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**THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON WEDNESDAY 29 APRIL 2026.**

**TASMANIAN GOVERNMENT'S RESPONSE TO THE IMPACTS OF THE CURRENT IRAN CONFLICT AND THE CONSEQUENCES FOR THE TASMANIAN ECONOMY**

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## Department of State Growth

**The Committee met at 2:36 pm.**

**CHAIR** (Ms Forrest) - Thanks, Shane and your team for appearing before the Public Accounts Committee inquiry into the matters related to the fuel situation as a result of the conflict in the Middle East. The purpose of this inquiry and this hearing, in particular, is to understand where we are at the moment and to look at potential cost to the State, acknowledging that it's a bit of an unknown and moving feast. Every day seems to be different. It's just really an opportunity for the PAC to understand what financial commitments may or may not be being made so that we would be more on the front foot. We did inquiries after the event with the COVID emergency, and that helped us to follow the money there. Because the situation is quite different this time, we're using this opportunity to follow what's going on and try to keep abreast of it. That's the purpose of it - just really to receive information and have a public awareness, as well as awareness for the Committee.

Everything you say is covered by parliamentary privilege. It is a public hearing. If there's anything of a confidential nature you wish to share with the Committee, you can make that request. The PAC has a pretty standard commitment to receive information in camera where that's requested, so that shouldn't be a problem.

If you have any questions before we start - I think you're all familiar pretty much. You might have one person at the table who has not appeared before a Committee?

**Mr LOWE** - That's right. Only Budget Estimates.

**CHAIR** - Okay, it's not any different. You give sworn evidence so anything you say is covered by parliamentary privilege, but may not be once you leave the room. It is a public hearing. It will be transcribed and is being broadcast. Any questions before we commence?

**Mr GREGORY** - No, not at this stage.

**CHAIR** - I'll invite you all to do the statutory declaration then make some opening comments to outline where we are at the moment.

**Mr SHANE GREGORY**, ACTING SECRETARY, **Mr SEAN TERRY**, DIRECTOR ENERGY PLANNING, and **Mr MICHAEL LOWE**, INCIDENT CONTROLLER, DEPARTMENT OF STATE GROWTH, WERE CALLED, MADE THE STATUTORY DECLARATION, AND WERE EXAMINED.

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**Mr GREGORY** - Thank you, Chair. Just for clarity with my colleagues at the table, Sean is the Director of Energy Planning and Mick is currently the Incident Controller under our incident management team. That's the roles.

Before I make some general statements, thank you for the opportunity to appear today. With regard to your comments about information of a confidential nature and the ability to go in camera, can I just flag that there are a number of constraints on the evidence we would give in the public sense today. We would like to give the Committee fulsome advice on the position that we have with fuel in Tasmania at the moment. We are constrained by some provisions of Commonwealth legislation, so some information, detailed information that we are provided, is actually protected under the *Petroleum and Other Fuels Reporting Act*. Disclosure of that beyond a need-to-know basis can come with a penalty of two years' imprisonment so we'd be very keen not to be talking about any of that information in a broadcast.

**CHAIR** - Not really where you want to be, so that's fine.

**Mr GREGORY** - There are also some considerations around security generally, and also some commercial issues in not purely a commercial-in-confidence position, but there are a number of conversations happening and things that we're thinking about. It wouldn't be in the best interests of the State for those to be broadcast in a broader sense.

**CHAIR** - Sure. Maybe a reasonable way to approach this is, anything you can provide by way of public facing information, we do that now. And then at later time, we can go into camera. If we find that during that session there are matters that could have been made public, we'll come back to you with a request to do that, but not without your consent.

**Mr GREGORY** - Yep. Just generally speaking, we can talk at a high-level sense. What we can talk about publicly is largely in the public domain and we can talk at a very high level about the status of our fuel supply.

If the Committee would like to explore in more detail things like how much fuel is at particular locations, what we're doing in detail around the strategic reserve, or what the forward orders look like, we will be constrained from answering publicly. We would need to go in camera to discuss some of those. Some of those are actually directly covered by the Commonwealth legislation, so it would be an offence for us to open those. So, we can talk in a very high level but if you want to get down to a lot of detail, we will need to go in camera. But we're happy to have that conversation.

**CHAIR** - If any members ask questions that you can't answer in public session, we'll put those off until later. I'll invite you to make some opening comments with those provisos.

**Mr GREGORY** - Thank you. Firstly, what we need to stress very clearly is that Tasmania's fuel supply remains secure and stable. There is no evidence of statewide or systemic shortages. There are individual outages of fuels - particular fuel types at particular service stations. I think the latest number we had, there were nine outages of fuel types across four or five sites. It's very limited. It tends to be more small service stations or very much the independent service stations that may be experiencing some supply delivery issues, rather than supply issues necessarily. But we don't have a broad supply problem.

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In fact, what we would say as we sit here today is that the supply of fuel on the island, particularly diesel - well, diesel and petrol, is in a much better position than it has been before. The fuel companies have been responding quite well to keeping shipments moving, so we don't have a supply problem.

Clearly, we have impacts of pricing that are affecting industry and having an impact across the community. But fuel continues to arrive through the established commercial supply chains, there are regular shipments, the stock levels on-island are still good and distribution networks are still working. So, we have no issues.

In the very early days of the conflict, there was bit of a rush on. People went and did a bit of panic buying. That's calmed down. In fact, there's been a reduction in the purchase of unleaded petrol generally. That's a trend across the country. That's happening, I think, more because diesel is very much a commercial fuel that's used in transport, food production and mining. That's an inelastic demand. But unleaded petrol is far more elastic and people, as we've seen, are moving onto public transport and alternative ways, and working from home. So, there's been a drop-off in the demand for unleaded petrol. That's consistent across the country. That's not just Tasmania.

Clearly, the global situation has shifted dramatically. It's very public knowledge that about 20 per cent of the world's supply of crude comes out of the Straits of Hormuz. Most of South-East Asia's supply of crude has traditionally come out of the straits, so it's a larger impact for petrol that's a refined product that's coming out of South-East Asia.

We are seeing what appears to be the industry adjusting itself. We're aware that there's a ramping up of production, for example, in the North Sea and the crude coming out of the UK. It looks like there's a ramping up of production in some of the US markets as well. So, there is generally an adjustment happening, and we need to see how that pans out.

The period of time for the ships to get from the Straits of Hormuz into South-East Asia has sort of passed. We haven't seen any significant change in shipping. It doesn't appear that there's going to be, certainly in the short term. So, the market is, in itself, adjusting.

We've been doing a lot of work. We're represented through the energy ministers' meeting. There are a number of national groups happening. Sean can talk a little bit more about these. We are represented on the coordinators reference group with a Commonwealth taskforce. There's a lot of work being done on forward planning, effectively: What happens in the event that we might see a shortage? How do we prioritise the distribution of fuel to various parts of the economy, essential services? That's been happening at a national level. There's a desire by the Commonwealth to have a consistency across States to avoid some of the cross-border issues that occurred during COVID, which obviously don't affect us as much here.

**CHAIR** - On that point, Shane, we are an island. Everything comes onto it by ships and planes, which does put us in a more precarious position, notionally. Is that being considered in this Commonwealth group? I assume Sean sits on it, does he?

**Mr GREGORY** - I'm the representative on that coordinator's group. Sean attends with me, and Mick as well. There are a number of other working groups that are looking at specific issues, and we are represented. Sean's been involved in the Energy Senior Officials Committee. There are probably half-a-dozen different meetings going on at the national level and

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coordinating across all the jurisdictions, so we are aware of the nuances and the differences of being an island State. The desire to align things nationally is to avoid situations where Queensland might put in fuel restrictions and New South Wales doesn't, and people are driving across the border to get fuel. They're just trying to manage that.

