment value has been written off, you are hoping to still recoup some money from that at a later time?

Mr GRAINGER - We are hoping the vessels retain their value because they are a high-value product in any case. They are considered to be the best of their kind in the world. At the moment we believe, and a number of us are involved in the international ferry industry, these two ships are the best RoPax vessels anywhere in the world after the refurbishment. They are extraordinary.

Mr HIDDING - It can't not have a positive effect on their value at the end.

Mr McCALL - The business case was a pay-back period of just under three years for the refurbishment. The primary source of that was to make sure passengers, over the short-term, get encouraged by the refurbishment.

Mr DEAN - The refurbishment has not been just a cause of that - tourism is up.

Mr FINCH - The daytime sailings are a great positive because of the opportunity to bring more people to Tasmania and take them back home. I wonder, with the value of the vessels, whether mechanically they are going to be under stress by doing more of sailings and whether it might make their lifespan a little bit shorter.

Mr HIDDING - There is a clear position on that by the company. It is self-evident that if you were going to run many more day sailings than you are running the ship to its design capacity, because these ships are designed to go between port A and port B and not necessarily lie

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around all day waiting to go the next day. In many of these places, and across the English Channel, they turn around and come back again. Under this model, the likelihood that we need to spend more on maintenance is there, but in the business case it has been accounted for.

Mr GRAINGER - We are well aware of the limitation of the vessels. We are also very aware they need to be maintained to the highest possible standard, because we are running them hard. They are high-performance vessels, travelling around 27 knots on average. That does put some stress and wear and tear on them. They were good vessels when they were built and we maintain them very well. We have an ongoing budget review of the maintenance. We have a team of maintenance people who are working 24 hours a day, making sure they are kept to a very high standard because we cannot afford to have a breakdown. Yes, they are being worked hard but we believe we are maintaining them at a level that allows us to continue to do that.

Mr FINCH - Does that require the addition of extra maintenance crew?

Mr GRAINGER - No, not necessarily. The crew and the maintenance people who are employed by the company do not change; they are just getting a bit busier. They are a complex vessel, not only mechanically, but in the hospitality area, and in particular such a high performance Ro-Pax, of which there are not that many around the world. We have to keep a close eye on how they are operated and we do. We have spare propeller blades and things like that in the event we have an issue. The maintenance guys are always making sure that nothing is left to chance. That costs money, but we need to have an efficient team for an efficient vessel.

Mr FINCH - Have you had a breakdown?

Mr HIDDING - No, we have not. We are not intending to have one either.

CHAIR - Do you have spare engines sitting about?

Mr GRAINGER - No, we do not. Spare engines of that magnitude are seriously expensive items. There is a significant wait list on a build of engines of that magnitude. We have four engines operating. We can operate on three, we could probably operate on two if we needed to. I will touch as much wood as I possibly can. We maintain them at a high level because we need to.

Mr DWYER - We have a lot of spare parts for the engines rather than full engines themselves.

Ms RATTRAY - If an engine did blow would it be cheaper to get a new vessel? Given time and everything.

Mr GRAINGER - No.

Mr HIDDING - No, because it does not have to come off the run, it can run on one engine down.

Ms RATTRAY - It has to come off some time to have a new one put in. You cannot change it over while it is working.

Mr HIDDING - You would be amazed at what took place on those vessels during the refurbishment.

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Ms RATTRAY - I think we have a fair idea, following our visit.

Mr HIDDING - While the thing was going backwards and forwards and during the day, the crew trying to sleep, and we had all the workers in, it was an amazing job.

Mr GRAINGER - I am sure you are aware of it, but regarding that refurbishment, the public need to understand this was a significant project that came in on budget and under time. I am in the manufacturing business, I do not hear of that happening too often, a \$30-odd million project coming in on budget and under time. It was a wonderful achievement. It is a credit to all the people who put that together. It started with the minister and the new CEO bringing those teams together and making that happen. It is an extraordinary achievement.

Mr VALENTINE - Do they have good life rafts?

Mr GRAINGER - We are working on that.

Mrs ARMITAGE - The TT-Line and North Melbourne - the commitment, I believe, is now \$375 000 per game that you picked up, or the inference was that you picked up, the RACT, when they dropped out, so you are paying \$375 000 per game. Are you likely to renew that commitment?

Mr HIDDING - This is something I cannot comment on because it is operational and nothing to do with the Government.

Mrs ARMITAGE - It is to do with the TT-Line.

Mr HIDDING - The reason I am not commenting is that there are commercial negotiations that take place between the company and North Melbourne, many of which are necessarily commercial-in-confidence for both parties, mostly for North Melbourne. I say this however, the marketing of this vessel in our key area of Melbourne, Victoria, the partnership with the AFL product was an inspired decision. It hits the sweet spot in terms of marketing. They are our people; they are our customers. It is a great way to get to them. In Melbourne, the red ships are well known to everybody. More and more are getting on them and they are excited about it.

Mrs ARMITAGE - Do you think the North Melbourne commitment has something to do with that?

Mr HIDDING - It is not just the game that you sponsor. You become part of the AFL product.

Mr FINCH - You were not tempted to paint them blue and white?

Mr HIDDING - There was a wry smile when I said the same joke and somebody said, 'But that is Liberal colours.' It was the Labor Party that bought the right ones in the first place and they ended up being red.

Mrs ARMITAGE - From the Government's perspective, you do not feel that having two AFL teams, as in Hawthorn - it is a GBE so it is still basically money - can the state cope with two teams?

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Mr HIDDING - I do not have a view on should the state have two or three or four or eight teams playing in Tasmania.

Mrs ARMITAGE - I am thinking of the cost.

Mr HIDDING - What the chairperson is about to tell you is that this is a commercial expenditure. It is not to get football in Tasmania.

Mrs ARMITAGE - So it is a marketing -

Mr HIDDING - It is a marketing investment in a crucial field and as I said it has hit the sweet spot. There is one more year left of the contract so things are up in the air and as to where they will land, they are going to tell Government in due course and then we will tell Tasmania.

Mrs ARMITAGE - Particularly with the fact that the Hobart City Council has said that it will not be contributing and whether the Government will be putting that extra money in.

Mr HIDDING - That puts the whole thing at substantial risk with the Hobart City Council withdrawing.

Mrs ARMITAGE - The Premier seems reasonably keen in his comments.

Mr HIDDING - He is very keen for the games to happen. Of course he is and we all are because they are wonderful for the south. However, with the Hobart City Council pulling out -

Mr DEAN - It is wonderful for the state, not just the south.

Mr HIDDING - There is no question that a lot of northerners come down to watch footy and southerners go up there to watch. It is great for the state but that is not why the TT-Line is doing it. The TT-Line is doing it as a straight up and down commercial marketing decision and looking over their shoulder as a shareholder minister they have hit the sweet spot with it and when I am in Melbourne and I see AFL marketing and on fences and up on screens.

Mrs ARMITAGE - That was the thing. Going from the \$250 000 per game, picking up the RACT when they dropped out, the extra \$125 000, do you feel it has been worthwhile, paying that \$375 000? It still has merit.

Mr GRAINGER - Absolutely no doubt. I can only confirm what the minister is saying that it has been an unbelievable marketing opportunity for us. Our branding, in particular, has received exposure which we would not normally get in our key market.

Mrs ARMITAGE - You have evidence of that?

Mr GRAINGER - Of course and I will hand over to Bernard to give you some figures in a moment. The relationship that we have built with North Melbourne has been very high. We are in negotiation for future commitment. We are not sure where that will head but we are quietly confident that we can continue that negotiation. We have one year to run on our existing agreement and we have been very happy how that has -

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Mrs ARMITAGE - Was it a two years or three years?

Mr GRAINGER - Three. We are happy the way it has been going. The exposure through the *Footy Show* coming to Tasmania and things like that, which Bernard really did make happen, gave us incredible exposure. To put that in dollar terms, it is significant marketing exposure that we have received. We are happy with it. We keep the minister briefed every month on our discussions so he is well aware of it. There is plenty of transparency there and we will continue to do what we are doing. Bernard can explain a bit more of the detail to you if that is what you are asking.

Mr DWYER - I cannot go into commercial-in-confidence figures, that is the only thing.

From TT-Line's perspective, and it sounds like everyone agrees around the table, it is not just about the people travelling on the ship. This is getting into our market place within Victoria which is 60 per cent of our south bound customers. Sixty per cent of our customers come from Victoria so this has dovetailed into our market place in Victoria.

We look at this right down to the segmentation on the North Melbourne database, and who is associated with North Melbourne, and that aligns well with our customers who travel on our ships. It is a really good marriage and match of data.

Mrs ARMITAGE - The question you have to ask yourself is if no-one else will come on board - it is not really a pun - you might have to pick up the whole \$500 000.

Mr DWYER - As the minister and the chairman have said this is a commercial decision. If it is not a commercial decision then I will not be able to take it to the board that we do. It has to be commercial. We are three games into a six game contract at the moment. So we are reviewing the first tranche of three games. Once we have that information we will be well placed to have those conversations but it has to be commercial.

