



PARLIAMENT OF TASMANIA

LEGISLATIVE COUNCIL SELECT COMMITTEE

**GOVERNMENT BUSINESSES SCRUTINY
COMMITTEE A 2025**

Report with Minutes of Proceedings

Members of the Committee:

Hon Ruth Forrest MLC (Chair)
Hon Dean Harriss MLC
Hon Sarah Lovell MLC (Deputy Chair)
Hon Cassy O'Connor MLC
Hon Bec Thomas MLC

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LEGISLATIVE COUNCIL
GOVERNMENT BUSINESSES SCRUTINY COMMITTEE A
MINUTES
MONDAY 24 NOVEMBER 2025

The Committee met at 8:50 am in Committee Room 2, Parliament House, Hobart.

Present

Ms Forrest (Chair)

Mr Harris

Ms Lovell (Deputy Chair)

Ms O'Connor

Ms Thomas

Apologies

Nil

In Attendance

Jenny Mannering (Secretary)

Ali Scott (Committee Secretariat)

The Minutes of the Meeting held on Monday, 10 November 2025 were confirmed as a true and accurate record.

Correspondence

1. CONFIDENTIAL Letter dated 11 November 2025 from Stakeholder

The Committee received the incoming correspondence.

Outgoing

The Committee endorsed the outgoing correspondence.

TT LINE COMPANY PTY LTD

At 9:00 am the following witnesses appeared before the Committee:

Hon Kerry Vincent MLC, Minister for Infrastructure and Transport

Ken Kanofski, Chair

Chris Carbone, CEO

The Minister provided a brief overview and the Committee proceeded to questions.

Tabled Document

- Letter dated 24 November 2025 from Alan Mitchell, Partner, Herbert Smith Freehills Kramer to Martin Thompson, Auditor-General regarding the Auditor-General's report on the financial statements of the State entities (Volume 2)
- Letter dated 13 November 2025 to the Shareholder Ministers providing an update.

[Ms O'Connor left her seat at 9:29 am]

[Ms O'Connor resumed her seat at 9:33 am]

[Ms O'Connor left her seat at 10:22 am]

[Ms O'Connor resumed her seat at 10:34 am]

Questions on notice

1. Please table the letter sent to the Auditor General on 29 July 2025. (SL)
2. Please table advice provided to shareholder Ministers on 30 July 2025 (SL)
3. Was there a pre-existing contract for sale or any form of pre-sale agreement for the current vessels in 2021 or 2022? (RF)
4. Will the International Marine pollution regulations prevent the vessels from being used in the European market after 2030. (RF)
5. Provide a breakdown of all Artwork purchased for new vessels by artist/geographic region of Tasmania. (RF)
6. Has the use of EAP providers increased over the past four years? (RF)
7. Under AASB 16/IFRS 16, how has TT-Line treated the Geelong port berth lease in its EBITDA calculations? (RF)
8. Are lease-related depreciation and interest expenses on the Geelong port berth added back in calculating EBITDA? (RF)
9. Given that most of TT-Line's interest and depreciation expenses in 2024/25 relate to the leased Geelong port berth rather than traditional loans or freehold assets, how does this impact the meaningfulness of EBITDA as a performance metric? (RF)
10. Are the lease payments for the Geelong berth included as part of operating expenses before calculating EBITDA, or are they excluded? (RF)
11. Has management provided the Board with alternative performance metrics that show the true cash operating performance of the business, net of lease obligations? (RF)
12. Given that EBITDA is not governed by any accounting standard and calculations can vary, has the Board satisfied itself that management's calculation provides an accurate picture of operational performance? (RF)
13. By what percentage did the CEO salary increased from 23-24 to 24-25? (SL)
14. Please provide a breakdown of return-to-work timeframes after workers compensation claims. (SL)
15. Has the company undertaken a psychosocial risk assessment? If so, when and what did it find? (SL)
16. Please provide a breakdown of workers compensation claims lodged for psychological injury in the last financial year? (SL)
17. Please provide detail regarding checks that are conducted on the animals. What are the on-boarding procedures, including matters such as whether there is internal ventilation in the caged areas? (CO)
18. Please provide detail on the procedures for the transport of animals. What information is provided to the people who are transporting animals on the ship, and how do TT Line staff deal with animals and ensure their wellbeing. (CO)
19. Please provide a breakdown of TT-Line's sponsorship budget and the amount of sponsorship provided to each organisation, event and activity (BT).
20. Please provide detail on any conflicts of interest registered by Board Members in relation to consultancies. (BT)
21. Please provide details related to staff turnover levels. (RF)
22. Please provide the Devonport Berth current annual Lease costs. (RF)