**CHAIR** - Are you able to provide a list and the terms of reference of each of those coordinating groups, or whatever they're called?

**Mr GREGORY** -We could provide a list. In terms of the terms of reference, they are Commonwealth groups, so we'd have to seek their agreement to release the terms of reference.

**CHAIR** - We will write to you and see what you can provide. I would be interested to know how many groups there are because Tasmania does have some unique challenges.

**Mr GREGORY** -Yeah, there are some unique aspects of our economy and how we operate. It is fair to say that there are other jurisdictions that have unique bits as well. Not the same things necessarily that we do. For example, I think in a general sense that Tasmania is a region, effectively, when you compare us to Western Australia or New South Wales, the urban versus the regional. Generally speaking, economically, we fall in that sort of regional sense and some of the challenges.

That's one of the things we've raised. We talk about the sensitivity of our industries that are generally not as big. Some of our industries are more sensitive to price shocks, whether it's fuel or other inputs. Generally, WA, in common with some of the other States, but to a greater extent, has a lot of very remote regional issues and a lot of its key industries are, in fact, in very remote regional areas. So, there are nuances and while there's a desire to align things, there's a recognition that every State needs some flexibility to adjust and respond.

We're all aligning with the National Liquid Fuel Emergency plan. There are four levels to that. We're currently operating under level 2, which essentially is there are no specific measures needed at the moment, where the industry continues to lead. The Commonwealth is doing a few things like underwriting the cost difference between the normal purchase price of crude and the escalated price at the moment. That's really providing some security or buffer for the fuel companies so they don't buy crude at currently elevated prices and then by the time it arrives, the situation's resolved and the crude's worth significantly less. That's a Commonwealth program that's been announced publicly.

**CHAIR** - From a Tasmanian perspective, have you enacted any element of the emergency management framework with regard to this in Tasmania?

**Mr GREGORY** -The emergency management framework - the thing that we would enact in the event of the fire or a flood, no. We have a structure in terms of how we are approaching this. The State Emergency Management Committee (SEMC) is standing up, I think you'd call it informally. That is standing up in an informal basis. It's not enacting any powers, but it's providing a coordinating role. We've stood up a structure that we're leaning into a future where there may be an emergency. The powers of the SEMC, the *Emergency Management Act*, essentially are triggered when there's a significant risk to life and property, and we're not in that situation.

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I think the best way to describe where we sit at the moment is, we are dealing with some consequences and they're predominantly pricing related. We don't have a problem with supply. What we do have are issues in the community with supply at price. That is the key issue. So, we aren't faced with an emergency in that sense: we're dealing with consequences.

That's the interesting thing about the situation. If we were dealing with a fire or a flood, we would have the immediate response to quell the emergency, in terms of a fire, and then move into recovery. We're nearly in a recovery phase without having had the emergency. That is probably the best way to put where we're at at the moment, because there hasn't been an emergency and there's nothing to trigger the *Emergency Management Act*.

But we are leaning into that structure. We have the SEMC, we have the incident management team, and, in a normal sense, we would refer to State Growth as the responsible management agency. We're dealing with the immediate effects and coordinating things. That sits with us because of the role of Sean and with regard to the *Petroleum Products Emergency Act*. Again, we haven't had to go down the path of having a proclamation of a period of restriction or rationing. That would probably come in transitioning from level 3 to level 4 under the national emergency plan, the State liquid fuel emergency plan.

We have that group feeding into that group. We've got what we call sectoral engagement groups. So, we have a lead from the relevant agency that is engaging with the tourism sector, industry sector, transport sector, agricultural sector. Across the whole range of groups, we're engaging with those sectors, feeding in and trying to understand what the issues are that they're facing at the moment. Again, it comes down to price being the issue. Then through that group, we are doing all the thinking and preparing, we're engaging in all the working groups with the Commonwealth. But we report and we are meeting every week with the SEMC just for an update. But the SEMC is not formally stood up. That's the situation we're in.

We have strengthened our fuel data collection and visibility of that. That's on the back of the piece of legislation we took through parliament. That has had the effect of getting better information coming out of the fuel companies, in particular. I think just the changes to the penalty regimes under that act and slightly broadening the powers has certainly helped Sean, in his role, in getting some better information. That's been particularly helpful.

It has also helped to get much better information out of the retail outlets about what's happening. There's been an amendment to the fuel app and we're getting better information about what's actually happening out in the retail space. So, that's all been particularly useful. We haven't had to trigger any broader powers than that, and CBOS (Consumer, Building and Occupational Services) hasn't had to take any action with infringement notices. So industry, generally, has responded pretty well.

I think over the last couple of weeks we've really improved our understanding of the fuel situation. Supply remains steady. We don't have a supply problem. But it's really just keeping an eye on the pricing issues. There are conversations happening with various sectors around how there might be mechanisms, for example, in construction contracts to manage volatility in the fuel price in terms of how that impacts contractors.

**Mr WINTER** - Are you talking about contracts with Government?

**Mr GREGORY** - With Government, yes.

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**Mr WINTER** - What are the options in front of Government around that?

**Mr GREGORY** - The options include having rise-and-fall provisions in contracts. You can have a provision that recognises the fuel component of a construction contract and allows some variability, some adjustment based on movements in fuel price indices.

**Mr WINTER** - You've been around State Growth for a long time. Is that something that's happened before? Or is it totally new for the State to be doing that?

**Mr GREGORY** - We've had bitumen rise-and-fall provisions in resealing contracts for a long time, given that there's a volatility around bitumen prices generally. They've been in existence for a long time. There was a mechanism during COVID. Effectively, was a support payment for contractors to help them through the challenges of COVID and price increases during COVID. That was a little bit complicated.

But there are conversations happening now with industry and within Government around what the mechanism might be. The rise-and-fall mechanism for bitumen is pretty good, it's pretty simple. It doesn't rely on a particular price in Tasmania on a day: it works on a broader index. So, you just get a relativity to move. There are examples of where it's been done and it can be done. We just need to make sure we do it uniformly across Government and we're not seeing a contractor working for one agency getting a different arrangement to a contractor working for another agency.

**Mr WINTER** - Are we looking to incorporate those rise-and-fall contracts across building projects for the next financial year?

**Mr GREGORY** - We were looking at a number of options. There are actually different scenarios. There are longer-term contracts that are in place and have been for a while, and they're now being hit with an unusual cost adjustment or cost increase. There are tenders that closed prior to the fuel escalation but haven't yet been awarded. There's obviously a smaller number of those. The issue there is that the contractor had no visibility on what they were pricing.

**Mr WINTER** - Are contractors reporting to you problems with delivering existing projects that don't have rise-and-fall components within the budget they've been allocated?

**Mr GREGORY** - I've had a few conversations with - the Civil Contractors Federation (CCF) is the organisation I've dealt with. They are flagging that this is causing cost pressure with contractors. The advice from the CCF is that the fuel component of the civil construction contract is about 7 per cent.

**Mr WINTER** - Seven?

**Mr GREGORY** - Seven per cent, yes. So, a 40 to 50 per cent increase in the price of diesel hurts, it's not good but it's not catastrophic. We're engaged with them about what mechanisms we might use to do that. I'm aware some other agencies have had approaches from building contractors indicating the pressures on costs.

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**Mr WINTER** - Have you done any modelling at this point in terms of the delivery of this current or next financial year's infrastructure budget, and what inflationary pressures there might be across your projects?