Mr HIDDING - As I am not privy to any of the commercial arrangements I can say that North Melbourne has to want to come here too.

Mrs ARMITAGE - They have to feel welcome.

Mr HIDDING - Not only feel welcome. They need to want to play here. Tasmania cannot pay over the odds. It just cannot. TT-Line can only pay a normal commercial investment, and cannot be held to any sort of political account here. This is a commercial decision they have to make. This is not like the Hawthorn thing at all. It is entirely different. It is a commercial decision.

Mrs ARMITAGE - I appreciate that.

Mr HIDDING - Hobart City Council walking away, in spite of a report that showed that it was wonderful expenditure, you would have to say has placed the future of North Melbourne playing in Tasmania at substantial risk.

Mrs ARMITAGE - It was the RACT, as well.

Mr VALENTINE - Have they made that decision? I do not know that they have.

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Mr HIDDING - The mayor appears to have announced it.

Mrs ARMITAGE - It was announced previously.

Mr VALENTINE - No, I think she did not like it. It does not mean the council has made a decision. I might be wrong.

Mr HIDDING - We would be delighted to hear otherwise.

CHAIR - I think her concern was that it should not be only Hobart City Council.

Mr VALENTINE - Yes, it should not be just the council. It should be commercial.

Mr DEAN - On the refurbishments, minister, there has been a lot of talk about the percentage that had to be picked up within Tasmania as against the amount of work that would be contracted from the mainland. Are all of those figures now available, and can we be given them? They might have been in the press. If they were, I did not pick them up.

Mr HIDDING - What we can say is there was an extraordinary number of Tasmanian companies involved. This is what we need to understand. This is what normally takes place anywhere around the world with a refurbishment like this - as we speak one of the New Zealand ferries that go between the two islands, the same kind of service, is in Singapore offline for four to five months being refurbished. That is where they go.

This Trimline company works in Singapore, they work in England, and a few other places around the world, but they do not come to Tasmania to do work. It is the first time they have ever done anything like it, to come down this far away from home to do this sort of thing. We could not take the ships off the run. One had to go into a scheduled dry dock, the other one had to keep going, and the other one had to come back in and keep going. They could not stop going, because we have an economy and freight to run.

It was an extraordinary triumph to get the job done as well as it was done, on time and on budget, or under time and budget. Twenty four out of 31 subcontracts went to local business. There were 200 Tasmanians confirmed to be employed on the project, either on the ships or on the shore, many of whom were employees of the 24 local Tasmanian companies who were subcontracted by Trimline.

Incidentally, the Leader of the Opposition claimed there were workers from some European company that were here illegally. The Department of Immigration and Border Protection quickly dismissed that as being nonsense.

Local companies that won the work included Central Coast Flooring, Blackwoods, Fairbrother, GP Glass, Norfolk Blinds, NubCo, Prairie Signs, Panatana Welders, Southern Marine, Streamline, Ceiling Works, Thonet Chairs, Grill Cut, Tasmanian Hotel and Catering Supplies, and labour hire companies such as Global Hire, Searson Buck, FCS, and many more. These local companies benefited greatly from the economic stimulus. This is a time when the north-west employment is at the highest level recorded at 51 700 people in work, up 2 900 since the election. The Government, TT-Line, and Trimline worked together to maximise the amount of labour and supplies that were sourced locally, despite the fact this was a highly

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specialised and complex project that would be delivered within a strict budget and within precise timelines. The Trimline contractors - I spoke to them after the official opening. The chairman of the board and their CEO flew down - were seriously impressed with the skills and quality of work delivered by its Tasmanian subcontractors.

Here is a very important fact: TT-Line put the head contract out to the world. There were expressions of interest from at least 10 companies, including a number of Tasmanian and mainland businesses, but not one Australian, let alone a Tasmanian company, tendered for the job due to the complexity, the extreme time constraints - that business about not coming off the run - and the very specialised nature of the project. There was only one company that said yes, we can do that. I spoke to a Tasmanian company and they said, 'We could not possibly afford the level of risk required to be able to cover that, with the capital required.' Never. You just would not do it, but they were pleased to be part of the solution. This Tasmanian company has put its hand up and said, 'We are happy to work for Trimline', and did. That was a great outcome. We should all be proud of that. For the 200 Tasmanians working on the job, that was a great outcome.

Mr DEAN - I want to move on to freight and the capacity of the *Spirits* currently to get all the perishable items, such as small fruits, across to the mainland to catch the right markets. Is there sufficient capacity for that to occur, or are some perishables now not able to be taken? I think the freight is booked out until some time in January.

Mr HIDDING - We recently released our freight strategy - the state's first-ever freight strategy - which shows all six vessels currently on the run, up to 2023, will be replaced in that time. The first one is Searoad's first vessel, being built now. It is under construction in northern Germany. When it comes on, this time next year, it has capacity for 50 more trailers than it currently carries.

CHAIR - Is that the one going to King Island?

Mr HIDDING - No. That is the one coming off. It will come off and be replaced by a ship that is essentially twice the size of that vessel.

CHAIR - That is a problem to King Island. You should raise that because the member for Apsley will have a comment to make later, I am sure.

Mr HIDDING - No. She is Flinders Island.

Ms RATTRAY - No. I am concerned about the islands, regardless.

Mr HIDDING - That is a different ship altogether. Searoad has its first vessel under construction. This time next year, things will be remarkably different because of this new vessel, and this capacity.

That leaves the question of how we are going to go this summer if there is no rain that rains cherries out, as it did last time. We have had a team of people working on this for months with the producers, trucking companies; logistics companies; the three shipping companies including TT-Line, for everybody, in a Tasmanian Inc kind of way work to ensure we get perishable over when it has to get over. I am very confident we are going to manage it, because everybody is working on it. There will be some triaging of freight. TT-Line is very good at this. It is not going to carry a pallet of bricks over if there is a pallet of strawberries ready to go. With all these

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extra day sailings, we have freight capacity. You cannot fill it up with freight, because it takes so long to get it on and off. You will not turn it around in time for your normal night-time sailing, but you can carry a deal of it.

The Government is confident we have this harvest season covered, and by and large, the producers are confident as well. They have been part of this process and working with us to ensure that. It is a relatively short period of time for each of the products. Cherries is a short period. Apples is a short period. In the background is Houstons, and other products that will go the entire period. There are peaks and troughs.

Mr DEAN - The critical thing is meeting that market at the right time. The *Spirits* do exactly that. We are satisfied that can happen, so that is good.

Mr FINCH - The transport company, Linfox, has expressed some interest in operating a fast catamaran for freight if it was backed by the state government. Have you looked at this idea?

Mr HIDDING - Mr Fox has more money than the state government, so he should build his vessel and get into it. We would be very happy to see Mr Fox invest in a ship and join the Bass Strait trade. There is no shortage of people who would do that if we were to back them. We already back a shipping company, and it is these guys. Mr Fox does not need our help to get a shipping service up.

[3.15 p.m.]

Mr DEAN - I thank very much, in asking this question, the position you took on the recent report I put in. I thank very much the CEO on what happened here. What is the position now on carrying ammunition on board the *Spirits*. Before, the concern was that it was a numbers issue, projectiles and so on, and weight came into that. That created concerns with the involvement I have here with firearms in the north of the state. They were running an event, and they had to get a certain amount of ammunition across here at the certain time.

Mr HIDDING - We back the TT-Line and the operation of the *Spirits* in the carriage of ammunition. They do not have to do it and in many cases they are not permitted to do it, whereas the other four ships that run can carry all they like. This is people accompanied by ammunition on board. The TT-Line has been terrific in understanding that, when people are competing in a shooting event organised by a registered gun club, the weight limit of 5 kilograms has gone to 10 kilograms. On the presentation of evidence that you are going over for such a shoot, TT-Line has agreed. This is in recognition of the fact that sporting clubs have very strict rules. They are very safe people. They are pre-qualified and they carry high-end licences. They are good people. What TT-Line is doing here is pushing the boundaries of their restrictions, doing it confidently because they are good people they are dealing with. It was a good thing to do. Ideally you would say open slather, it is all right, but somebody caused the issue - somebody with a tonne of ammo. This is where it gets silly.

Mr DEAN - The registered gun club was very ecstatic that TT-Line was able to consider their policy and make that policy change in this circumstance.

Mr HIDDING - It was a very positive interaction with TT-Line and the community.

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Mrs ARMITAGE - I had someone saying they often cannot get on the boat because of freight. They had heard freight companies will buy a block of space, whether they use it or not. Is that true they will buy a certain amount of room, sometimes used and sometimes not?

Mr HIDDING - This is somewhat of a hoary chestnut. The facts are simple. The same amount of lane metres are made available for freight every day.

Mrs ARMITAGE - I understand that. It was put to me that particular companies will buy a certain amount and pay for it even though they do not use it, because there were occasions when people have tried to get their vehicle on. The one that was raised to me today was a horse float and car. Sometimes they are going to the mainland for an event. They cannot get on; they try to get on and sometimes they have to go a fortnight or a week early. They might spend a month over there just to get their horse float and car over and back. On occasions when they keep trying to get on, other people are on the boat and they say, 'I do not know why you could not get on because there was a lot of room and spare space'. They heard that freight companies were buying an area of freight, paying for it and not necessarily filling it in order to make sure they had room if they wanted to come across. I wondered whether that was true or not.

