

Wind picks up \$50m.



The Tasmanian Government is adding \$50 million to its investment in international wind energy developer Roaring 40s Renewable Energy. Announcing the move in State Parliament on 17 October, the Premier, Paul Lennon, said the injection would enable Roaring 40s to continue its leading role in the international fight against climate change. Roaring 40s, a joint venture between Hydro Tasmania and China Light and Power, is involved in 13 wind farms operating or under development, most of them in China. The company needs funding to maintain its frenetic growth and the new contribution will ensure Hydro Tasmania's equity remains at 50 per cent. Hydro Tasmania has already invested around \$60 million in Roaring 40s and has seen the value of the business almost double in less than three years.

Unstated - but vital from a local viewpoint - is the need to diversify Hydro Tasmania's assets so that the GBE can survive a continuation of the 10 years of below-average rainfall that have lowered its dam levels to 30 per cent of capacity. In order to conserve dwindling water storages, Hydro Tasmania has been running its gas-fired generators at Bell Bay and importing energy via BassLink. This is not a viable mode of operation in the long term, unless the GBE can find other revenue streams.

Funds for the wind energy expansion will be transferred from Transend Networks, the power transmission GBE, to Hydro Tasmania to allow Roaring 40s to capitalise on immediate growth opportunities.

In his State of the State speech, Mr Lennon said the transfer was only the beginning of a potentially much bigger investment. "This will be one of the single-biggest investments in renewable wind technology by a state government in Australian history," he said. "It will also enable Roaring 40s to export more of its technological expertise to wind-farming projects, particularly in China. It will highlight again what an important part Tasmania can play in the global community. We are investing in better renewable energy outcomes for Tasmania while helping the rest of the world with our skills, experience and leadership. Tasmania will be exporting innovative solutions to world problems ... We are investing in the future of wind-generated electricity at home and abroad."

Ernst and Young has been commissioned to undertake a due diligence review of Hydro Tasmania's capital structure and funding requirements. As part of that process, Ernst and Young has been asked to also examine Transend's capital structure in order to advise the Government on the potential scope of further equity transfers.

Tassie's an ageing isle

Tasmania's population is ageing more rapidly than the rest of Australia, according to an issues paper prepared



for the Government by the Demographic Change Advisory Council. It says the proportion of older people in Tasmania within 45 years may be among the highest in the world, only behind such low-birth rate societies as Italy and Japan. Titled *Demographic Change in Tasmania: challenges and opportunities*, the paper will help shape future Government policy.

“Our population is already the oldest in Australia, but the rate of ageing will also be greatest in Tasmania and we will encounter many of the impacts of demographic change before other states and territories,” the Treasurer, Michael Aird, said. “For example, the issues paper shows that Tasmania’s working-age population is likely to decrease by around 20 per cent over the next 40 years. Currently there are about two people of working age for every person above or below this age range. By 2046, this ratio could decline to one working-age person for every person not of working age. The effect would be that fewer people are available to work and provide the goods and services that the community demands and needs.”

The paper finds that:

- The number of Tasmanians over 65 can be expected to double every 20 years;
- The population of under-12s will fall by the equivalent of one medium-sized school every year.
- The community will have to cope with a smaller, older workforce and a shrinking revenue base.

“The issues paper will help Tasmanians understand and plan for the social, economic and fiscal impacts of ageing and be better prepared to take advantage of opportunities and address the challenges,” Mr Aird said. “Tasmania is leading the way in planning for future generations and the paper is intended to give a comprehensive account of the major challenges and opportunities surrounding population ageing in Tasmania.”

The Demographic Change Advisory Council received 38 written submissions and held face-to-face consultations with key stakeholders, gaining opinions on emerging social, economic and financial issues. The council will now prepare a report on possible strategies to address the challenges and to capture opportunities identified in the issues paper. The council will consult the community on proposed strategies.

The issues paper and related reports and information can be found at www.dcac.tas.gov.au.