**Mr GREGORY** - We haven't done a broader look. If there's a 7 per cent component of the program, effectively, that is subject to this pricing increase just through the fuel prices, talking in very simple terms, if the price of diesel was double what it normally is and we had a mechanism to adjust the payment under the contracts, I think the approach would be to adjust the profile of the capital program to work within the funding envelope. That would be the logical approach, rather than try to find another 7 per cent.

**CHAIR** - So, reduce the size of the project? Or push it out over many more years?

**Mr GREGORY** - I don't think reduce the size of it, necessarily, but more reprofile to adjust.

**CHAIR** - Push out the timeline?

**Mr GREGORY** - A timeline reprofiling, yes.

**CHAIR** - Do you have anything else you want to say before we ask the questions?

**Mr GREGORY** - No. I think we've covered the key issues: that we're not running short of fuel, it's pricing impacts that is the issue for us.

**CHAIR** - I want to talk about our freight supply chains across Bass Strait, particularly shipping. Some freight, obviously, goes by air, but a lot by ship. What engagement has there been with shipping operators and freight forwarders to understand their real challenge?

**Mr TERRY** - We've established two industry engagement groups. One is on freight and logistics, and one is specific to the Bass Strait islands. They're meeting every week and we're getting intelligence from them about any particular issues that they're having in their sectors.

Obviously with freight, there's a significant impact with the increase in the diesel prices. But we've been giving them assurances that there's no supply issues.

In terms of the Bass Strait islands, we don't have good data specific to the Bass Strait islands on capacity and consumption, but we are getting some anecdotal information that they seem to be well stocked at the moment. TasPorts is the main supplier to the Bass Strait islands so we engage with them very closely around the supply situation to the Bass Strait islands. I can't give you specifics around numbers, but we're not getting any red flags around supply issues for the islands.

**Mr GREGORY** - In terms of some of the engagement we've had with the transport industry, so the trucking companies that move all of our products around, there has been some conversation at the national level about how we might make short-term temporary adjustments around heavy vehicle weight limits, and so on. We've had that discussion with the transport reference group through the TTA (Tasmanian Transport Association). Their position today is that they don't want us to go down that path.

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The thought process was that if we allow some larger truck combinations on our roads, even perhaps at a lower speed limit, we would allow them to be more efficient in moving product around, as a temporary measure. They've indicated that, at the moment, that's not something they want to pursue. They're the sort of conversations we are having with them about how we can alleviate the pressures on their businesses.

**CHAIR** - As I understand it, most of the shipping freight players hedge their fuel costs over a certain period of time. Has the issue of what happens once the period they've hedged for comes off and we are still in this situation been raised?

**Mr GREGORY** - We're aware of the things that are raised through our work reference groups. We're aware that they do hedge on their fuel, typically six months. We are aware, for example, that TT-Line does that.

A number of the larger freight movers, TasRail and a number of the shipping companies, actually have mechanisms built into their contracts to allow costs to be passed on. They're focusing a bit more on making sure the supply is there and they can get the fuel when they need it.

Through these reference groups, we're specifically wanting to get from industry the things we could do to help - what are the mechanisms we could do, understanding that no Government really has the capacity to pick up all the extra fuel costs.

**CHAIR** - We know TT-Line is imposing a fuel levy. If others do that - air transport as well, that will be passed through to the customer, which then puts pressure on various industries as well as individuals in Tasmania. Is the Government looking at the impact of that? And is there any expectation that Government will step into that space?

**Mr GREGORY** - Through our reference structure, we are keeping tabs on that through our engagement groups to understand what the pressures are. As I said, no government has the capacity to step in and solve all those problems for everybody. So, we will be focusing on our emergency services, essential services. How do we make sure all those things keep moving? One of the reference groups we have is a community services reference group. We're working closely with all the community sector organisations we provide money to through grant funding to understand what their challenges are and how we might need to adjust.

There's an issue of prioritising which industries we would need to support if it got to that point.

**CHAIR** - You're looking at who would be - there's work being done on that?

**Mr GREGORY** - Yes.

**CHAIR** - Some of our Government businesses are also very big fuel users, not just the private sector. Who or what is involved in that work?

**Mr GREGORY** - That's something I would like to discuss in camera.

**CHAIR** - Okay.

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**Ms THOMAS** - I'm interested in going back a little bit regarding the Government's awareness of risks to Tasmania's fuel supply arising from the conflict in Iran. When did the Government first become aware of these risks, and who first raised concerns? Was it industry, Treasury, State Growth? Obviously, other than the international media coverage - in terms of concerns being raised formally to the Government?

**Mr GREGORY** - Sean might like to chime in here. It wasn't an issue of someone saying to Government, 'There's a conflict in the Middle East. Are you thinking about fuel?'

**CHAIR** - 'Have you heard of the Straits of Hormuz?'

**Mr GREGORY** - Part of our role, and part of Sean's role, is being aware of that, and energy security generally. It's broader than just liquid fuels. It wasn't an issue of someone saying, 'Oh, by the way, there's something happening over there and what are you doing about it?' The process kicks in, and there is regular monitoring of energy levels in the State anyway. It was really the Government just recognising that conflict in the Middle East, wherever it is, has significant potential to disrupt fuel supply. The standard processes of ReCFIT (Renewables, Climate and Future Industries Tasmania) kicked in and we started monitoring and working our way through that.

And then Government started to get individual approaches from companies saying, 'Oh we're a bit worried about this'. Then we formed our IMT (Instant Management Team) structure and all the sectoral engagement process that happened with that.

**Ms THOMAS** - Can you talk a bit more about what those standard processes are that monitor energy security, including fuel?

**Mr TERRY** - Like Shane said, we do have an energy security team. It's fair to say we predominantly focus on the electricity sector. That's our main kind of monitoring task, and then gas with, to be honest, liquid fuels at the end of that chain.

But we have built strong relationships with the fuel companies that operate in Tasmania. Part of our early intelligence was that engagement with the fuel companies. There's also what's called the National Oil Supply Emergency Committee. That's at the national level. That has all the States and jurisdictions, the Commonwealth and the fuel companies on it. You start getting some intelligence through all those various mechanisms.

Internally, we went to our IMT, the ReCFIT IMT, quite quickly. I think it was 10 March [2026], about one week after the strait was closed. We set that up to start engaging with industry, getting more information. As director of Energy Planning, I went to level 2 pretty much on that same date, so we were already at an elevated level of awareness and starting greater engagement with the fuel companies.

That's how it evolved. It wasn't like there were any metrics or anything that you'd say, 'Oh, we've got a drop in supply', or anything like that.

**CHAIR** - There wasn't a threshold that had to be surpassed?

**Mr TERRY** - No, that's right. It was very much a qualitative assessment in going to level 2. That was kind of the process and we've expanded it from there. Now, the IMT, which

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Mick heads up, goes into those broader consequence issues, which go beyond fuel. Don't forget there's fertiliser, there's urea and other non-fuel commodities that are impacted by the Middle East. Then also those economic impacts, those price impacts.

We're still at level 2 but what we have increased is our information gathering. It's fair to say that at the start of this, we were pretty information-poor in terms of understanding our fuel stocks and fuel supply. Through the exercise of our statutory powers, we've been able to extract that information out of the fuel companies. We require them to record their stock on hand and stock in transit at close of business every Tuesday, and report that to us Thursday. We do check it for data integrity, then aggregate it. I'm now releasing that publicly every Friday. That's in an aggregate, the total supply of both diesel and petrol -

**CHAIR** - Where's that information available publicly?

**Mr TERRY** - It's on the ReCFIT website.<sup>1</sup> We can make that available.

**Mr WINTER** - Is that the Tasmanian fuel supply update?

**Mr TERRY** - Yes, that's the one coming out weekly. But it's not like the electricity sector. When something trips or we lose generation or we lose a transmission line, we know that in real time in terms of our supply. The fuel sector doesn't work like that. It's very much a just-in-time system. We've worked hard over the last four weeks - I think one of the learnings from this is how we carry our understanding of how the fuel sector works for Tasmania.