Mr DWYER - We not do that. They are commonly called slot agreements and we do not have slot agreements.

Mrs ARMITAGE - It is a perception and sometimes people see these things.

Mr DWYER - As we saw the other day, I took great pains to explain the 2.1 metre limit and the hanging decks. Sometimes people will see some space there but that is not space for horse floats. The main thing we try to stress to everyone is that you need to book as early as you possibly can. The ships fill up very quickly. The usage and occupancy of the vehicle deck is incredible at this time of year. You need to plan and make sure you can. We bend over backwards to help people in those situations as much as we can, but we are limited.

Mrs ARMITAGE - The other issue was when they went to book. They phoned several times and each time they phoned they got a different price. They said it ranged from \$5 000 to \$1 600. I thought that is a very wide range.

Mr GRAINGER - Did you say \$5 000?

Mrs ARMITAGE - He told me \$5 000 today. He is also saying that sometimes a horse float is classed as freight. Other times, if it has a shower in it, it can be classified differently as a -

Mr HIDDING - This is probably a regular customer.

Mr DWYER - I would be happy to take the details and look into that. The Bass Strait passenger vehicle equalisation scheme has some qualifications. If there is a bed in it then there is a different type of funding in relation to it.

Mrs ARMITAGE - Is there consistency? They ring and get someone different and get a different price. I thought they would all be working on the same criteria.

Mr DWYER - Everybody works off the same system; we only have one system. It is similar if you are booking on the internet as well. You can go in and look at a price. You could come in

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five hours later and the price would be different - exactly the same as an airline. It is demand driven and that is the way the system works. But everybody in the call centre, or anybody you would talk to in freight, will work off the same system.

Mrs ARMITAGE - The other one we heard was the gentleman who was going to Phillip Island, whom I met recently. He came and spoke to us as well. With two vehicles, it was cheaper to put the two vehicles individually on the *Spirit*, and then hire a trailer. I think he said he saved \$1 200.

CHAIR - He was going with a racing car to Philip Island.

Mrs ARMITAGE - Rather than towing the racing car to take them both, he hired a trailer.

Mr GRAINGER - It is all to do with the length of the trailer. It is a very efficient but complex system of yield management.

Mrs ARMITAGE - It puts you into a different category.

Mr GRAINGER - Of course.

Mr HIDDING - With the vehicle equalisation scheme, you can game the system somewhat - take your cars off the trailer, then hire a trailer over there. That is because the federal government just paid for your vehicle; that is how that works. It was not freight anymore.

Mr GRAINGER - We have just implemented a new internet booking platform which has made the booking procedure very much more efficient. People will find it a lot easier these days to book on the internet. It comes up with different ideas and different times, but because of our yield management system it can change in 10 minutes, just like an airline. It is no different. It is a very efficient system.

CHAIR - The question was about a racing car on a trailer behind a car, and the fact that it cost \$1 200 more; whether you took them singly or on a trailer it seemed pretty excessive. In fact that is what the person did - separated them and hired a trailer when they got to the other side. That is the federal government subsidy.

Mr HIDDING - Yes. What he has done there is work the subsidy. It was the same price, except he did not have to pay it; the federal government paid it instead.

Mr GRAINGER - A trailer is far bigger than a car.

CHAIR - Even if it had taken three car spaces it still would not be a \$1 200 difference, let's face it.

Mr HIDDING - We need to understand what this federal government thing does. Every night or day the ships pass, near Flinders Island somewhere, it is about \$100 000 that the federal government pays the customers on board for those vehicles. This is a great thing for Tasmania.

Ms RATTRAY - And rightly so. That is their contribution to our national highway.

CHAIR - But it only applies to cars, not to freight.

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Mr HIDDING - In this case it does, but there is a freight equalisation scheme that applies to the freight they carry as well, but that is worked out separately. This is called the PBES.

Mr VALENTINE - A statement was made earlier that you do not have slot agreements. I am trying to understand the style of contracts you have for people wanting to freight stuff with you. Do they purchase so many metres or tonnes, whatever it is, over a period of time? They have 12-month contracts as you said the other day. If they need to guarantee they have so much space at the end of each day for the freight, how do you work that? If they cannot come up with their freight because they have had a hold up, do your contracts allow you to re-jig the space?

Mr DWYER - Our contracts are based on a full 12-month volume of what we call TEU, 20 foot equivalent units, and it is based on what they would ship in a year. That is how the volume works. We do not guarantee space per sailing, so there are many conversations and telephone calls done every day with our suppliers to ask what trailers do you have that you want to ship. So it is not a slot.

Mr VALENTINE - They might do two a day and then because they are held up somewhere, one day they have three they need to send across, and it might be perishables, but they might not have the space to do that.

Mr HIDDING - Not many of them would want a slot agreement because it is take or pay. In the airline industry, I looked into this for a customer as to why you would not do it in ours. They book a slot every night on that aircraft. If they do not make it they pay and you might be paying for two weeks. If you have a break in production you have to pay anyway. The airline wins then because it is not carrying the weight and uses less fuel. That would not work with our TT-Line operation. It would be very punitive.

CHAIR - As a supplementary. You do it over a year, what happens if they reach it before the end of the year or if they do not have enough for the year? If they do not use up their whole whatever they have bought in the contract.

Mr HIDDING - In this case what we are discussing is they do not buy slots. They have a contract.

CHAIR - The contract is for so much over a year. What if they do not put that much on?

Mr DWYER - They have a pricing for a year. If they ship the set amount they get that pricing. If they ship short the pricing would change. If they shipped more the pricing would change. You are not buying slots. It is purely on the pricing.

CHAIR - You would charge them afterwards if they haven't -

Mr DWYER - You charge through the process.

Mr VALENTINE - Minister, you would not have a situation where you are making a trip and you are failing to provide the freight volume that is needed for any one day?

Mr HIDDING - I could only explain like this. Every day there is a bit of black magic that happens that somehow or other everyone ends up happy.,

Mr GRAINGER - It is a juggling act.

Mr HIDDING - It really is a juggling act.

Mr VALENTINE - I am thinking of the logistics of this and it is not just you guys.

Mr HIDDING - The phone calls that take place and there might be a slot left for one more trailer and Costa down the road at East Devonport, you ring them up and say we have room for one, and they go like blazes to fill this thing up and we will get it on. So the thing rolls on. As they are rolling on the door closes and it takes off. It is as organic as that.

Mr VALENTINE - You don't get yourself into a situation where you get contractual disputes because you do not have that style of contract, so it is as simple as that. That is interesting. What about passengers, any legal actions associated with your passengers related to services? The number and value of any legal proceedings that you might have on foot at any one time? What is the situation with regard to claims against the company?

Mr HIDDING - I am not sure what sort of legal action.

Mr VALENTINE - It might be that you have a passenger that injures themselves on board and you have a dispute with that passenger as to how or why they injured themselves. They might have been as drunk as a skunk and it is therefore their responsibility, or it might have been through some fitting that was ill-fitted and caused a problem. How much of that activity is going on over 12 months?

Mr DWYER - To be honest I cannot remember the last one, so I am looking to Stuart.

Mr GRAINGER - It is a rare occasion, and within the company which is a bit of side issue to your question, the lost time injury level has been significantly reduced in the last three or four years to a stage where our lost time injury is pretty much zero which is very impressive for a company of that size with so many employees. As to public injuries or legal cases, I do not believe there are any and I do not recall ever hearing of one.

Mr VALENTINE - And nothing on freight? From a contractual perspective, what about damage of goods and those sorts of things?

Mr HIDDING - There are established freight rules and everybody knows who takes what risk.

Mr VALENTINE - The level of claims against you on average a year, do you have any idea on that?

Mr HIDDING - These guys are very good at what they do. They do not damage things.

Mr DWYER - The only damage I have ever heard in relation to freight is they might have bumped a trailer or torn a cover on a trailer. If it was more than half-a-dozen a year I would be surprised.

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Mr GRAINGER - It is minimal. Having said that, every incident is reported and that is a legal requirement.

Mrs ARMITAGE - On freight, cars, and caravans, I had a couple who told me it was \$1 900 for an inside cabin, with a car and caravan. They went to the mainland for three months, which cost them \$4 600 for the three months because it was almost \$2 000 for the car to go over and back. We are looking at tourism and saying how good North Melbourne is for the state, is there some way the state government could negotiate with the federal government to subsidise? Are we looking at subsidising things such as caravans?

Mr HIDDING - We are carrying way more caravans and campervans now because of all the day sailings.

Mrs ARMITAGE - I am looking at the expense of bringing them over. If we are looking at \$950 one way per person.

Mr HIDDING - But if they are paying it, and they are -

Mrs ARMITAGE - Well, some are.