Sparkle in grape market

Prices for Tasmanian sparkling-wine grapes are buoyant and there are more buyers in the market for grapes than ever



before, according to a Department of Primary Industry and Water (DPIW) report on the 2007 vintage. “The good news for growers is that prices are up, especially for sparkling fruit,” reported DPIW wine specialist, Duncan Farquhar. He said a number of positives came out of the 2007 harvest despite severe, unseasonal frosts last November and continuing drought conditions. “For example, the weighted average price of Pinot Noir for still wine was \$2,794 per tonne, up a little, but Pinot Noir for sparkling wine fetched \$2,642 per tonne, up nearly \$300. Given that the quality of the vintage was, in general, very good, there is much to encourage investors in the industry.”

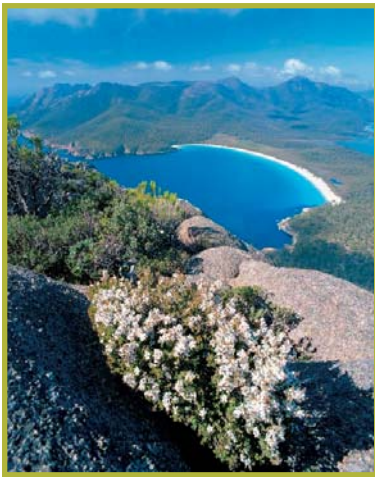
The yield of 5,039 tonnes was almost 500 tonnes less than in 2006 and almost 1,800 tonnes below the peak year of 2004. However, the bearing area increased from 997ha in 2006 to 1,186ha in 2007.

“The figures show that there is an increasing focus by Tasmanian producers on Pinot Noir, which is the best in Australia, not just because we have a good environment for it, but because we have a culture of quality among the growers,” said Mr Farquhar. “They understand how to interpret the unique Tasmanian geography in terms of flavour and style. The human capital - from the vineyard to the palate - is just as important as climate.”

Besides the increasing importance of the Pinot Noir variety, which accounted for 46 per cent of the yield, another interesting development is the rise of white varieties other than Chardonnay. Production of Sauvignon Blanc, Pinot Gris and Gewurztraminer all increased markedly.

The Tamar Valley dramatically increased its standing as the most productive region in the State, with 46 per cent of the crush, compared with 38 per cent last year.

Wineglass to a wine glass



Visitors will be able to enjoy Freycinet Peninsula's natural wonders and also sample some of the region's finest food and wine through a new Wineglass to Wine Glass experience.

Many Australians are familiar with the crescent-shaped Wineglass Bay in Tasmania's Freycinet National Park, filled with turquoise water and rimmed by sparkling white sand. But few will know that the Freycinet Peninsula has a human history dating back tens of thousands of years, evidenced by the Aboriginal middens near Hazards Beach, and a more recent history as early explorers made the original charts of its coastline.

Now Pure Tasmania is making it possible for visitors to uncover these stories, explore the peninsula's natural wonders and sample some of the region's finest food and wine with the new Wineglass to Wine Glass experience. The second of Pure Tasmania's Signature Experiences, Wineglass to Wine Glass captures the history, nature and fine fare of the Freycinet Peninsula in an intimate, engaging guided experience for a maximum of eight guests.

Departing Freycinet Lodge in mid-morning, your highly trained guide will lead a walk up to the Wineglass Bay lookout, with sweeping views of the Freycinet Peninsula and beyond. Along the way, learn about the geological formations of the area and its unique flora and fauna. Then you make your way down to the pristine shores of Wineglass Bay beach, named by US magazine *Outside* as one of the top 10 beaches in the world, and enjoy morning tea looking out on shimmering waters which are often the playground of dolphins and whales.

As you make your way across the peninsula, keep an eye out for native animals that make their homes close to a nearby lagoon. Then stand surrounded by Aboriginal middens dating back tens of thousands of years, while you hear about the original Great Oyster Bay people of the region.

You meet another beautiful stretch of sand and water at Hazards Beach, where the tides wash ashore reminders of underwater life. Walking to the southern end of this beach, you will discover a small, secluded bay where a gourmet lunch of local seafood, beef and quail, the East Coast's finest wines and specialty Tasmanian cheeses has been set out for your arrival.