To your point, Chair, we're quite vulnerable in terms of being an island community. We rely on continuous resupply into our island. That's a real watch point for us, those shipping movements. Even now, we've only got forward shipments known for about four or five weeks in advance. So that's a big watch point for us.

**CHAIR** - How does that compare with before the conflict started?

**Mr TERRY** - That's exactly how it always worked, but we just didn't know that. So, the system is still working like it's always worked. But we didn't have any visibility of those shipments, which we are now getting from the fuel companies.

**Ms THOMAS** - Given that known vulnerability, did Tasmania have a pre-existing fuel security contingency plan specific to interstate or global supply disruption?

**Mr TERRY** - Yes. It's called the Liquid Fuel Emergency Plan. I might have that name wrong. But yes, a new version of that was approved by the SEMC just late last year. That's been a longstanding liquid fuels emergency management plan that we operate under.

**CHAIR** - Is that an internal document?

**Mr TERRY** - Yes.

**CHAIR** - Is that something you could share with the Committee?

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<sup>1</sup> See in general, 'Fuel supply update for Tasmania', Renewables, Climate and Future Industries Tasmania (ReCFIT), [https://www.recfit.tas.gov.au/get\\_involved/fuel-supply-update-for-tasmania](https://www.recfit.tas.gov.au/get_involved/fuel-supply-update-for-tasmania)

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**Mr TERRY** - We have released a version for the public. That's called the Tasmanian Fuel Security Plan.<sup>2</sup> That's a much more digestible form of our levels: level 1, level 2, level 3, level 4. That's publicly available now. We can provide that to the Committee.

I have to take that on notice because there's a lot of issues around security in terms of releasing it at the national level, particularly defence. Mick could talk to this better than I could. It's one of our vulnerabilities. Should there be some kind of a major issue, that information is kept quite tight in terms of our national liquid fuel position.

**Mr GREGORY** - Chair, there has been a lot of work done. As Sean said, we have a plan. It has some thresholds and some triggers in it. There's work being done at the national level around prioritisation. The challenge with the level of detail in those plans is that if the very granular detail was known publicly, what it risks is people identifying themselves in the plan and suddenly we have a rush on fuel and panic-buying. That's the challenge we have around prioritisation and response plans.

**CHAIR** - Or don't see themselves there, perhaps?

**Mr GREGORY** - Or see themselves in the spot that they don't want to see themselves in. Yes.

**Ms THOMAS** - I think I know what the answer to this will be, but I want to be clear. We have heard ministers and the Premier say repeatedly that Tasmania doesn't have a fuel supply issue. You have reinforced that Tasmania's fuel supply remains secure. Was Tasmania ever facing an actual fuel supply shortage or was the issue primarily panic buying and distribution pressure, or simply not necessarily knowing if we had a fuel supply shortage?

**Mr GREGORY** - You've actually summed it up fairly well in the question. Prior to the situation emerging in the Middle East and prior to us having, I guess, a bit bigger stick with the amendments to the *Petroleum Products Emergency Act*, (a) we didn't have enough information to understand how the fuel operations worked normally in Tasmania and at what level. I think we always knew that it was pretty much a just-in-time resupply process. But to getting to the point of, 'Yes, but how much is in the tanks?' and 'How low does it get?', and 'When do you get the supply?', we didn't have enough visibility on that, so we didn't have enough information. We have much, much better information on that now, to the point that we are very comfortable sitting here saying we do not have a supply problem.

Then immediately, when all the coverage occurred in the media and this is going to have a big impact on fuel supply around the world, we had a rush on purchasing of fuel. I think there was some footage on the news one night early in the piece of someone filling up a 1000-litre tank on the back of their ute -

**CHAIR** - It was not fit for that purpose.

**Mr GREGORY** - Just a water tank. We did have some anecdotal evidence that someone might have filled up a wheelie bin. So, there was a lot of interesting behaviour. People took from the media coverage that fuel was going to run out imminently, so they ran out and did a bit of a panic buy. I think that also contributed to some of the early stock outages - that the

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<sup>2</sup> See Tasmania Security Fuel Plan, ReCFIT, [https://www.recfit.tas.gov.au/\\_data/assets/pdf\\_file/0006/632184/Tasmania-fuel-security.pdf](https://www.recfit.tas.gov.au/_data/assets/pdf_file/0006/632184/Tasmania-fuel-security.pdf)

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people just raced in and did a big buy and there was abnormal purchasing at particular outlets, which caused those outlets to be sold out of unleaded, and so on. I think you've summarised it quite well, that that's the situation now.

Now we've got much better information. We understand where we're at. We've been able to put consistent messages out now that we don't have a problem. People have eased off buying because the price has gone up, and price is a natural rationing mechanism anyway. Where people have a discretionary spend or a discretionary use of fuel, they will dial that down. That's happened.

I think the information coming out of the Commonwealth has also been positive with that information that, yes, we've had some ships that have been impacted, but we've been able to source some other supplies. Fuel companies, in the absence of crude coming out of the Straits of Hormuz, are getting crude from South America, they're getting more refined product out of the United States, they're getting crude out of the North Sea. I think all that in combination means things have calmed down a little bit.

**CHAIR** - You understand why people find it hard to know who to believe, though. Not saying you can't be believed.

**Mr GREGORY** - No, I understand.

**CHAIR** - I'm just saying there's been so much interesting commentary out of other countries.

**Mr GREGORY** - How do I say this diplomatically? I think there's an interest in parts of the media in actually -

**CHAIR** - Fuelling it?

**Mr GREGORY** - Fuelling the crisis. Yes, Chair, that's very good.

**Mr WINTER** - I've seen the updates on the TasALERT and ReCFIT website showing that there's now 100 days of fuel and, I think, 60 days of diesel available. Regarding the strategic fuel reserve - actually, before I get to that, can you explain, from a governance point of view, which Minister or portfolio has overarching responsibility and how that intersects with State Growth, Treasury and DPAC around who's taking responsibility for this issue?

**CHAIR** - Who is the lead agency and lead person?

**Mr GREGORY** - Let's start at the ministerial level. Mr Duigan is the Minister for Energy. He's the portfolio minister. The agency is Department of State Growth because ReCFIT, and the energy component of ReCFIT, has responsibility for energy at the departmental level. That includes fuel.

**Mr WINTER** - On that Committee you mentioned, the State Emergency Management Committee, do you have the Minister sitting as part of that Committee?

**Mr GREGORY** - No. The State Emergency Management Committee is at, effectively, Secretary level. It is a subset of the secretaries across Government. So, it's a defined thing.

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**Mr WINTER** - And that reports to the Minister for Energy?

**Mr GREGORY** - The SEMC reports to the Emergency Management Committee of Cabinet, which is a subset of Cabinet.

**Mr WINTER** - Okay, which presumably includes the Minister for Energy.

**Mr GREGORY** - There's a standard membership of the emergency management Committee of Cabinet, and depending on what the emergency is, that membership might be supplemented by other ministers.

**CHAIR** - The standard being that the Minister for Energy is always on it?

**Mr GREGORY** - I'd have to go back and confirm who exactly is on it, but it's certainly the Premier, the Deputy Premier -

**Mr TERRY** - The Minister for Emergency Management. They would be the standing members.

**CHAIR** - The police?

**Mr TERRY** - Mr Ellis, yes.

**Mr WINTER** - I understand you live and work in this every day. We are just trying to get an understanding of how the governance structure and responsibilities work.