Mr HIDDING - As for the \$950, when people say that to me I ask questions, 'When did you sail? When did you want to go? And I find it was Boxing Day. 'Why did you not go on a day sailing?' 'Because we like the night sailing'.

Mrs ARMITAGE - Are they cheaper? Would it cost this couple less if they went on a day sailing to take their vehicle across?

Mr DWYER - It depends on the day of the week.

Mrs ARMITAGE - What would be the cheapest they could go for?

Mr DWYER - I would have to look at that.

Mrs ARMITAGE - The argument was that if you have a Winnebago it is a lot cheaper than a car and caravan.

Mr GRAINGER - If you book today and want to travel tomorrow in peak season, it will cost what it costs. If you book well in advance in a quiet season, that is when the best deals are. It is really that simple.

Mrs ARMITAGE - What would it normally cost to take a car across?

Mr GRAINGER - It depends what time of the year it is and whether it is a day or night sailing, whether it is a peak period of a shoulder period.

Mr DWYER - A car is \$89.

Mrs ARMITAGE - So a car is \$89, and for two people in an inside cabin?

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Mr GRAINGER - It is very hard to answer because it depends on the sailing and the time of year.

Mrs ARMITAGE - Some of the people who have been coming to me with these issues are saying, 'We can go any time. We are retired, so we do not care', so I am assuming it is your cheapest time. It seems \$950, if we are trying to encourage people to come -

Mr HIDDING - What is happening is that people are waking up to the fact that these new sailings push right up into the shoulders of the season, right up into the cooler seasons. Between July and October this year, the *Spirit of Tasmania* carried nearly 10 000 more passengers over the equivalent period from last year, and nearly 3 500 more passenger vehicles. Of those vehicles, there were 456 more caravans and 424 more motor homes. So there was nearly 1 000 more campers and caravans carried than the year before, and that is all day sailings.

I am sure if you saw on the freight deck when the hanging thing is down you cannot get many tall caravans and campers in, but they are always up for day sailings and you can fit them all in. You can expect a cheaper price because there is always capacity and great availability on day sailings.

Mrs ARMITAGE - We are hearing from people, particularly on the mainland, that if you are looking to come to Tasmania would you come or would you spend that money on the mainland. With campervans and caravans and the people who come here, they are not spending hotel nights. They are buying everything so they are spending a lot of money.

Mr HIDDING - The general passengers - the real growth has been people coming in their cars without caravans. There is serious growth in that. What we know is they stay 12 days or more, on average. They go up into the north-east. They go up into the north-west. They go down the east coast, because they have time to do this stuff. It drives the tourism dollars, not just in this hotbed in Hobart, out to MONA and -

Mrs ARMITAGE - We do like them to come north as well.

Mr HIDDING - They drive through that.

Mrs ARMITAGE - That is what I mean, but yes, up to -

Mr HIDDING - You see so many more mainland-registered motor vehicles around Launceston from these new numbers. Special fares and offers are being advertised right now. Take your car from \$87, and sail away today from \$76. They are day sailings.

CHAIR - That is not with a caravan or campervan.

Mr HIDDING - No, but that is an example of the sort of marketing that is out there at the moment.

Mrs ARMITAGE - I do have a question on marketing. I am just straying a bit, but I will not get all my questions. When you mentioned the marketing - I did have a lady, and I know she was very on the mark about what had happened. She had seen advertised - I thought you said \$79 and she told me \$69, but it must have been \$79 - she said she phoned to get the cheap fares asking, 'When can I take these cheap fares?' They asked when she wanted to travel. She said, 'I do not

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care when I travel, because my husband and I are retired. We will go any time. You tell us when those cheap fares are, and we will travel.' She was most incensed, because they could not tell her when the cheap fares were. She said, 'Why are they advertising if they cannot -

Mr HIDDING - It is a reverse question, I suppose.

Mrs ARMITAGE - Yes, but she said, 'I do not care when it is.' She was happy to book whenever she could get those fares, but the person could not tell her. She went away with the feeling the fares do not exist, because, 'They could not tell me when I could go. We are retired. We fly out and go places all the time.' They take their car and drive up to Queensland. They have a unit there. 'We did not care when we went. We just wanted to go on the boat. We could not get the fares because they would not tell us when they were'. It left her with a very sour feeling.

CHAIR - It is the same when you book an airline ticket. You have to nominate the date and they will tell you what fare.

Mrs ARMITAGE - No. They were advertising to say they had \$79 fares. Normally with the airline, they will say the fares are between 'that date' and 'that date', and you nominate. She was not told when she could take them. They could not tell her. That is what really made her angry.

Mr HIDDING - The answer is being online. You can interrogate much quicker and get your answers that way, but that is interesting.

Mr DWYER - We will take that on board.

Mrs ARMITAGE - I know this lady would be very happy to talk to you, if you want her name.

Mr DWYER - Our contact centre should have that information, the travel dates of the marketing that we have out there. Whether they are available at the time she rings, they certainly know the dates.

Mrs ARMITAGE - I am happy to pass her details, because I know she would be happy to talk to you.

Mr DWYER - Let us do that then.

Mrs ARMITAGE - That would be good, thank you, minister. I will pass on to the others.

Mr DWYER - Hopefully she is not too incensed.

Mrs ARMITAGE - She has probably calmed down when I tell her.

Mr FINCH - In some respects, minister, I like what I hear about the cheaper fares, the thrust by policy to bring the fares down. As you know, there is always that criticism anecdotally, particularly in respect to over-length vehicles, not just cars, but caravans and campervans. I hear what you are saying about the increase in numbers, so it is hard to be critical when you say the figures are there.

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I made a speech recently about, anecdotally, travelling through Queensland, a caravan safari, and talking to people about caravans and how they want to come across to Tassie, but they have in their mind it is \$1 000. When they get to Melbourne, it is \$1 000 to get across Bass Strait and to get back. They felt that was a mental blockage. The suggestion I put forward was, perhaps in that shoulder period - and the point I made was everybody, particularly grey nomads, love a bargain. Perhaps, in the marketing, if we could encourage people to come in the shoulder season, and go in the shoulder season, there might be a way of attracting them through the price that might be applied during that time. I proffer that as a suggestion.

Mr HIDDING - You are on the money with what they are out there saying. You can talk about grey nomads and you can break them into a few things. Tasmanian grey nomads are smart at what they do. The fact is, when they want to go away, that is in the peak season, and when they want to come back, it is in a peak season as well. Many of them leave their caravans in Melbourne. They are starting to work out that there are offers and opportunities with day sailings. They are now starting to bring their caravans home, because they are working it out.

The general, broader, grey nomad market - and they have been talking about this for years - it costs a fortune, \$1 000. In the scheme of things, for a night's accommodation and getting across the water the day before Christmas, \$1 000 is on the money around the world. As always, the more flexible you are as to when you want to sail, the luckier you get. It is gets cheaper.

Mr FINCH - We need to get that message out.

Mr HIDDING - We do.

Mr GRAINGER - We are carrying 12 300 caravans. That is a lot of caravans. That was last year.

Mr VALENTINE - As opposed to cars?

Mr GRAINGER - There were 140 000, and 9 000 motor homes and camper vans.

CHAIR - Are they counted as freight?

Mr GRAINGER - No.

Mr FINCH - Those people who are coming, are coming with good dollars and adding to the economy of Tasmania.

Mr GRAINGER - They are spending about \$440 million in Tasmania. It is a significant figure. We take your point on board. We do not want anyone to call the call centre or go onto the internet and be dissatisfied with not getting the best available fare. It usually depends on how you go about it, and when you want to sail. If you give it some thought, you can usually get a good deal. You could go on the internet now, and I could guarantee you that you would get a very cheap fare price some time in the next 12 months, just by going onto your iPad, sitting here today.

Mr FINCH - It is just matter of getting that marketing message out to the caravan community that there is more flexibility, there are more day sailings, and there are more opportunities to pick up a bargain.

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Mr VALENTINE - In terms of the carriage of the vehicles, about motor cycles - you have given us figures for 9 000 motor homes, and 12 300 caravans, and 140 000 cars. With motorbikes, Tasmania seems to be a really attractive place -

Mr GRAINGER - We carried a lot recently in one hit.

Mr FINCH - Toy run?

Mr DWYER - Ulysses.

Mr HIDDING - Ulysses is coming. There will be 3 000.

Mr FINCH - I would be interested in that.

Mr GRAINGER - I will come back to you on those.

Ms RATTRAY - Minister, with tourism growth and so many vehicles coming into Tasmania, what conversations have you had with the Infrastructure minister regarding the road infrastructure?

Mr HIDDING - He is hopeless.

Laughter

Ms RATTRAY - There are some areas that I know they would enjoy being able to access, particularly the Wielangta Road, that sort of infrastructure. Are those conversations happening, or are they going to happen?

Mr HIDDING - They are, because, as the Minister for Infrastructure, minister for roads, and shareholder minister for TT-Line, I am very aware we have to have a good product. We talk up the east coast road -

Ms RATTRAY - Great Eastern Drive.