The rest of the afternoon is yours to feast, wander the sandy shores, take a dip in Great Oyster Bay or sit back and take in the area's spectacular scenery, before a boat picks you up for the half-hour cruise back to Freycinet Lodge.

Cost is \$245 per person. For bookings, please phone 1800 084 620 or visit www.puretasmania.com.au/wineglass

Hydro prepares for toughest year



Hydro Tasmania has shelved its regular annual dividend to the Government for a year as continued below-average rainfall depletes dam storages

and drains its bottom line of \$100 million. On 16 October, Chairman David Crean announced a \$79.4 million after-tax profit for 2006-07, but warned that 2007-08 would be the most challenging year in the organisation's history.

In the hydro-generating business, rain equals revenue and 10 years of drier-than-usual conditions have taken storages to an unprecedented low of 17.3 per cent and depleted Hydro Tasmania resources. During 2006-07, net debt increased by \$80 million to \$1.14 billion and total liabilities increased 10 per cent to \$3.29 billion. Unexpected amounts of power had to be imported across BassLink or generated using gas turbines at Bell Bay to ensure electricity demand was met.

Cash flow from operations was only \$37.4 million, down from \$140 million in the previous year. Chairman David Crean said new accounting practices had masked the severity of the Hydro's situation. "Forward market prices have impacted on the valuation of our assets and this has flowed through to the profit figure, when the fact is that the lack of rain presented Hydro Tasmania with its biggest cash challenge in many decades. That we have managed to maintain positive operating cash flows while protecting our hydro storages is testament to Hydro Tasmania's overall performance in an extremely challenging year."

Tasmania received only 69.5 per cent of its average rainfall during the year. Hydro storages declined from 30.5 per cent of their capacity to 19.3 per cent with a low in May of 17.3 per cent. By October 15, they had recovered to 31.8 per cent compared to 35.4 per cent at the same time last year. As a result of the drought, spot prices in Victoria increased by 68.8 per cent on last year, steeply increasing costs for imported power.

Dr Crean said events of the past 12 months had demonstrated beyond doubt the importance of BassLink to Tasmania. "Without this significant long-term investment, we would have seen some form of power restrictions last winter," he said. "Tasmanians need to understand how crucial this link is to the economic prosperity of the State."

During 2006-07, Hydro Tasmania's books show:

- Revenue of \$493 million
- Payments to Government of \$57.8 million
- Dividend of \$21.2 million
- Income tax equivalent \$28.7 million
- Loan guarantee fee \$5.1 million
- Rates equivalent \$2.8 million
- Net debt increase from \$1.061 billion to \$1.141 billion.
- An underlying profit of \$19.5 million, a reduction from \$33.5 million in 2006
- A \$54.2 million statewide capital program
- \$7.7 million in recurrent internal cost savings
- \$82.1 million (63 per cent of total) on purchasing services and goods from Tasmanian-based suppliers

Chief Executive Officer, Vince Hawksworth, said Hydro had managed its resources to maintain security of supply at an extremely difficult time, while continuing to invest in its ageing assets and look for new investment opportunities.

Achievements during the year included:

- Major capital works at Gordon and Tungatinah power stations
- The sale of Bell Bay Power Station site to Alinta
- \$10 million invested in Roaring 40s Renewable Energy to enable continued growth of the joint venture with China Light and Power
- Hydro Tasmania Consulting opening a new office in India to take advantage of the many renewable energy business opportunities in that country

Hydro Tasmania's 2006-07 annual report will be tabled in Parliament before October 31.

Genes letting devils down

Research, published online in the *Proceedings of the National Academy of Sciences*, has provided



further evidence that a low level of genetic diversity among Tasmanian devils has been a key factor in the transmission of the facial tumour disease that has reduced populations by 90 per cent in some parts of the state. Menzies Research Institute Associate Professor Immunology, Greg Woods, said the research improved understanding of the cancer because of its investigations into the immune systems of the Tasmanian devils. "Our research had indicated that, certainly, the immune systems of the devils were operating, but for some reason they weren't responding to these invading cancer cells," he said. "The research found the key reason for this was ... a loss of genetic diversity in the key immune genes – known as the Major Histocompatibility Complex.