**Mr TERRY** - And then at the national level as well.

**Mr WINTER** - Great. Regarding the on-island strategic fuel reserve, can you take us through what work is currently being undertaken. I understand from the minister's media release that you're working through a process to identify best opportunities to use any latent fuel storage capacity outside our fuel terminals:

Potential storage opportunities have already been identified, including three decommissioned tanks at Sells Point, which would provide an additional 12 million litres of storage if brought back online.

Is that you managing that, Terry?

**Mr GREGORY** - What we can say in terms of the strategic reserve - I'm happy to have a more detailed conversation in camera, but there are a number of conversations in train at the moment. What we're looking to do is lift the minimum amount of fuel we have on the island, so, in effect, having Tasmania's own minimum stock obligation, some mechanism. That's what we're looking to do. And there are various storages on-island. We're investigating what headroom exists in the current operational storage facilities, how that might be tapped into, in terms of the fuel suppliers. There are a number of major fuel users who have their own storage capacity, as they buy in very large quantities. Again, we're talking to them about what headroom they might have. Then the third option, which obviously is a longer-term option, is things like the recommissioning of fuel tanks.

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**Mr WINTER** - What is the current capacity on-island for petrol and diesel?

**Mr GREGORY** - We'd like to have that in camera.

**Mr WINTER** - Okay. Is the 12 million litres of storage at Selfs Point planned for diesel?

**Mr GREGORY** - Can we take this whole discussion in camera, for a range of reasons which I'm happy to explain when we are in camera.

**CHAIR** - [inaudible] we have an open conversation then. We can always come back if we think some of it should be made public.

**Mr WINTER** - Just in terms of what's public already, the next sentence says:

We are looking at sourcing additional diesel supplies to provide a ready reserve to protect our transport.

I assumed the answer was going to be diesel. That seems to be what the Minister is saying. Is that not right?

**Mr GREGORY** - Across the country, the significant fuel is diesel. Diesel drives industry. It's not so much unleaded petrol that drives it. It's diesel across the country. It's diesel that fluctuates more in terms of stock levels and days remaining.

Here in Tasmania, in terms of unleaded petrol, even when we look at the drawdown of unleaded petrol and the resupply cycle, we maintain very high levels of unleaded petrol in the State. Diesel fluctuates more and diesel is the greater use. So, we would be focusing on diesel rather than unleaded petrol.

**Mr WINTER** - The Deputy Premier announced that he was going to Singapore with fuel security front and centre of an upcoming trade and investment mission. Are you able to provide the Committee with any information about what may have come from the Deputy Premier's trip to Singapore to attempt to gain more fuel supply?

**Mr GREGORY** - The Deputy Premier was travelling to Singapore and Indonesia as part of a programmed trade mission anyway. He took the opportunity to meet with a couple of these significant fuel suppliers, I think Viva and United, to understand, from their perspective, what the situation was and gauge their interest in working with us on providing a strategic reserve on-island. That's really the gist of that conversation.

**Mr WINTER** - Were there any outcomes from that?

**Mr GREGORY** - Just that both of those companies expressed an interest in working with the Tasmanian Government to facilitate a strategic reserve.

**CHAIR** - We might go in camera. There are people in the back of the room. You might like to identify whether you want them to stay or not. I will, at this point, stop the broadcast.

**The Committee suspended at 3:23 pm.**

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## Department of Treasury and Finance

**The Committee resumed at 3:49 pm.**

**CHAIR** - Thanks, Gary, for appearing before the Public Accounts Committee inquiry into the Government response to the fuel shortages. We know this is a moving feast. We know it's something that changes regularly at the moment and no-one really knows what's happening. The purpose of the inquiry is really to understand where we are now, to look at the potential financial impacts that it will have, noting the budget situation that you're actively seeking to deal with. We have heard from the Department of State Growth about the management of the fuel, which I'm sure is not really your area. We'll try to steer toward more Treasury responsibility here, and impacts on the State from a financial perspective.

Everything you say today is covered by parliamentary privilege. That may not extend beyond the hearing. It is being broadcast and transcribed. If there is anything of a confidential nature you wish to share with the Committee, you can make that request and generally we would accept that as a request in this sort of forum. Are there any questions before we start?

I'll invite each of you to take the statutory declaration, Gary, then introduce your team and I invite you to make some opening comments if you like.

**Mr GARY JOHN SWAIN**, SECRETARY, **Ms ABIGAIL EMMA SHELLEY**, DEPUTY SECRETARY CORPORATE AND GOVERNANCE, **Mr DEAN BURGESS**, DEPUTY SECRETARY ECONOMIC AND FINANCIAL POLICY, DEPARTMENT OF TREASURY AND FINANCE, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**Mr SWAIN** - In terms of roles, on my left, Abby is the Deputy Secretary, Corporate and Governance, and her responsibilities include the Procurement Branch, which has had some involvement with this event so far and also plays a whole-of-agency role supporting me in the SEMC process, which is, as you heard previously, not stood up but could be in the future. Dean is the Deputy Secretary of Economic and Financial Policy, which has a range of branches, including economic policy, intergovernmental financial policy, which does some intergovernmental work: and also shareholder policy markets branch, which is looking after the governance and financial advice relating to the entities.

In terms of our opening comments, I'll be really brief. The first thing I want to touch on is it's very early days. From Treasury's point of view, we're very conscious of a couple of things. It's not clear what scenario we're in, to echo your opening remarks. There seem to be at least two possible or credible scenarios. One is a limited-duration pricing scenario, which takes some months to come back to more normal operations: and the second one is a longer-term shock to the economy, which has an impact on supply, in particular, and has some inflationary risk elements. The first thing is, we're not sure what scenario we're in yet.

The second thing I want to say is we're very conscious that we need to be careful not to default in our advice to the Government. Ultimately, the Government will decide what advice it takes, obviously. But we've got to be careful not to default to front-of-mind solutions, particularly the whole range of interventions around COVID, which reflected the circumstances of COVID: some supply-side interruption related to restrictions on movement and activity because of COVID, but a lot of demand-side consequences associated with pent-up

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demand in a full employment economy, which is different to where we are now, which is a supply-side event.

The only other thing is, in terms of Treasury's role, we're trying to think proactively in terms of economic policy and financial impacts on the State. What headline advice we should be giving the Treasurer in the first instance? That's things like, is this the same as COVID? What is the role of the State Government versus the Commonwealth Government in an economic policy and finance sense? When should price impacts be left to work through and when, and in what limited circumstances, might there be a role for Government?

We plugged into the consequent management group that Shane [Gregory] talked about so that we've got somebody from economic policy involved and hearing from DSG (Department of State Growth), who really does a lot more of the sectorial consequence management. We're plugged into that, but that's not our role. But we're using that to understand the circumstance. And also, I'm a standing member of the SEMC, which is doing preparatory work, so we're also plugged into that role. I guess we don't have a detailed role, typically, when there's an emergency event but we do have a policy role with the Treasurer.

**CHAIR** - I note that inflation has gone up today in the recently released figures, which is being attributed, in part, to the cost of the fuel-related pricing increases. You talked about giving some Treasury advice based on not defaulting to creating a fiscal stimulus that just makes inflation worse, noting the difference between saving lives and mitigating against cost increases. In terms of the advice you provided, how did you pitch that?

**Mr SWAIN** - Recommending to the Government that it's deliberate in its decision-making. We know that if we do end up, potentially, in a longer event, there'll be a lot of stakeholder issues that need managing as a consequence of, first, price impacts. Then, hopefully not, but if we do end up in some more constrained supply environment in relation to that, just starting with trying to - I think the risk in that scenario is that you have lots of individual problems that get dealt with on the merits of that individual problem, as opposed to going, 'What's the broader picture?'