Mr HIDDING - One of the great driving experiences in Australia. People are responding to it. It is terrific. That puts pressure on me to keep spending money on it - more pull out bays, as you have, quite rightly, showed me from the back seat of my car - while I was in the front seat, I hasten to add.

Laughter.

[3.45 p.m.]

Mr HIDDING - The member for Apsley was at great pains to point out - and she was right too - the road over to the north-east, all the way down to St Helens, and further on down the coast, if we are inviting so many caravans and camper vans in, we need places for them to be able to pull out and be a good citizen on the road, and let lines of traffic past. We have a process underway for identifying these places. We are hoping to do a few every year, but you have to do them properly. You cannot invite people to pull off if the drop off the road is that much; then you drag all the gravel back on the road. As a result of your good work, we are already on to that. This

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Government is very aware of needing to keep its product up to be able to keep the business drive up for TT-Line.

Ms RATTRAY - Because word of mouth through the RV community is very strong, and they will soon take the message back to the mainland.

Mr HIDDING - You want them to say it is a super place to drive.

Ms RATTRAY - Yes. One of the areas I am really interested in is fuel hedging. Obviously not so well in the last financial year. Is that correct? We potentially lost some money.

Mr McCALL - Over the last 12 months, yes, we did lose money on the hedging. Obviously if oil prices stay as they are for a considerable period then with the hedges we have in place there is potential for those losses to continue. But if fuel prices go up then we could make money as well. That is the nature of the game.

Ms RATTRAY - That is the gamble the company undertakes every year. You hedge because you know exactly what your outlay is when it comes to fuel.

Mr McCALL - Correct, from a volume point of view. It gives us price certainty and obviously allows us to adapt the business if the situation changes. It gives us a period of time where we can take market forces into consideration and what it means for our business.

Ms RATTRAY - Will you continue fuel hedging?

Mr McCALL - The plan at the moment is to continue.

Ms RATTRAY - You are not prepared to take a risk.

Mr McCALL - We do take a risk on some volume. We do not hedge the whole amount. We have a stepped hedging program over three years, with more certainly in the first year, and take more exposure in the outer years. We have considered different tweaks to our hedging program this year, which hopefully would improve the results of our hedging, but at the end of the day that certainty is important to us.

Ms RATTRAY - You are not concerned that has decreased the cash flow by \$6.53 million.

Mr McCALL - That is not actual cash flow. If your prices stayed as they are, then that would be the case, but who knows?

Mr HIDDING - If you could arrange things so that you always won on hedging, it would not be hedging anymore.

Ms RATTRAY - You sit down and have a conversation. Do you do it every 12 months, or is it a longer period?

Mr McCALL - We have a hedging program over three years, but we review that at least quarterly. It is an ongoing monitoring process.

Mrs ARMITAGE - How many staff do you have across the ships?

Mr DWYER - The whole company is 460 full-time equivalents. It is up around 550 if you take in part-time and casual.

Mrs ARMITAGE - How many of those would be Tasmanian residents?

Mr DWYER - Between 60 and 65 per cent are Tasmanian.

Mrs ARMITAGE - Consumables on the boats, the produce you buy, the beverages, is that mainly Tasmanian? Are we selling and buying Tasmanian product on that line?

Mr DWYER - Absolutely. I would be embarrassed if I could not say that to you. It is over 90 per cent for wine and over 80 per cent for food. Obviously we need to get some food in Melbourne to do the reverse trip, but we are very proud that we absolutely showcase Tasmanian produce.

Mr FINCH - In respect of having a Tasmanian-based CEO, there was much criticism in the past that this was not the case, that we had a CEO ensconced in Melbourne. There can be an argument to say it does not matter where that person is. I think it is just a better look.

Mr HIDDING - It is a natural thing. The very first thing that crosses the mind of someone like Bernard Dwyer is, 'How can I improve Tasmania?', not, 'Where is it easiest to buy?'. Tasmanians have to muscle up and be competitive as well, and they are; they are very good at that. This CEO is very aware of Brand Tasmania and how we can showcase things, and takes every opportunity to do so. It is terrific for TT-Line, a good outcome.

Mrs ARMITAGE - Incentive payments and cash bonuses - are they one and the same or are they separate? Is it a cash bonus on top of the incentive payments, because none of the figures seem to gel in the annual report?

Mr McCALL - The incentive scheme is one and the same thing as cash payments for incentives.

Mrs ARMITAGE - They are different amounts, that's all. I can't find anything in here that balances. I am looking on page 69.

Mr McCALL - I understand where you are coming from.

Mrs ARMITAGE - It says 'cash bonus' and on the financial statements it says 'incentive payments'. If that's not the same as that, are they getting a cash bonus? For example, \$31 372 on top of the amount that is in here is a different amount.

Mr McCALL - We used to have two schemes - a short-term incentive scheme and a long-term incentive scheme. Last year when the new government guidelines came into force we closed the long-term incentive scheme, but honoured any payments due under that scheme until it expires in three years time. So the difference you are seeing there is basically the short-term incentive scheme plus the long-term incentive scheme.

Mrs ARMITAGE - What performance targets are met in order for all these incentives to be made? I guess they are basically an increase in salary.

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Mr GRAINGER - We have various programs in place to monitor the performance of the executive team. We have a program called TT for Me, which has fairly onerous criteria that the executive team need to meet. If they meet those targets and KPIs, for example, then the CEO has the discretion to pay an incentive.

Mrs ARMITAGE - TT-Line does not pay a government dividend.

Mr GRAINGER - Not at this point.

Mr HIDDING - TT-Line is subject to the same dividend policies but it is up to the government whether we take it or not. Given that we have a ships replacement task -

Mrs ARMITAGE - It was only that I was looking at it and it was -

Mr HIDDING - They have money in the bank but they need to have.

Mrs ARMITAGE - Incentive payments of several hundred thousand dollars with no dividend going to the government, or the government not taking a dividend, is another way of a salary increase above the 2 per cent.

Mr HIDDING - We are noting the availability of dividends, don't worry about that.

Mrs ARMITAGE - I am noting the dividends but I am talking about incentive payments when we are looking at a public servant who is locked into a 2 per cent increase, but incentive payments are like giving someone a 5 per cent or 6 per cent increase.

Mr HIDDING - This is a corporation that operates -

Mrs ARMITAGE - This is a GBE.

Mr HIDDING - It is state-owned company that operates in a corporate environment and has to compete for the very best staff, particularly in the trade areas. It is a commercial thing. The only way you are going to get people is to have an attractive salary package. The Government has consistently said to all state-owned companies, 'Keep it as tight as you possibly can'.

Mrs ARMITAGE - The board?

Mr HIDDING - We have only just had a board change.

Mr GRAINGER - Five non-executive directors and one executive director.

Mrs ARMITAGE - The board has been reviewed under the Government's policy?

Mr GRAINGER - Yes, it came down. We reduced the non-executive directors by one.

Mrs ARMITAGE - The cost now of the board as opposed to what it was? There haven't been salary increases for the current board?

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Mr HIDDING - No, the standard annual increments that apply to boards. In terms of this state-owned company, I know what we pay them, and they are not doing it for the money, this board. They are not because there is a huge amount of work.

Mrs ARMITAGE - I guess if you are getting results.

Mr HIDDING - And the responsibility and the way they are delivering results if that was in the pure corporate environment they would all be on a very good wicket indeed. They are doing a great job for Tasmania.

Ms RATTRAY - In relation to the Government's policy about gender balance on board how are you going? You are not going so well on that. There is only one lady on the board.

Mr HIDDING - I am here to advise you that it has changed. We have just appointed -

Ms RATTRAY - So the announcement is being made today.

Mr GRAINGER - We have not announced it. It was approved at the AGM a week ago and the particular director her first board meeting is in two weeks time.

Ms RATTRAY - It is embargoed till then.

Mr HIDDING - We can advise that there has been a change of board. At the last AGM Mr Tobin retired and Ms Claire Filson, you can give a short -

Mr GRAINGER - She is a woman who has extensive experience in the legal industry. She sits on and has sat on some very high profile boards in the past. She is from Victoria and came very highly recommended and is very well appointed.

Mr HIDDING - A very good pick up. We have doubled the gender but still there is a target. That is what we are doing.

Mrs ARMITAGE - Where are most of our board members? You just mentioned she is from Victoria. Are the majority Tasmanian based?

Mr GRAINGER - We have three directors from Victoria, two of those are women and one Victorian director will retire next year. We have the balance Tasmanian.

Mrs ARMITAGE - And the cost?

Mr HIDDING - Of a director?

Mrs ARMITAGE - No, the cost of them coming for board meetings.

Mr HIDDING - There is a big office in Melbourne as well so they have meetings in Melbourne and in Devonport.

Mrs ARMITAGE - So they go by boat?

Mr HIDDING - There is a very good service!

Ms RATTRAY - We know some who attend the board meeting go by boat.

Mr FINCH - Just yet another positive, minister, was that normally when we have the investigations into TT-Line there has been discussion, there has been in the past, some severe concerns by the Devonport City Council. It was interesting to look to them as a stakeholder for advice about how the TT-Line operation is going. We received a very glowing letter in respect of the cooperation that now exists and the partnership that exists between Devonport City and the TT-Line which has not always been the situation in the past. So that is a tick.