The Committee suspended at 11:00 am

The Committee resumed at 11:15 am

The witnesses withdrew at 12:00 pm

The Committee suspended at 12:00 pm

The Committee resumed at 12:05 pm

HYDRO TASMANIA PTY LTD

At 12:05 pm the following witnesses appeared before the Committee:

Hon Nick Duigan MLC, Minister for Energy and Renewables
Richard Bolt, Chair
Rachel Watson, Chief Executive Officer
Tim Peters, Chief Financial Officer

The Minister provided a brief overview and the Committee proceeded to questions.

*[Ms O'Connor left her seat at 12:47 pm]
[Ms O'Connor resumed her seat at 12:53 pm]*

The Committee suspended at 1:00 pm
The Committee resumed at 1:45 pm

Questions on notice

1. Has there been modelling done on water requirements for the green hydrogen project? (CO)
2. Please provide a copy of the Gender Equity Policy. (SL)
3. Of the 8 claims for Workers Compensation, what was the length of time for employees to return to work? (SL)
4. Could actual figures that comprise the direct expenses not just a description of what they are be provided for major expenditure items? (RF)
5. Regarding parent company revenue, could a breakdown of revenue from BassLink IRRs, LGCs and Frequency Control Ancillary Services be provided? (RF)
6. Please provide information about ongoing environmental catchment monitoring. Please provide clarity on whether there is ongoing work on environmental catchment monitoring? (CO)

*[Ms Thomas left her seat at 2:24 pm]
[Ms Thomas resumed her seat at 2:27 pm]*

*[Ms Lovell left her seat at 2:59 pm]
[Ms Lovell resumed her seat at 3:02 pm]*

The witnesses withdrew at 3:30 pm

The Committee suspended at 3:32 pm
The Committee resumed at 3:45 pm

TASNETWORKS PTY LTD

At 3:45pm the following witnesses appeared before the Committee:

Hon Nick Duigan MLC, Minister for Energy and Renewables
Roger Gill, Chair
Dr Sean McGoldrick, Chief Executive Officer
Mr Michael Westenberg, Executive Finance and Regulation
Renée Anderson, Executive People and Stakeholder
Chantal Hopwood, Executive Governance

The Minister provided a brief overview and the Committee proceeded to questions.

Questions on notice

1. Please provide details of staff leaving the company above field staff level who left voluntarily and have received payment above leave entitlements; and
 - a. For the period since 2022/23 to FY 25/26 to date, provide a dollar range of such payments and total number of payments per year. (RF)

2. Provide a copy of a standard employment contract for employees above field work level. (RF)
3. What is the total amount spent on termination payments since 2022? What component of this is redundancies? Please provide a breakdown. (BT)
4. What is the net saving in operational costs as a result of the Transformation Project since 2022 to date? (BT)
5. How many relocation packages have been provided to employees since 2022 and at what cost? (BT)
6. How many staff have had fly in fly out arrangements since 2022, who pays the travel and accommodation costs and what has been the cost to the business over this time? (BT)

The witnesses withdrew at 6:30 pm

The Committee suspended at 6:30 pm

The Committee resumed at 6:34 pm

Other Business

The Committee **RESOLVED** that the report be presented to the President by a southern based Member on a date to be confirmed (pending availability of Hansard).