For example, to make that concrete - that sounds a bit obtuse, we are thinking that if you end up in a world where you have to do rationing of fuel, the best rationer is price. There would be some interventions that the Government might consider. For example, you might consider ensuring that the freight supply chains were working. But in terms of Treasury's view, you're doing that conceptually to make sure food gets on the supermarket table, not because there's a profit impact on an individual business per se.

There's a range of things like that. There'll be some services provided by Government or the private sector which are very exposed to fuel and there'll be ones that aren't. Again, you probably need to think about that in terms of, is there a role for Government? It's that higher-order thinking.

And as you pointed out, there is a particular budget context. I think there are two reasons to raise that. One, if we did have a lot of additional spending, it would just be inflationary, as you've indicated. But two, as you know from FSR (Fiscal Sustainability Report) and other discussions we've had, we're not in a budgetary position for a lot of additional expenditure to be a good idea from a long-term financial sustainability perspective.

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**CHAIR** - In terms of taking that bigger-picture approach, which is what you talked about, not just putting out little spot fires, if you like, whose role is that? And who, if they're not already, should be the lead agency to do that?

**Mr SWAIN** - I heard some of Shane's answer to that. State Growth is the lead agency because fuel is under their purview. So, the consequence management of the incident, which is a bit hard to define at this point, that's State Growth. As Shane articulated, there's preparatory work going on in SEMC that we're aware of and I think that's entirely appropriate. Treasury's role is its normal role, which is to give policy advice, in the first instance, to the Treasurer. Sometimes the Treasurer will ask for that advice and sometimes we'll say, 'Do you want some advice in relation to?' I think in this case, where we can reasonably resource it, we will try to be proactive because it's very fast-moving and it will be, I think, helpful to the Government to have thought through some ideas in advance and then go, 'Well, we didn't need to because that scenario didn't emerge'. But we will try to be proactive.

**CHAIR** - Better to be prepared, like the Boy Scouts. Has Treasury actually prepared a formal assessment of the fiscal impact of the fuel price rises flowing on from this conflict on the State budget? If you have, when did you prepare that?

**Mr SWAIN** - We're actively thinking about that in terms of budget impacts. There are some interventions that have already occurred in the free buses that this year can be dealt with through normal FMA (*Financial Management Act*) processes, including the Treasurer's Reserve.

**CHAIR** - Just on that, what is the total cost expected to be for the free public transport for this financial year?

**Mr SWAIN** - I think \$2.5 million is the estimate.

**CHAIR** - So, there is capacity in the - well, it depends on who else has got their hand out for the Treasurer's Reserve, doesn't it?

**Mr SWAIN** - Yeah. And we did get some uplift through the own-source revenue, so the Treasurer's Reserve is higher than the parliamentary appropriation. Also, as you fully understand there's the normal FMA capacity to move between outputs. So, we think that will be adequate. There is a small commitment, I think around \$500,000, in relation to food, some food relief support for entities that provide that relief.

**CHAIR** - In terms of paying to receive the food as opposed to the food itself?

**Mr SWAIN** - There was an announcement around - I'll find it as we talk. But there was an announcement -

**Mr JAENSCH** - Half a million.

**Mr SWAIN** - Yes, it was half a million. I think it came out of some of the supply work initial thinking that the Government has already been doing.

**CHAIR** - But that was not for the purchase of food. What was it?

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**Mr SWAIN** - I think it was for the entities that support food relief.

**CHAIR** - And have to pay for the additional cost of delivering the food.

**Mr SWAIN** - Yes. There is provision in the Budget for known costs like the public transport relief. There's also provision in Finance-General for the State's involvement in the fuel excise relief.

**CHAIR** - Did the Treasurer ask for that advice, or are you proactively preparing this?

**Mr SWAIN** - I'm trying to remember. Certainly, the Treasurer was involved. I think all of that was happening as the numbers to the Budget were just being finalised. We got a little bit lucky in timing in that regard, that we were settling numbers with the Treasurer. So, we were backing and forwarding on final numbers as this emerged, so we were able to get those things into the Budget.

We haven't given across-the-board advice, in terms of potential impacts, because at this point, there's a range of scenarios and that would be very hard to predict.

**CHAIR** - What are the key assumptions that you're using in the current forecasts regarding the price of fuel and the duration of the conflict? You have to make some sort of judgment call there.

**Mr SWAIN** - We've made some judgment calls, as we always do around some of the key economic variables, to the extent that we can, in a timing sense. Because some numbers are settled in the Budget earlier than others, we've incorporated that into revenue forecasts and expenditure forecasts. But the standard expectation, I guess, against any budget that comes through the parliament is there'll be a range of expense pressures and risks that agencies need to manage within their budget. If we were to end up in a much more extreme event, we would obviously have to look at that.

**CHAIR** - I'll go back to the question. Are the assumptions based on the fact that this is more likely to be a shorter term - I won't say short term, I think it's already been longer than some people anticipated, rather than a long-term situation? Because if it becomes that, then you'll need to revisit. Is that what you're saying?

**Mr SWAIN** - Well, not exactly. We've thought about what this will do to key variables like inflation in terms of that part of the Budget. And we've thought about, from what we've observed in the past, how long an increase in inflationary pressure might take to tail out. It wouldn't ramp up immediately and it wouldn't tail out immediately either.

We haven't factored in, as opposed to price effect, supply shortfall effects because I think it would just be speculative. We wouldn't have a basis to form a view as to whether that was a 10 per cent reduction in supply or 20 per cent or 30 per cent or 5 per cent. We would just be guessing. So, we haven't done that.

**CHAIR** - Have you got key assumptions that sit behind this advice? That's what I'm trying to understand.

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**Mr BURGESS** - Yes, there are. I'm a little bit concerned about the sensitivities of them because they're normally released in the Budget. But I can say that we've looked at different scenarios in conjunction with what the Commonwealth's looking at, which will also be released next week, I think, in their Budget. So, yes, we have a set of baseline assumptions around duration and tail impacts. Then that factors into the actual assumptions in relation to the economic variables that we look at. Those assumptions will be detailed in the Budget.

**CHAIR** - That was my next question. Yes, so they will be?

**Mr SWAIN** - Yes. Some of the revenue lines are invariant to movement in those macro variables and some are not. That's all factored in as well.

**CHAIR** - One would expect that the work being done on the 2026-27 Budget would take into account that the 2025-26 Budget, the forward Estimates, the financial projections and all the estimates that are made in the budget papers and the budget sensitivity analysis, was all framed before any of this started. So, there will be clear descriptions of what Treasury's approach has been based on the new world we're in?

**Mr SWAIN** - There'll be clear description of what the assumptions are that underpin the Budget and what the risks and sensitivities are when the Budget was finalised.

But as I think you're aware, we finalised the numbers before the budget papers are written because there's a range of calculations that you can only do once you finalise those numbers. So, we won't be able to adjust those numbers or assumptions in real time leading up to the Budget. But we will need to be able to explain what the assumptions were and how they might have changed or evolved.

**CHAIR** - Which is problematic when things happen on a daily basis.

**Mr BURGESS** - Yes, I think that's the key challenge at the moment. The degree of uncertainty with this situation makes it very difficult to forecast what the likely impacts would be and what the likely Government responses will be. It really comes back to policy development 101. The first step is to work out what the problem is you're trying to solve. At the moment that's a problem in itself.

**CHAIR** - Yeah, I think others are struggling with that, too.

Have you done an assessment on the impact on GST revenue flying to Tasmania, knowing that higher fuel prices affect consumption patterns? And we've seen the inflation figures out today as well.