What this means is that there is such a lack of genetic diversity among infected Tasmanian devils and the invading cancer cells, that the immune system does not register the tumour as an invading cancer cell.”

The Menzies Research Institute collaborated in the research with scientific staff from Sydney University, Tasmania’s Department of Primary Industries and Water (DPIW), the Australian Museum and Macquarie University. The project followed earlier DPIW research that indicated the facial tumours were being directly transmitted in physical contact between animals – a rarity for cancers in any species.

Britton Timbers is 100

Britton Timbers, Tasmania’s oldest sawmilling business, celebrated 100 years of operations in November with the public launch of new, state-of-the-art milling equipment. The company was established in 1907 when brothers Mark and Elijah Britton came to Tasmania in search of prime farm land, but recognised the economic potential of the north-west’s immense forests. They turned their hands to sawmilling, establishing a family company that survived the Great Depression, bushfires and having mills burnt down. Britton Timbers is now Tasmania’s largest privately owned hardwood sawmill, employing 100 people and processing up to 26,000 cu m of logs from sustainably managed forests every year.

Economy’s new highs

The Tasmanian economy recorded two record highs in August, with retail trade at \$428.2 million after solid annual growth of 8.1 per cent; and overseas exports at \$3.81 billion following 26.3 per cent growth in the previous 12 months. Commenting on the latest Australian Bureau of Statistics figures, the Treasurer, Michael Aird, said the economy continued to go from strength to strength. “Month after month Tasmania has consistently seen economic records broken,” he said. “Tasmanian business operators are exporting more and employing more staff, which sees more money put back into the economy through retail spending. This is further evidence that Tasmanians feel confident that their economy is soundly based.”

Moody’s confirms Aaa

International credit rating agency, Moody’s Investor Service, has confirmed Tasmania’s Aaa credit rating after an annual review completed in October. Aaa is Moody’s highest grading for public sector financial management and was first awarded to the Tasmanian Government in 2006, following three previous progressive upgradings. About \$1.6 billion in net debt has been eliminated since 1998, saving \$150 million in annual interest payments.

Move on carbon footprint

The Tasmanian Government has asked environmental academic, Dr Kate Crowley, to develop a framework for action that will significantly reduce the Government’s carbon footprint. The investigation will include an audit of greenhouse gas emissions associated with government’s day-to-day business. “I want Dr Crowley to tell me how we are performing and then to recommend strategies that we as a Government can take to lead this agenda,” the Premier, Mr Lennon, said in his State of the State address to Parliament in October.

New power proponent

Babcock and Brown Power emerged in October from a round of energy sector mergers and acquisitions as the new proponent for a \$330 million gas-fired power station at George Town. The George Town Council has granted final approval for Tasmania’s first privately owned power station, which was originally proposed by Alinta Energy. Site work has begun and construction employment is expected to peak at 260 direct jobs.

DFO knocked out

Austexx, the proponent in a \$100 million Direct Factory Outlet proposal at Hobart Airport, withdrew from the project only hours after receiving conditional approval from the Federal Government. The approval placed a limit of 10,000 sq m on the proposal’s retail space, but Austexx said 17,000 sq m was required to make it viable.

Hobart gets Learning Edge

The Learning Edge International, a leading educational software company, has established its headquarters in Hobart. The Tasmanian Department of Education has worked with the company in the development of EQUILLA, a digital repository used by 40 per cent of Australia's universities and by educational institutions throughout the world. The Learning Edge International has branches in Boston and London.

R&D grant offer

Applications have been invited for dollar-for-dollar grants of up to \$100,000 to support companies and their partner institutions in research and development projects. The Research Partnerships Program, administered by the Department of Economic Development, will be accepting applications for consideration until 7 December. Further information and application forms can be found at: www.development.tas.gov.au

Prospectors spend \$36m.

Mineral exploration in Tasmania is at its highest level in 20 years, with Mineral Resources Tasmania recording exploration expenditure of over \$36 million during 2006-07. The Government granted four new exploration licences in October to companies searching for tin, base-metals, gold, nickel and tungsten mineralisation, as well as overlooked coal deposits.

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