Next Meeting

11 December 2025 at 2:00 pm in Committee Room 2 and via Teams.

Adjournment

At 6:45 pm the Committee adjourned.

DATE:

CONFIRMED

27 January 2026



CHAIR

APPENDIX A – ORDER OF THE COUNCIL DATED 23 SEPTEMBER 2025



OFFICE OF THE CLERK

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Parliament of Tasmania, Hobart, TAS 7000
www.parliament.tas.gov.au

23 September 2025

MEMORANDUM FOR :

Clerk-Assistant & Usher of the Black Rod

I write to advise that the Legislative Council today resolved —

- (1) That two Government Businesses Scrutiny Committees be established to inquire into Government Businesses in accordance with the schedule detailed below and rules as set out in the Standing Orders at Part 22.
- (2) That the Committees have leave to sit on Monday, 24 November 2025 and Tuesday, 25 November 2025 between the hours of 9.00 a.m. and 6.30 p.m. or such other times as varied by the Chair and as necessary for the purpose of relevant stakeholder and deliberative meetings.
- (3) For 2025 Government Businesses are allocated to the Committees as follows:—

Committee A

Monday, 24 November 2025

Hydro Tasmania, TasNetworks Pty Ltd, TT Line Company Pty Ltd

Committee B

Tuesday, 25 November 2025

Sustainable Timber Tasmania, Tasmanian Ports Corporation Pty Ltd, The Public Trustee

And that —

*Ms Forrest,
Mr Harriss,
Ms Lovell,
Ms O'Connor and
Ms Thomas*
be of Committee A

and

*Ms Armitage,
Mr Edmunds,
Mr Gaffney,
Mr Hiscutt and
Ms Webb*
be of Committee B.

- (4) And that the Committees report on the Government Businesses by no later than 30 January 2026.

If the Legislative Council is not sitting when the Government Businesses Scrutiny Committees complete their reports, those reports may be presented to the President or if the President is unable to act, to the Deputy President or other Office holder and in that event:—

- (a) the reports shall be deemed to have been presented to the Council;
- (b) the publication of the reports is authorised by this Resolution;
- (c) the President, Deputy President or other Office holder, as the case may be, may give directions for the printing and circulation of the reports; and
- (d) the President, Deputy President or other Office holder, as the case may be, shall direct the Clerk to lay the reports upon the Table at the next sitting of the Council



C L VICKERS
Clerk of the Council

APPENDIX B – ADDITIONAL INFORMATION



Legislative Council Select Committee
Government Businesses Scrutiny A

28 November 2025

The Hon Nick Duigan MLC
Minister for Energy and Renewables
Parliament House
HOBART 7000

Email: nick.duigan@dpac.tas.gov.au

Dear Minister

QUESTIONS ON NOTICE

Thank you for attending today's hearing in your capacity as Minister for Energy and Renewables responsible for Hydro Tasmania.

During the hearing you undertook to provide the Committee with the following information:

1. Has there been modelling done on water requirements for the green hydrogen project?
2. Please provide a copy of the Gender Equity Policy.
3. Of the 8 claims for Workers Compensation, what was the length of time for employees to return to work?
4. Could actual figures that comprise the direct expenses not just a description of what they are be provided for major expenditure items?
5. Regarding parent company revenue, could a breakdown of revenue from BassLink IRRs, LGCs and Frequency Control Ancillary Services be provided?
6. Please provide information about ongoing environmental catchment monitoring. Please provide clarity on whether there is ongoing work on environmental catchment monitoring?

It would be appreciated if you would provide the requested information by no later than close of business on **Wednesday 3 December 2025**.

If you have any questions regarding the above, please contact the Secretary, Jenny Manning on (03) 6212 2249 or via email jenny.manning@parliament.tas.gov.au.