**Mr BURGESS** - The short answer is no. The next key data point we'll be relying on in relation to GST will be the pool forecast in the Commonwealth budget next year.

That said, we've spent a lot of time conceptually thinking about what the impact will be. If you put aside other changes that are affecting the pool, I think the outcome will be there'll be more GST paid on fuel but, arguably, less GST paid on other discretionary items because people still have the same budgets that they had going into this situation. If they're required to buy more fuel at a higher price, they'll pay more GST there. They'll then make other decisions about not purchasing other items, which we therefore won't collect GST on.

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I think what will be interesting coming out of the Commonwealth Budget is views about what might be the longer-term impacts of the current situation on consumer confidence.

**Mr SWAIN** - There are a few things that I think are unknowable to us yet, but will also be dealt with in the Commonwealth Budget. In addition to those, what lift the Commonwealth Government gets through company taxes relating to gas businesses or PRRT (Petroleum Resource Rent Tax). They're things that we will analyse in the Commonwealth Budget and say, 'What are they forecasting?' Because we don't have a direct involvement or data in those things.

**CHAIR** - That will be forecast in their Budget if they bring in some of that resource rent.

**Mr SWAIN** - I wasn't so much alluding to changes to those arrangements, just changes to the cash outcomes, I guess.

**CHAIR** - Just going to our Government-owned businesses, and we did have some discussion with State Growth representatives on this. Obviously, we know that some GBEs are not doing as well as others financially, and some of those use quite a bit of fuel. Obviously, TT-Line's imposed a fuel levy or surcharge. TasPorts also uses a lot of fuel. TasRail is another big one. There are a lot of GBEs that use fuel. In terms of that, do you do you have a role to play in this, particularly, in the stakeholder relations with GBEs? That could flow back to the Budget, obviously.

**Mr SWAIN** - Yes, we have our standard reporting from Government entities back through one of Dean's branches, so he may wish to elaborate on that. We have been doing initial thinking about that. Dean and I have been discussing, and I had a meeting with the Economic Regulator to discuss whether we had any businesses that had set regulatory arrangements that wouldn't accommodate changes to a key input. Where that landed was that in several key cases, the regulatory framework would pass through costs, but would do it in arrears. So then you'd be down to just making sure that there was no cash management or liquidity issues in that business. TasNetworks is an example of that.

**CHAIR** - So a timing issue, more than -

**Mr SWAIN** - Yes, for the regulated business. That could be an issue for TasNetworks or TasWater just to keep an eye on.

For unregulated businesses like TasPorts, as you mentioned, they're a big user. That would be just picked up through their standard reporting and our questions in relation to risk, because we also talk to them regularly about risks.

**CHAIR** - In respect to their profitability, though, that means those who are paying dividends notionally pay less?

**Mr SWAIN** - Yes.

**CHAIR** - Less income tax equivalents.

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**Mr BURGESS** - It remains to be seen whether that will be the case. I guess the in-principle position we have is where there's an increasing cost to the businesses, they should seek to recover that through increased pricing.

**CHAIR** - Has that been passed on to the businesses? We've seen TT-Line's action. I don't know whether they were instructed to do that or they were just sensible.

**Mr BURGESS** - They should do it themselves as commercial entities.

**Mr SWAIN** - No, they weren't instructed. But I think in that freight space, the [inaudible] like airlines is a sort of standard practice, is my understanding.

Just the other thing I'll touch on briefly, as you know, I wear two hats. With the TASCORP hat, we are also thinking about it in terms of liquidity and cash management, and future debt costs through bond issuance, which would be associated with changing interest rates as an RBA response to a higher inflationary environment. We have a Committee in Treasury called FABMC - I'm just trying to think what it stands for. It's management Committee, financial asset - I'm just trying to think what it's called. It will come to me. But we have a Committee which is between Treasury and TASCORP, which effectively looks at the -

**Mr BURGESS** - Finance and budget management?

**Mr SWAIN** - Yes, thank you.

**CHAIR** - That's sounds right. Financial budget management Committee.

**Mr SWAIN** - That will look, on an ongoing basis, at just liquidity and future debt management. There's the normal flow-throughs through the businesses that are, effectively, PNFC (Public Non-Financial Corporations). That's around consumers and business sustainability. But there's also the financial businesses, and we'll look at that aspect particularly in relation to debt.

**CHAIR** - Just coming back to TT-Line, we know they have a lot of debt already and we know they have a range of challenges. Have they been back to Treasury to say, 'We actually need more support on the basis of this'? Or do you believe that their fuel surcharge or levy will be a complete cost recovery exercise? Is that the expectation?

**Mr SWAIN** - We've had some previous conversations with TT-Line just around that issue of fuel, which actually predated this. It was more in the category of, 'what things is your financial model sensitive to?' We had a conversation in that context. I think this is more in the State Growth space as portfolio agency. But I am conscious that some boats on the Bass Strait, including the new boats that TT-Line will have, will be gas and some will be diesel. In one regard, certainly when they get the new boats, they may be in a relatively better position than they were before because they previously had diesel and they're moving to gas.

**CHAIR** - Is TT-Line moving to gas? They haven't secured a gas -

**Mr SWAIN** - Well, the new vessels have -

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**CHAIR** - They've got capacity to. It doesn't mean they're necessarily going to operate that way.

**Mr SWAIN** - No, but they'll have an option.

**CHAIR** - Just to go back to that question, is it your expectation that the fuel surcharge or levy will cover their additional costs of fuel on those bookings to which that's applied? They shouldn't have a negative impact on their financial position?

**Mr SWAIN** - No. That's how they intend to manage it. We will just monitor how that goes, noting that that business has had some significant challenges, as you are very well aware from another Committee. They have some stresses already in relation to their financials, so we will keep a close handle on that and keep talking to them about those challenges as events unfold.

**CHAIR** - In terms of looking at the inflationary nature of what's going on, and the likely increase in interest rates - well, who knows? I'm not the Reserve Bank but most people who look at these things predict it's not going to go down. Does that raise any concerns for Treasury? We alluded to it briefly. I'd just like a bit more.

**Mr SWAIN** - The liquidity arrangements around cash, I think, are pretty robust. The State cashbacks all its SPA (Specific Purpose) accounts. It also has an investment product with TASCORP that can be accessed. It has a loan overdraft that can be accessed. And TASCORP itself pre-funds some refinancing of bonds and new bonds so that it doesn't at any point in time have to go into the market. It has a buffer of time before it has to go into the market.

I think we're going to be, through that Committee I talked about, just keeping an eye on the scenario that we're in. What will it do to yield curves and what will it do to bond availability and the return you have to offer to issue debt? But the arrangements are geared to ensure continuity of supply to Government under a range of economic scenarios. That's sort of the nature of how arrangements are developed and put in place.

**CHAIR** - You talked in broad terms about providing some advice to the Government on not being too reactionary, perhaps might be word, and to think more broadly. Are you aware that there's any consideration being given to further targeted relief, beyond the support for the food banks and those who provide food to those in particular need? In other words, have you done any modelling on the impact of the fuel price rises on essential items like food and even fertiliser, which is a challenge in itself. Getting it here as well, so it's a double whammy on things like fertiliser. Have you done any modelling on the impact of that, overall, on the State?

**Mr SWAIN** - No, is the short answer. I guess where we're at at the moment is, we're thinking, giving some advice to the Treasurer about what we think would be a good role for the State relative to the Commonwealth. An example of that would be, our advice would focus on the Commonwealth has the lead role in any income adjustments, be it through employment benefits or pensions or disability. The Commonwealth, through its legislation, requires the fuel reserves that the private purchasers of fuel have to maintain. There's a range of things where I think the Commonwealth will have a clear lead responsibility.