Mr HIDDING - I am not surprised but I am delighted to hear that they put that in writing. There is no question that all this extra activity has been great for the entire coast. The Cradle Coast tourism people are ecstatic at the extra numbers on the ground.

Mr FINCH - Not only that result, but also the spirit of cooperation and communication that has to exist for them to feel comfortable that they have TT-Line considerate of their requirements and needs.

Mr HIDDING - This is a function of having a Tasmanian-based CEO. He is available to them and he is here and he is in Devonport a lot. Thank you for that.

Ms RATTRAY - To add to that we found that very few people were interested in expressing any negative comments. That is something new for this particular organisation. Well done.

Mr HIDDING - The number of general quibbles about food and all that sort of stuff is down. Unsurprisingly there are still people who have asked, 'What happened to the buffet?'. It is just different now, but people hanker for the old days.

CHAIR - Supplementary to that, I am personally a little bit disappointed that you do not supply free wi-fi and free movies any more. Are you getting comments on that?

Mr HIDDING - This business model is a tried, proven, very contemporary business model around the world, and it has been running for years. We are now becoming very familiar with it through airlines, and that is the Jetstar and Virgin model. Many people travel Virgin and Jetstar for the base ticket price, choose to consume nothing on the trip, yet I see others spending \$30 or \$40 on chips and all sorts of things but that is their choice; they were not stung for it in the price. It is a very contemporary business model and it has been around a long time but it is starting to be accepted around the world as being a choice environment, whether you do it or not.

CHAIR - I understand this about the movies and I understand why you do it on the TT-Line, because of the high cost of providing wi-fi. However, wi-fi is now something many people use and expect. When I look for accommodation anywhere around the world, I look for free wi-fi and a swimming pool. That is my choice, that is what I like, and when I book that is the first thing I look for. I would rather pay a little more and have wi-fi included, but I understand on the TT-Line you have a much higher wi-fi bill than you would in accommodation.

Mr DWYER - It really is us trying to keep the fares as low as we possibly can under the model the minister has talked about. Instead of putting \$5 on every fare, you have the fares lower and people pay if they want to use that service. You are correct in saying that the data charge is in

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the hundreds of thousands of dollars. It is not like land based where it is \$100 or \$200 a month; it is in the hundreds of thousands.

CHAIR - Everybody wants to be connected to wi-fi now all the time and it costs you that much regardless of whether anybody pays it.

Mr HIDDING - The fact it is available at all is step one. You are completely out of range of anything so they are using very expensive technology to make it available. But you are right, people ask, 'Why do I have to pay for wi-fi?' If they thought about it they would understand that if you had a hotel in the middle of Sydney and provided free wi-fi that would probably cost you a couple of thousand a year to do that for all your clients, whereas this is hundreds of thousands. We probably need to explain to people that you are on a ship between two land masses and there is not a signal out there.

CHAIR - Whatever it costs, \$400 000 or whatever, you have to pay anyway.

Mr DWYER - Not quite, it depends on the data plan. I might have been slightly inaccurate the other day when I was talking about that. You do pay the amount of data that is used, so it is not a fixed amount.

Mr GRAINGER - Certainly on European ferries it is not common to have wi-fi unless you are at the dock. I experience that three or four times a year every year. The number of times I am outside of this country, which is eight or nine times a year, I am yet to find a hotel that does not charge for wi-fi.

Mr FINCH - Minister, we talked earlier about Ulysses bringing 3 000 motorbikes across. Did they make an approach to TT-Line to maybe have some consideration because of the bulk of those travelling? Is TT-Line able to give some consideration, like a sponsorship, to help support and maybe draw more people because you are able to put it at a better value than what it would normally cost to travel?

Mr HIDDING - TT-Line is a business but is very responsive and happy to discuss opportunities. It has always been my wish, and I have expressed it to the company, that with all these day sailings - and we have lane meters available - if, for instance, the Mercedes Club of Sydney is interested in coming to Tasmania for a week to drive around Tasmania and they come to the TT-Line, I would expect the TT-Line to try to win their business, still in a corporate way, but win the business for Tasmania. That is the attitude and the stance this company now takes. As for me getting involved in individual things, I try not to, because I cannot be seen to be influencing a benefit to somebody because there is a process.

Mr DWYER - I am happy to answer that. We have a groups section within the company that looks after group bookings and there are discounts available for that process. I heard you mention the East Coast drive. We partnered with the East Coast tourism association. We created a separate website on our site for East Coast tourism. Anybody who went on the East Coast drive, if they wanted to book, can go into a separate area within TT-Line and do that booking to their benefit. We are doing a lot of partnerships that way to promote.

Mr HIDDING - Can you tell him about the Ulysses Club?

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Mr DWYER - Ulysses is part of it. There are 3 000. There is a big effort in TT-Line to help manage that and the pricing they pay.

Mr FINCH - Do you mean, when you say partnering with East Coast tourism, is that only in respect of the Ulysses or more generally?

Mr DWYER - No, that was another example. With Ulysses we deal with the Ulysses organisations ourselves separately.

Mr FINCH - The East Coast drive?

Mr DWYER - That was another example. That was an example of us working with a tourism association within the state with the promotion that they were doing with the East Coast drive, so we partnered with them for that, separate to the Ulysses.

Mr FINCH - What you are promoting on the mainland, if people want to come to Tasmania to do the East Coast drive, there will be a reduced fare opportunity -

Mr DWYER - For groups.

Ms RATTRAY - How do you know they get there?

Mr DWYER - Because there is a link from the East Coast website. For the East Coast drive there is a specific link there to a certain area within the TT-Line.

Ms RATTRAY - They have to put a card in a slot -

Mr DWYER - No.

Mr VALENTINE - I think there has been a misunderstanding. You are talking about how do you know the passengers go to the East Coast?

Mr DWYER - It is a group.

Ms RATTRAY - They would not miss the East Coast, minister, they would be crazy.

Mr DWYER - And, indeed, go through the north of the state to get there.

Mr VALENTINE - You are practising this demand driven booking, you have a new business case on pricing objective you talk about in your annual report - \$600 million to replace those ships. Can you talk to us about how you are going to manage to do that over the period of time? What is it 2027 or something?

Mr DWYER - 2023.

Mr VALENTINE - What is your strategy? How are you going to raise that amount of money?

Ms RATTRAY - The Auditor-General needs to be convinced as well.

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Mr HIDDING - We are not expecting the TT-Line to fund the replacement of the two ships. They never have before and they will not be required this time. The people of Tasmania, through the budgetary process, will be planning to deal with it, with TT-Line, but we need TT-Line to be in the best possible position, not just with its cash at hand, but also in the business models to be able to be sure of what it can responsibly borrow for a new outcome. I will place on the record some points about the ship replacement because over the last couple of days there has been a bit of speculation from the Opposition about that.

Following the Government's successful decision to refurbish the two ships, the TT-Line's clear advice to Government is that the recently refurbished ships as they sail today are likely to be the best Ro-Pax, that is roll-on, roll-off passenger ferries, in service in the world today. The company is confident that the ships can take us through to the scheduled replacement milestone of 2022-23. It is a long schedule. No one is making this up, that has always been the time frame for these vessels.

It is self evident that if new ships are to be built, and then a lead time of several years, quite a number of years would be required for the first step, the business case development, the understanding of what is required, the planning for them, the designing of the vessel, the construction of the vessels, 2022-23 is not that far away. From a government point of view it is not.

Any responsible government would be in planning for the replacement of the *Spirits* well ahead of that replacement date. The TT-Line board has its own processes in-house for ship replacement preparations. It has the in-house technical capacity, both on the board and within the company. As the operators of the world's best Ro-Pax vessels, there is no one better placed to do this work on considering what the next iteration is of vessels across Bass Strait. We feel very strongly that the TT-Line company is well placed to move towards a solution that best meets government policy objectives.

It will be a great assistance to the TT-Line for its shareholders to provide clear guidance to the company on their expectations. There is nothing worse than for a corporation to be unsure, or for its shareholders to be unclear, of what their expectations are. That will not happen. It has happened in the past but it will not happen. The shareholder expectations will be very clear, and in that case the fog will clear from their point of view as to where they move forward.

Mr VALENTINE - No opportunity for 120 metre catamarans to be in that mix?

Mr HIDDING - The point is you start with a clean slate. There is nothing not on the table. If this company commences, with its great knowledge and an operator of one of the best Ro-Pax services in the world across some of the most challenging water in the world, these people are very well placed. As far as I am concerned, they will not be ruling anything in or out until they are well down the track.

For those reasons, being a great assistance to TT-Line for its shareholders to provide clear guidance to the company on their expectations and also the considerable financial task that this project entails, the Government has decided to establish a formal subcommittee of Cabinet to provide guidance to the company on shareholder expectations. The Cabinet committee will comprise the Premier, as the Minister for Tourism, the Treasurer, and it will be chaired by myself, as Minister for Infrastructure. It will be assisted by Infrastructure Tasmania, the new body headed by Allan Garcia.