Yours sincerely

HON RUTH FORREST MLC
Chair

W. 03 6212 2249 e. jenny.manning@parliament.tas.gov.au
cc - amanda.lovell@dpac.tas.gov.au

Minister for Energy and Renewables
Minister for Parks
Minister for Sport



Level 1, 7-9 Franklin Wharf HOBART TAS 7000 Australia
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Phone: +61 3 6165 7739
Email: minister.duigan@dpac.tas.gov.au

3rd December 2025

Hon Ruth Forrest MLC
Chair
Legislative Council
Government Businesses Scrutiny A
jenny.mannering@parliament.tas.gov.au

Dear Ms Forrest

Thank you for your letter dated 28 November 2025, requesting additional information following examination of Hydro Tasmania by the Legislative Council Government Businesses Scrutiny Committee 'A' as part of 2025 GBE Scrutiny. Please find the requested information below for noting.

1. Has there been modelling done on water requirements for the green hydrogen project?

Yes, modelling was conducted. Water for the Tamar Irrigation Scheme and Hydrogen Hub would be less than 2% of the average water Hydro Tasmania uses at Trevallyn power station per annum and can be sustainably supplied through natural flows or releases from Great Lake.

2. Please provide a copy of the Gender Equity Policy

Hydro Tasmania has a Gender Equality Strategy. This board-endorsed Strategy includes goals set to 2030. Initiatives are reviewed and reset each year as our understanding and priorities develop.

The Strategy is a Hydro Tasmania internal document. It hasn't been developed for external publication and includes internal information and links to our intranet. On this basis, an in-confidence copy of the Strategy is attached for the Committee. Hydro Tasmania are currently considering development of materials to publicly share our progress.

3. Of the 8 claims for Workers Compensation, what was the length of time for employees to return to work?

This was provided in session. However, to clarify, there were 10 workers compensation claims: 8 in Tasmania and 2 in Victoria. Nine of these continued active employment following their claim, supported by an Injury Management Plan. There was only one person in Tasmania who was absent for 10 days and was supported with their return to work after this period.

4. Could actual figures that comprise the direct expenses not just a description of what they are be provided for major expenditure items?

An overview of items included in Direct Expenses was provided in the session. Reporting is in line with Accounting Standards and Auditor-General requirements. A further breakdown is commercial in confidence.

5. Regarding parent company revenue, could a breakdown of revenue from Basslink IRRs, LGCs and Frequency Control Ancillary Services be provided?

An overview of items included in Revenue was provided in the session. Reporting is in line with Accounting Standards and Auditor-General requirements. A further breakdown is commercial in confidence.

6. Please provide information about ongoing environmental catchment monitoring. Please provide clarity on whether there is ongoing work on environmental catchment monitoring?

Hydro Tasmania have an established rotational monitoring program for ongoing environmental monitoring and undertook Catchment Reviews for five of their six catchments between 1999 and 2001. More information on both of those is provided below:

Catchment Reviews

All Catchment Reviews (also called Sustainability Reviews) are available on the Hydro Tasmania website: www.hydro.com.au/sustainability/environmental-protection/water-management/sustainability-reviews. The Catchment Review process involved Hydro Tasmania doing a deep-dive review of environmental issues for each catchment over a three-to-five-year period, depending on the complexity of issues in the catchment. The Catchment Reviews are a very comprehensive and valuable piece of work and identified issues for management and monitoring in each catchment.

Operations of the Gordon Catchment were comprehensively examined through the Basslink approval process, in the early 2000s. This was considered to be commensurate to a Catchment Review, therefore a separate Catchment Review was not required. These reports can be found on Hydro Tasmania's website: [Gordon River Monitoring Reports](http://www.hydro.com.au/gordon-river-monitoring-reports).

Based on the monitoring result, Hydro Tasmania worked with the Scientific Reference Committee to refine the controls. The implemented controls remain valid and unchanged today. Hydro Tasmania continues to report monitoring results to NRE Tas when monitoring is required to be conducted per the approvals requirements.

Monitoring

Hydro Tasmania have established an ongoing rotational monitoring program. Hydro Tasmania's Environmental Management System (EMS) applies the plan-do-check-act cycle consistent with external certification under ISO14001. Our environmental programs also involve risk reviews, community engagement and investigation into issues as they are identified.