There are some things where I think it's more likely that the States will have a better understanding of the current and local impacts. If it comes to things like the robustness of our local supply chain for freight delivery, for example, that's an example where, if there's a specific

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industry tension, that's where we're more likely to be working with the relevant line agency in that space.

**CHAIR** - To be clear on that, you're looking more to the Commonwealth to pull the levers they have accessible to them before the State should jump in and provide more targeted support?

**Mr SWAIN** - Yes. We're thinking at this point not so much about this individual sector or this business. We're thinking more, what's the role of the State Government in this context given it's a supply-side shock? How do you not stimulate aggregate demand that will make inflationary pressures worse? In what circumstances is there a role for intervention? And if there is a role for intervention, is that a Commonwealth role or a State role? That's the kind of level we're thinking at this point.

**CHAIR** - You talk about thinking about it. That's important information for people to understand because there can be this quite significant sense of, 'Well, the Government should be helping us here. Can't they see that prices are going up, fuel is costing me so much more at the bowser. Now the food's gone up and even your toilet paper.' You want to go back to COVID days. That was more a supply issue there, too.

I'm trying to understand what comfort the general public can have that you're alert to this. But you want to be clear about what the State's role here is, versus the Commonwealth's role, and we shouldn't just be throwing money at things?

**Mr SWAIN** - Yes. If you were to have a high inflation environment with an economic contraction, the comment that Shane made, I think, we would agree with, which is: there's no Government, Tasmania, Australia or around the world that would be able to jump in and support every cost-of-living impact and every profit impact on every business.

If you start from that point, you'll have to then go, what are the critical interventions? The sort of things I'm thinking about are where you had a supply chain that was vital to getting a good that the community had to have. How would you seek to ensure that that was maintained? You might have some businesses that if they were to curtail their activity or close down, would close down permanently. You might then think about, is there a way to support them just enough to be able to come out the other side?

**CHAIR** - Is that really the State's responsibility?

**Mr SWAIN** - We would look at that by exception, would be Treasury's advice. There'll also be a whole range of services that the Government provides where we would be encouraging the Government to think about, is there a technology solution? Is it an advisory service where you can give that service through Teams? Is it a service where fuel is not a substantial cost, so it's a small percentage of the opex? Is it a service where you can't afford to have a service failure, which might be something like in-home care for the aged, where there's not a market for that, as such, in the private sector.

We'll be trying to think of what's the by-exception intervention for a State Government, with that overarching 'we don't have the budget capacity and it's not the Government's role to protect every participant in the private sector'.

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**CHAIR** - Just going into the intergovernmental agreements and intergovernmental relations, I know that's Dean's area as well. Can you describe how Tasmania participates in any Commonwealth-State mechanism for coordinating physical responses to supply-side shocks? What engagement has there been on that?

**Mr BURGESS** - At a policy level, there's been a lot of engagement, both through the frameworks that relate to the Treasurer-related groups and through deputy heads of Treasury, heads of Treasury, Board of Treasurers and the Council of Federal Financial Relations with the Commonwealth. There have been meetings of all of those bodies in recent weeks about this matter, including the Board of Treasurers today. First ministers are talking as well. We work closely with the Premier's department to coordinate those activities because I think those groups and those bodies, including National Cabinet, will be crucial going forward because there seems to be a sentiment - and it's something I'd certainly support, to recognise different needs in communities but still have a reasonably coordinated approach so that we're not competing against each other and leading the race to the bottom for different types of assistance.

**CHAIR** - Have there been specific meetings - I don't know what it's called now, but it used to be the HoTs - the heads of treasury. But now it's the BoTs.

**Mr BURGESS** - No.

**CHAIR** - It's a different one?

**Mr BURGESS** - Yes.

**CHAIR** - The HoTs and the BoTs?

**Mr BURGESS** - Yes. Heads of Treasury has the Commonwealth in it. Then there's the State Heads of Treasury. Then there's the Council of Federal Financial Relations, which has all the treasurers, including the Commonwealth. Then there's the Board of Treasurers, which is just the State and territory treasurers. It is a bit of a framework.

But yes, there have been meetings with all of those groups. The lower-level groups meet quite regularly and they're certainly gearing up for more frequent meetings moving forward now.

**CHAIR** - All right. As I said to Shane [Gregory] earlier, Tasmania, as an island, has unique challenges with fuel in that everything we consume has to come across on an extra passage notionally, except for what we produce on-island.

**Mr BURGESS** - We've already made that point in those forums. The complicating factor is, of course, every other jurisdiction will claim they have idiosyncratic -

**CHAIR** - They've got long distances in Western Australia, et cetera.

**Mr BURGESS** - Yes: 'I've got to truck things there. They run on diesel too.' But we have been ensuring that those bodies are aware of our particular risks as an island, or considerations, and we will continue to do so. My feeling is that at the moment, it's working quite cooperatively. And it's helping, too, as we've been talking about today, to try to resolve the first

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question: what is this situation that we're actually in? Once we've got agreement or, at least, some certainty around that, then what are the best actions to deal with that?

**CHAIR** - That must be extremely hard at the moment because I don't think anyone can actually name up what the situation is and what the policy problem we're trying to fix is.

**Mr BURGESS** - It's the joy of economics. Nothing's ever certain.

**CHAIR** - True enough.

**Mr SWAIN** - I think it's preparedness at the moment, and creating some capacity to move more quickly if it proves that we need to.

**CHAIR** - Is there any intention of Treasury to publish, other than in the budget papers with the risks and sensitivities chapter, any commentary on this, any discussion papers or anything like that?

**Mr SWAIN** - We haven't got that far or had that conversation with the Treasurer, to be honest.

**CHAIR** - You had other things on. I do appreciate that.

**Mr SWAIN** - Yes. There are still a few live things going on.

**Mr BURGESS** - I'll probably come back to my earlier comment, though. The benefit of explaining a situation to the broader community only really exists when you know what the situation is. If you're talking about different characteristics of different potential scenarios, you sort of lose your message in that regard.

**CHAIR** - Did you have any closing comments you want to make? Is there anything else we should have asked you and we didn't?

**Mr SWAIN** - No. The only other thing I'd say is, probably at a high level, we have some whole-of-Government responsibilities - and some of them are in Abby's space, which go to procurement and fleet management, that we're thinking about the impacts and working with other departments.

In another aspect of one of Dean's economic policy branches, we've recently had a look at industry structure in Tasmania. So, we'll be thinking about what the scale of those industries are in Tasmania relative to Australia and what the sensitivities of those sectors are to oil and oil-related products like fertiliser.

Obviously, we've got high tourism output here and the same with agriculture. So, we've got some very obvious sectors. We are really in that space of just thinking about what are the issues that we need to be aware of? Have we got the right engagement with other processes in Government? So, we are getting inputs from State Growth about the sectoral stuff. And are we able to move more quickly if we need to? That's kind of where we're at.

**CHAIR** - Do you feel like you've got that communication adequately at this stage?

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**Mr SWAIN** - I think it's going pretty well. As I said, we're plugged into the State Growth bits, we've got the SEMC bit, and we're also into the Commonwealth stuff through those functions that Dean talked to. I think at the moment, that's all kind of where you'd want it to be.

**CHAIR** - Okay. Thank you. It is helpful for the Committee to look at this as it's happening, rather than trying to remember what happened in the past, particularly in the fairly changeable situation that we're in. Thank you for your time today. I know you've got a lot of other things on, so we do appreciate you appearing before PAC today.

**Mr SWAIN** - Thank you, Chair.

**The witnesses withdrew.**

**The Committee adjourned at 4:32 pm.**