The committee will see that this is a very senior committee of Cabinet. It will be working closely on something we do not see as challenges. It is an exciting opportunity and we have an opportunity to get this right.

Mr VALENTINE - It is really important for the future of the state, talking about tourism.

Mr HIDDING - No question. We have demonstrated, just in this last year, what clear government policy objectives can do, and how a company can respond to it. The extraordinary outcomes that we have been getting come down to good governance, good management and good corporate governance. We intend to continue that. We feel very confident we are going to land in a very good spot.

Mr VALENTINE - The final question is to do with the -

CHAIR - Replacement?

Mr VALENTINE - Yes. The after-tax profit for the 2014-15 financial year was \$1.15 million. This is over \$9.2 million less than the 2013-14 financial year. Can we presume that refurbishment of the ship is the primary explanation for the difference and has led to an adjustment in the valuation of the ships?

Mr HIDDING - In an operating sense the outcome was a better year than the year before. The company has made a strategic decision to do certain things with that. I will ask the chairman to explain what took place. We should be focussing on what the company is capable of doing, what it did do in this operational context.

Mr GRAINGER - If I can go back one step with regard to vessel replacement. The company has also established a vessel replacement committee, which I will be a part of, and another director of the board will part of. We will work very closely with the Cabinet subcommittee on vessel replacement.

Mr HIDDING - The final profit figure for last year.

Mr GRAINGER - It was adjusted with the refurbishment.

CHAIR - Does 2022 or 2023 have to be the date for replacement?

Mr HIDDING - That is the target date.

CHAIR - I know. If you find the vessels are going fine, you do not have to necessarily replace them on that date, do you?

Mr HIDDING - I see. That becomes strategic. If you have an excellent vessel, beautifully maintained, doing a good job, that is so because you have made wise decisions. To take it past its use-by date, you are getting into areas where you cannot be confident of reliability, and all sorts of other things. That is not where we want to go as a Government, and I doubt it is where the company would want to go. Our reputation is running a very high-class operation. You could not possibly not change the ships over in 2022 to 2023.

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CHAIR - Really? Okay. We heard how good the ships are, how thick the hulls are, and that is a 100-year hull.

Mr HIDDING - In order to be confident of maintaining the punishing schedule it will require of them, that are driving the numbers we have now, the only responsible action would be not to - you would not be relying on luck. Right now, we are relying on good engineering, good design, and good management, but you do not want to get into the luck area.

Mr GRAINGER - That is right. The ships, every day, will cost more to run. They are getting older and we are running them hard. There comes a crossover period, where someone will be making a decision where they become too expensive to maintain and become inefficient because of that, and this vessel replacement committee is looking at that almost weekly within the company.

CHAIR - Minister, when we bought them, they were not new.

Mr HIDDING - No, but they were not very old, either.

CHAIR - That is all in the mix as well, is it?

Mr GRAINGER - The CEO has just raised an important issue. In 2018, new emission targets will be implemented. That will give us a number of options. One option will be to install something like a scrubber, to make sure we comply with the emission targets. That is a serious capital expenditure, \$30 million, \$40 million, \$50 million.

CHAIR - Really?

Mr GRAINGER - Yes.

Mr HIDDING - We are hoping they will give us time to -

Mr GRAINGER - We would be looking at exemptions, and things like that. These are the things which are cropping up. The regulatory issues - the global regulatory issues are usually adopted by the Australian Maritime Safety Authority. It is just a matter of when. We do not want to be non-compliant. We are not allowed to be non-compliant with our classification society, or with our flag state.

Mr HIDDING - As a Government, we are not expecting that kind of crash decision by AMSA, to apply that to all Australian ships. In private companies, you would be broken overnight.

Mr GRAINGER - Rest assured, our intention - we have a very good working relationship with our shareholders at the moment. We are in discussion with the minister regularly. We have a meeting monthly. He is updated. The shareholders are updated on a regular basis. With this vessel replacement committee, we are getting to work, and we are going to work hard on making sure there are no surprises for the people of Tasmania, or our shareholder ministers. It will be a properly formulated strategy. We will not leave any stone unturned.

CHAIR - These were not new, would we be thinking - in the mix - are we determined to build ships, or could it be ships in the same way?

Mr HIDDING - In my limited knowledge of the shipping industry, when I am surrounded by shipping experts, I will chance my hand at this. If ours are the best RoPax vessels currently on the water, then anything behind us or anything currently floating is not going to be as good as what we have. It would only be if something is being built at the moment and does not work in the business business sense. That happens. It happens regularly. It happened this time. These people would be watching that very closely.

CHAIR - That is obviously what we did last time.

Mr HIDDING - At some stage, someone, somewhere, has to build new ships. It could be us. While that might be a little more expensive, you at least get the benefit of those extra years out of it. It is amortised.

Mr DWYER - The interesting part of this are the emissions that the chairman talked about. In 2018 we might not be able to use -

CHAIR - Anyone, from now on, is probably going to be building them.

Mr FINCH - My concern over many years has been the brokerage fees we pay when we buy replacement vessels. Again, I have always felt we had the expertise with the TT-Line, the Maritime College, the people at Treasury, that we could develop the expertise within a committee. Of course, here you are. I was pleased to hear we have this investigatory committee looking at the replacement. With Mr Grainger's experience, the others from TT-Line, and yourselves, does this mean there might not be that payout of brokerage fees?

Mr HIDDING - It could be, but sometimes there are people - the vessel's owners may have brokerage arrangements.

Mr GRAINGER - We have had this discussion in the past, Mr Finch. It would be unheard of not to engage brokers in the sale of something that is worth so much and something that is so industry specific. Unheard of. The brokers we have used in the past are considered the best in the world. They charge what they charge. You cannot go and buy a ship off the shelf and say, 'Yes, I will take that one'. We have formed a committee to work out that that is the best ship. That just does not happen in the industry. Again, we will look at it, but in the global industry, it is unheard of that you enter into a contract without a broker. The risk is too high.

Mr FINCH - Didn't Bill Gates establish a new way of brokerage for ships?

Mr GRAINGER - Not that I am aware of. Everyone that I know of - and I am chairman of an international shipping organisation - everyone that I speak to uses brokers to do the deal. Incat use ship brokers when they are selling a ship.

Mr FINCH - To sell and to buy?

Mr GRAINGER - Absolutely. It is just not done without a broker. The broker takes a high element of risk, and they charge accordingly.

Mr FINCH - If you deal with one broker, you pay that percentage, whatever it is?

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Mr GRAINGER - It is negotiable. All brokers will negotiate.

Mr FINCH - Then if a broker draws in another broker, my understanding was they might be on the same percentage.

Mr GRAINGER - I am not aware of that. Generally, a buyer has a broker, and a seller has a broker. The brokers discuss the best deal for their own party. It is like having a lawyer represent you. They work under similar scenarios. It is not normal practice in the shipping industry to conclude a deal without a ship broker. It is almost unheard of. I have not heard of it in the past.

Ms RATTRAY - Minister, are we still looking at around \$600 million per vessel?

Mr HIDDING - That is a stab in the dark, but it is probably reasonably accurate. New builds would be more expensive than if there were vessels out there three or four years old. As a working number, it is as good as any. For two vessels, yes.

Ms RATTRAY - \$300 million each.

Mr HIDDING - As a working number.

Mr GRAINGER - The market can be volatile. The shipping market depends on the global trade industry. When we have looked at it in the past, new builds have been relatively competitively priced. As the global trade market has increased, and shipping increases, the vessels will become more expensive - as the shipyards get busier, and things like that.

Ms RATTRAY - We know what a fit-out costs.

Mr GRAINGER - It is only a partial fit-out.

Ms RATTRAY - I know, but we still have a fair idea of what a fit-out costs, so we are ahead of the game.

Mr HIDDING - We have a fair idea. With the success of the new business model the numbers change completely as to what a successful model like that will support. It is of great interest to TT-Line to be told they will not be required to fund the full replacement of the two vessels - the people of Tasmania will partner with them to do that. Where all that falls and what the percentages are depends on the performance in the meantime. That is why in our regular monthly meetings we are deeply involved in how the business is going. It is all going to drive where we are able to land in 2022.

Mr VALENTINE - In choosing that path you are keeping your prices down and therefore putting tourists throughout Tasmania on a more regular basis, which means the economy grows. Is that what you are trying to tell us?

Mr HIDDING - Yes, exactly. Tas Inc is the huge winner. This is not all about profits for TT-Line; this is about what they spend on the ground while they are in Tasmania.

Mr VALENTINE - It will be interesting to see how it works.

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Mr FINCH - The perception of a lot of Tasmanians through our inquiries is that the money was being put to one side by TT-Line for the replacement vessels. This is a change of policy, is it not?

Mr HIDDING - No. The cash able to be generated over this last 12 months has gone into the bank and is still there. It is money forward for new vessels.

Mr FINCH - Quantum?

Mr HIDDING - About \$90 million in the bank and increasing around \$10 million a year. That is about the increase under the previous government per year, so it is the same amount of money under this government yet we are bringing so much more activity for the state. The concern was expressed by some in the parliament under this business model that there would be no money. That is demonstrably not true. The business model is very successful.