Since the review work was commenced more than 25 years ago our approach to catchment wide environmental reviews has naturally changed and improved over time. For example, there have been significant advances in technology, which enable more effective monitoring, data collation, and communication, including telemetered data and establishment of statewide data sets, as well as improved methods for community engagement.

Yours sincerely



Hon Nick Duigan MLC
Minister for Energy and Renewables



Legislative Council Select Committee
Government Businesses Scrutiny A

24 November 2025

The Hon Nick Duigan MLC
Minister for Energy and Renewables
Parliament House
HOBART 7000

Email: nick.duigan@dpac.tas.gov.au

Dear Minister

QUESTIONS ON NOTICE

Thank you for attending today's hearing in your capacity as Minister for Energy and Renewables responsible for TasNetworks Pty Ltd.

During the hearing you undertook to provide the Committee with the following information:

1. Please provide details of staff leaving the company above field staff level who left voluntarily and have received payment above leave entitlements; and
 - a. For the period since 2022/23 to FY 25/26 to date, provide a dollar range of such payments and total number of payments per year.
2. Provide a copy of a standard employment contract for employees above field work level.
3. What is the total amount spent on termination payments since 2022? What component of this is redundancies? Please provide a breakdown.
4. What is the net saving in operational costs as a result of the Transformation Project since 2022 to date?
5. How many relocation packages have been provided to employees since 2022 and at what cost?
6. How many staff have had fly in fly out arrangements since 2022, who pays the travel and accommodation costs and what has been the cost to the business over this time?

It would be appreciated if you would provide the requested information by no later than close of business on **Friday 28 November 2025**.

If you have any questions regarding the above, please contact the Secretary, Jenny Mannering on (03) 6212 2249 or via email jenny.mannering@parliament.tas.gov.au.

Yours sincerely

HON RUTH FORREST MLC
Chair
w. 03 6212 2249 e. jenny.mannering@parliament.tas.gov.au

cc – amanda.lovell@dpac.tas.gov.au

Minister for Energy and Renewables
Minister for Parks
Minister for Sport



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Email: minister.duigan@dpac.tas.gov.au

5th December 2025

Hon Ruth Forrest MLC
Chair
Legislative Council
Government Businesses Scrutiny A
jenny.mannering@parliament.tas.gov.au

Dear Ms Forrest

Thank you for your letter dated 24 November 2025, requesting additional information following examination of TasNetworks by the Legislative Council Government Businesses Scrutiny Committee 'A'. Please find the requested information below for noting.

- 1. Please provide details of staff leaving the company above field staff level who left voluntarily and have received payment above leave entitlements; and**
 - a. For the period since 2022/23 to FY 25/26 to date, provide a dollar range of such payments and total number of payments per year.**
- 3. What is the total amount spent on termination payments since 2022? What component of this is redundancies? Please provide a breakdown.**

Over the last four years, including this year to date, TasNetworks have had a total of 171 employees above field level that received payments in lieu of notice (payments beyond leave entitlements) upon leaving the business. Of this number, 37 employees resigned and 134 were made redundant. The TasNetworks Enterprise Agreement contains the provisions for redundancy entitlement and notice periods.

The total number of employees above field level voluntarily leaving the business each year and the total payments made above leave entitlements is as follows:

Financial Year	No. Employees	Payments \$
2021-2022	10	1.1M
2022-2023	64	7.9M
2023-2024	44	6.8M
2024-2025	36	4.9M
2025-2026	17	1.3M
Total	171	\$22.1M

However, TasNetworks notes it is not possible to disaggregate these figures further (such as splitting between redundancies and payment in lieu of notice or calculating a dollar range), as the system is set up to aggregate them both into “Lump Sum A” and “Lump Sum B” for taxation purposes. TasNetworks has advised it would only be able to provide a break down as requested by examining each individual employees’ payment and manually splitting the payments out. A piece of work that would take both time and resources.

2. Provide a copy of a standard employment contract for employees above field work level.

Copies of both a standard employee employment contract and an executive employment contract are provided to the Committee in confidence.

4. What is the net saving in operational costs as a result of the Transformation Project since 2022 to date?

As at the 30th June 2025, TasNetworks’ transformation program has delivered \$88M in savings across CAPEX and OPEX combined.

In terms of specific OPEX savings; the business’ revenue allowance for 2024-2029 approved by the Australian Energy Regulator determines that TasNetworks must operate under a three per cent efficiency. The transformation program is key to enabling TasNetworks to deliver the OPEX savings required of the business to operate within our regulated allowance cap.

5. How many relocation packages have been provided to employees since 2022 and at what cost?

TasNetworks has provided 95 relocation packages between 2022 and 2025, at a total cost of \$802k.

6. How many staff have had fly in fly out arrangements since 2022, who pays the travel and accommodation costs and what has been the cost to the business over this time?

TasNetworks currently incurs costs for one employee on the NWT Project to fly into Hobart on an as needed basis for dedicated project work. There are no other staff that have had fly-in/fly-out arrangements with TasNetworks since 2022.

Yours sincerely



**Hon Nick Duigan MLC
Minister for Energy and Renewables**



**Legislative Council Select Committee
Government Businesses Scrutiny A**

24 November 2025

The Hon Kerry Vincent MLC
Minister for Infrastructure and Transport
Parliament House
HOBART 7000

Email: kerry.vincent@dpac.tas.gov.au

Dear Minister

QUESTIONS ON NOTICE

Thank you for attending today's hearing in your capacity as Minister for Infrastructure and Transport responsible for TT-Line Company Pty Ltd.

During the hearing you undertook to provide the Committee with the following information:

1. Please table the letter sent to the Auditor General on 29 July 2025.
2. Please table advice provided to shareholder Ministers on 30 July 2025
3. Was there a pre-existing contract for sale or any form of pre-sale agreement for the current vessels in 2021 or 2022?
4. Will the International Marine pollution regulations prevent the vessels from being used in the European market after 2030.
5. Provide a breakdown of all Artwork purchased for new vessels by artist/geographic region of Tasmania.
6. Has the use of EAP providers increased over the past four years?
7. Under AASB 16/IFRS 16, how has TT-Line treated the Geelong port berth lease in its EBITDA calculations?
8. Are lease-related depreciation and interest expenses on the Geelong port berth added back in calculating EBITDA?
9. Given that most of TT-Line's interest and depreciation expenses in 2024/25 relate to the leased Geelong port berth rather than traditional loans or freehold assets, how does this impact the meaningfulness of EBITDA as a performance metric?
10. Are the lease payments for the Geelong berth included as part of operating expenses before calculating EBITDA, or are they excluded?
11. Has management provided the Board with alternative performance metrics that show the true cash operating performance of the business, net of lease obligations?
12. Given that EBITDA is not governed by any accounting standard and calculations can vary, has the Board satisfied itself that management's calculation provides an accurate picture of operational performance?
13. By what percentage did the CEO salary increased from 23-24 to 24-25?

14. Please provide a breakdown of return-to-work timeframes after workers compensation claims.
15. Has the company undertaken a psychosocial risk assessment? If so, when and what did it find?
16. Please provide a breakdown of workers compensation claims lodged for psychological injury in the last financial year?
17. Please provide detail regarding checks that are conducted on the animals. What are the on-boarding procedures, including matters such as whether there is internal ventilation in the caged areas?
18. Please provide detail on the procedures for the transport of animals. What information is provided to the people who are transporting animals on the ship, and how do TT Line staff deal with animals and ensure their wellbeing.
19. Please provide a breakdown of TT-Line's sponsorship budget and the amount of sponsorship provided to each organisation, event and activity.
20. Please provide detail on any conflicts of interest registered by Board Members in relation to consultancies.
21. Please provide details related to staff turnover levels.
22. Please provide the Devonport Berth current annual Lease costs.

It would be appreciated if you would provide the requested information by no later than close of business on **Friday 28 November 2025**.