Mr VALENTINE - You will have some contribution obviously from -

Mr HIDDING - Quite substantial. It is \$90 million now, so this is not unattainable.

Mrs ARMITAGE - There was one other constituent's issue I forgot to mention. This constituent, a motorbike rider, tried to get their bike on TT-Line for five consecutive days but was told the ship was full of freight and campervans. He drove down to Devonport and the staff were very friendly but still could not help. However, one of their friends was on the boat and said, 'I don't know why you couldn't get on because there appeared to be room'. Are bikes in a certain area?

Mr DWYER - We try to put all the bikes together, but there is no separate area for bikes.

Mrs ARMITAGE - So if there was space you would put them on?

Mr DWYER - Yes, absolutely. There are tie-down points everywhere for motorcycles.

Mrs ARMITAGE - It is more than likely that someone cancelled or something happened.

Mr DWYER - Yes.

Mr VALENTINE - A supplementary to the motorcycle question. One of the things one of our stakeholders mentioned was that in other states lane filtering with motorbikes in and through cars is legal. When you get 3 000 Ulysses motorcycle riders coming into the state, they are totally unaware of this.

Mr HIDDING - No, Ulysses will be aware of a lot when they arrive here because we have a lot to do with them.

Mr VALENTINE - Whichever rider it is there is obviously that education component. Have you looked at working with Road Safety Tasmania and using some of those screens on your vessel to help to educate, or do you have pamphlets you hand out to such riders when they are coming onto the vessel so they are made aware of the rules in Tasmania?

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Mr HIDDING - The lane filtering is fairly recent and for the two jurisdictions coming on line now it is brand new, so any riders over there who come here would understand that, unless there had been a big announcement that Tasmania does not support lane filtering.

Mr VALENTINE - At this point?

[4.30 p.m.]

Mr HIDDING - At this point. For the record, as I am the minister, I think lane filtering is a positive thing for traffic movement, if it is safely done and our roads can support it. The notion is that there is a long line of traffic and while the lights are on red the bikes come up and go to the front of the queue, if they can safely do so. The light changes and they all get out of the way of the whole queue. As minister I am attracted to it. We have a little work to do. We are going to watch a couple of other states to watch the safety angle, but we are heading that way.

Mr VALENTINE - In terms of education on the vessel?

CHAIR - Because the law has changed, but not for us.

Mr HIDDING - In those states. That is something we need to take on notice. We would need to consider that.

Mr VALENTINE - Also the fact that roads in Tassie, whilst very attractive, can have gravel on corners, so there needs to be consciousness of ice on roads and so on.

Mr HIDDING - You have highlighted a real risk. Of all the visitors coming to Tasmania in rental cars or coming over on their own bikes, bike crashes are unacceptably high.

Mr VALENTINE - Road Safety has those videos. We have seen one and I presume it is possible.

Mr DWYER - We are showing those on board through the video stream. This gives us the avenue now through the video streaming on board to educate on the way over.

Mr VALENTINE - That is terrific, and then if there was some pamphlet with the ticket or something.

Mr HIDDING - I will get Jim Cox's committee to have a look at producing something for that.

Mr VALENTINE - That would be wonderful.

Mrs ARMITAGE - With biosecurity, the feeling is that you do not have sniffer dogs there all the time and the onus is on the person to declare. What are we doing with biosecurity to make sure that nothing comes in that should not come in?

Mr HIDDING - The minister responsible for biosecurity tells me that the catch, the amount of material now destroyed rather than coming across, compared to before has gone through the roof under this new model of inspecting in Melbourne. Anybody who might get through with something on board does not know whether they are going to be shepherded through the Devonport end.

Mrs ARMITAGE - They might if they have done it once and discovered that they do not.

Mr HIDDING - No, it is random. They have absolutely no idea whether they do. Somebody rang me the other day and said, 'It was unbelievable; they forced me to go through that thing after I had been checked in Melbourne'. I said that is excellent to hear because we have to keep in people's minds that you do not want to be caught with this stuff.

The biosecurity work around TT-Line has been exceptional in outcomes. I would have to seek advice from Jeremy Rockliff as to how often sniffer dogs are employed. Only a couple of days ago two new dogs were announced. I have forgotten their names but they are very cute puppies. The frontline security in Tasmania is getting tougher and tougher.

Mr VALENTINE - We heard it was better to have it at the Melbourne end than here because people had to wait so long.

CHAIR - We were told by a stakeholder that they were checked at the Melbourne end but they thought not thoroughly. It was just a matter of somebody opening their boot and saying, 'Yes, that looks all right'. This person certainly did not feel they could not have smuggled stuff if they had wanted to. The checking in Melbourne was cursory.

Mr DWYER - The training is really extensive for the crew who operate out of Melbourne. It looks like a cursory inspection inside but they are highly trained to know what to look for - bare wires, wires hanging out, packages or whatever. It may look cursory but they are actually very professional in what they are doing.

Mr HIDDING - The new system, we are calling it a three-stage off-shore biosecurity system with the TT-Line, which means every vehicle is inspected in Port Melbourne. There are targeted, then random. So there are three stages, targeted and random inspections in Devonport. As a result of this we have doubled the amount of quarantine risk material seized. Over 12 tonnes seized and a further 3 600 items referred for further inspection in Devonport. They are the formal inspectors at Devonport. They say righto, sticker, you are going through there, and when you get there check that material out.

Mrs ARMITAGE - Like at the airport, I always get that explosive test upon me.

Mr VALENTINE - I have a question to do with the environmental performance. You mentioned ship emissions and the like. Can you give us an update on what you do to encourage things like recycling on the vessel, those sorts of things? Your environmental performance and your operations as opposed to the fuel coming out of the stacks.

Mr DWYER - We are governed quite highly in our industry, as you would expect, even to the seals that are used on the vessels to make sure oil cannot get into the water. Mechanically and from a legal point of view that is monitored very closely. From an emissions point of view - I cannot think of the terminology, but my company secretary, Kevin, can explain that to you - we report to that yearly on what our emissions are. Our emissions are well within what we have been in the last few years. That has not increased. Normal practice is bottles separated, crushed, taken off the vessel and everything. It is normal. We are HAS approved out of Victoria. From handling of food, from a health and safety proponent we are approved as high as a hospital is

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approved, much higher than most businesses. Temperature checks are taken. We have regular inspections in Victoria and Tasmania in relation to that as well. We take it very seriously.

Mr VALENTINE - Recycling of cardboard and all those things, the general stuff you are doing as well?

Mr DWYER – Yes, it is not just all bundled up.

Mr VALENTINE - Passengers need educating as well.

Mr DWYER - Absolutely.

Mr VALENTINE - If you give them the opportunity to put their bottles in a separate area.

Mr DWYER - Even the bins - you may have taken notice the other day - the bins are separated in all public areas.

Ms RATTRAY - I noticed the fancy bins.

CHAIR - Thank you very much, minister, you and the entire team.

Mr DWYER - I have an answer to your motorcycle question. Motorbikes last year, July 2014 to June 2015, was 10 292 motorcycles were carried. Standard vehicles was 141 364.

Ms RATTRAY - It is a lot of people on those roads, isn't it?

Mr VALENTINE - Do you know how that compares with the previous year?

Mr DWYER - Previous year in motorcycles, 10 041.

Mr HIDDING - The federal government provides \$109 each way for motorbikes.

Mr VALENTINE - What about a motorbike with an outfit, with a sidecar, or a motorbike with a trailer? I am interested how that gets classed.

Mr DWYER - I might have to have a look at the scheme again.

Mr VALENTINE - Can we get that information?

Mr DWYER - That is publicly available, the ESP.

Mr HIDDING - What to you reckon they pay for a bicycle?

Ms RATTRAY - Nothing, free.

Mr HIDDING – It is \$31. Isn't it great?

Mr VALENTINE - That is not subsidised?

Mr HIDDING - It is, \$31.

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CHAIR - What does it cost to bring a bike across? I never thought about bringing an ordinary bike. Thank you very much. Obviously, from the questions, we are interested. You have dispelled a few myths.

Mr VALENTINE - I have one more question, on the origin and travel statistics. Where your passengers are coming from. Do you have a good profile of where in Australia? I know you say 60 per cent are from Melbourne -

CHAIR - No, Victoria.

Mr VALENTINE - Outside of Victoria, how many are coming from which states?

Mr HIDDING - It is crucial marketing information.

Mr VALENTINE - Is that available online?

Mr DWYER - It is not available online. I can furnish you with that.

Mr VALENTINE - That would be excellent.

Mr DWYER - As you would imagine, everybody who travels with us, we have their name and address.

Mr VALENTINE - I would be interested in changes in pattern over the years, if that is possible, the percentages arrived with self-accommodation as opposed to those who are in cars.

Mr DWYER - We can give you that easily.

Mr VALENTINE - Thank you, I appreciate that.

Mr HIDDING - Thank you very much.

The committee adjourned at 4.41 p.m.