If you have any questions regarding the above, please contact the Secretary, Jenny Manning on (03) 6212 2249 or via email jenny.manning@parliament.tas.gov.au

Yours sincerely



HON RUTH FORREST MLC
Chair

w. 03 6212 2249 e. jenny.manning@parliament.tas.gov.au

cc – tim.lovibond@dpac.tas.gov.au

Minister for Housing and Planning
Minister for Infrastructure and Transport
Minister for Local Government

Level 10, 15 Murray Street, HOBART TAS 7000 Australia
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Hon Ruth Forrest MLC
Chair, Government Business Scrutiny Select Committee A
Legislative Council
Parliament House, Hobart

8 DEC 2025

c/- jenny.mannering@parliament.tas.gov.au

Dear Chair

Please find enclosed with this letter a response from TT-Line Company Pty Ltd responding to questions taken on notice during scrutiny on 24 November 2025.

I note some responses state the company is still seeking counsel on their ability to release certain information. Should you have further questions relating to this, please contact my Chief of Staff Tim Lovibond by email to tim.lovibond@dpac.tas.gov.au or phone on 0427 903 165.

Yours sincerely



Hon Kerry Vincent MLC
Minister for Infrastructure and Transport

8 December 2025

Hon Kerry Vincent MLC
 Minister for Infrastructure and Transport
 Level 10, 15 Murray Street
 HOBART TAS 7000

Dear Minister

Questions on Notice - Legislative Council Government Businesses Scrutiny Committee

Please find below and attached information in response to questions on notice from the Legislative Council Government Businesses Scrutiny Committee for TT-Line Company Pty Ltd.

No.	Question	Response
1	Please table the letter sent to the Auditor General on 29 July 2025.	Please see Attachment A.
2	Please table the advice provided to shareholder Ministers on 30 July 2025.	TT-Line is seeking further advice on whether this information can be disclosed.
3	Was there a pre-existing contract for sale or any form of pre-sale agreement for the current vessels in 2021 or 2022?	Management is not aware of a pre-existing contract or formal pre-sale agreement for the current vessels (Spirit of Tasmania I and II) from 2021 or 2022.
4	Will the International Marine pollution regulations prevent the vessels from being used in the European market after 2030?	<p>The International Maritime Organisation is the United Nations specialised agency with responsibility for the safety and security of shipping and the prevention of marine and atmospheric pollution by ships.</p> <p>Regulations will not automatically prohibit vessels from operating in the European market after 2030.</p>
5	Provide a breakdown of all Artwork purchased for new vessels by artist/geographic region of Tasmania.	<p>To date, original artwork has only been procured for Spirit of Tasmania IV.</p> <p>Handmark Gallery engaged 13 artists with the following geographic split:</p> <ul style="list-style-type: none"> - 1 x Midlands - 8 x Southern Tasmania - 2 x Northwest Tasmania - 2 x Northern Tasmania

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Victoria
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 North Geelong Victoria 3215

Reservations
 spiritoftasmania.com.au
 Tel: 13 20 10 Fax: 1800 636 110
 TT-Line Company Pty Ltd
 ABN 39 061 996 174

6	Has the use of EAP providers increased over the past four years?	<p>TT-Line has historically used three EAP providers, only one of which (the main one) reports on utilisation.</p> <p>For the leading provider, there was a year-on-year increase between the 2022 and 2024 financial years, followed by a reduction in the 2025:</p> <ul style="list-style-type: none"> • 2022 – 56 sessions • 2023 – 111 sessions • 2024 – 150 sessions • 2025 – 115 sessions <p>TT-Line has recently issued an RFT for EAP services, with a view to appointing a single provider.</p>
7	Under AASB 16/IFRS 16, how has TT-Line treated the Geelong port berth lease in its EBITDA calculations?	<p>The Geelong berth costs are treated as a lease. Accordingly, the TT-Line's balance sheet includes a capitalised asset and a corresponding liability in connection with the berth and our obligation to make future lease payments. Lease payments are split between: (i) a capital amount that goes to reducing our lease liability; and (ii) an interest component, which is classified as interest expense. There is also an amortisation charge to the lease asset that contributes to amortisation expense in the profit and loss.</p> <p>These lease flows do not affect EBITDA.</p>
8	Are lease-related depreciation and interest expenses on the Geelong port berth added back in calculating EBITDA?	<p>No. For our statutory reporting, the lease-related depreciation and interest expenses are not added back to reduce EBITDA.</p>
9	Given that most of TT-Line's interest and depreciation expenses in 2024/25 relate to the leased Geelong port berth rather than traditional loans or freehold assets, how does this impact the meaningfulness of EBITDA as a performance metric?	<p>Yes. TT-Line's accurate operating return would be better understood if the costs of the Geelong berth lease were included as a deduction.</p>
10	Are the lease payments for the Geelong berth included as part of operating expenses before calculating EBITDA, or are they excluded?	<p>In accordance with the Accounting Standards, the lease payments in connection with the Geelong berth are not included as operating expenses in calculating EBITDA. They are excluded.</p>
11	Has management provided the Board with alternative performance metrics that show the true cash operating performance of the business, net of lease obligations?	<p>In presenting TT-Line's financial performance to the Board, Management highlights lease costs as an additional cost to be deducted from EBITDA, an operating metric.</p>
12	Given that EBITDA is not governed by any accounting standard and calculations can vary, has the Board satisfied itself that management's calculation provides	<p>Given that lease costs are presented alongside EBITDA, the Board has information on TT-Line's financial performance at both levels.</p>

	an accurate picture of operational performance?	
13	By what percentage did the CEO salary increase from 23-24 to 24-25?	<p>When the former CEO / Managing Director resigned from TT-Line in November 2024, his TFR was \$542,430.</p> <p>The TFR for the new CEO who commenced in May 2025 is \$574,347.</p> <p>Thus, a 5.9% increase.</p>
14	Please provide a breakdown of return-to-work timeframes after workers compensation claims.	<p>There were 32 workers compensation claim for 24-25. The average return to work timeframe was 94 days. The maximum timeframe was 429 days and the shortest timeframe was 1 day.</p>
15	Has the company undertaken a psychosocial risk assessment? If so, when and what did it find?	<p>TT-Line arranged for an external review of unlawful workplace behaviour and Respect@Work issues in 2024.</p> <p>Based on the findings, the review outlined five key recommendations:</p> <ol style="list-style-type: none"> 1. The implementation of induction training on unlawful workplace behaviour 2. Undertaking a psychosocial safety risk assessment 3. Review of training/onboarding requirements for contractors 4. Ongoing/refresher training and smaller group training sessions 5. Review and update of relevant policies <p>All actions have since been closed out, including the establishment of a psychosocial safety risk assessment, which was undertaken in early 2025 in consultation with the workforce. The risk assessment was based on the WorkSafe psychosocial hazards and identified some controls which TT-Line is continuing to work through.</p>
16	Please provide a breakdown of workers compensation claims lodged for psychological injury in the last financial year?	<p>There was one claim lodged in 2024/25, for 'situational crisis' following a sexual harassment complaint.</p>
17	Please provide detail regarding checks that are conducted on the animals. What are the on-boarding procedures, including matters such as whether there is internal ventilation in the caged areas?	<p>Please refer to Attachment B.</p>
18	Please provide detail on the procedures for the transport of animals. What information is provided to the people who are transporting animals on the ship, and how do TT-Line staff deal with animals and ensure their wellbeing?	<p>Please refer to Attachment B.</p>

19	Please provide a breakdown of TT-Line's sponsorship budget and the amount of sponsorship provided to each organisation, event and activity.	TT-Line requires the other party's prior written consent to disclose the value of major sponsorships, pursuant to contractual obligations. To this end, TT-Line is now seeking appropriate approvals to disclose. Attachment C – Other Sponsorship 2024/25
20	Please provide detail on any conflicts of interest registered by Board Members in relation to consultancies.	Rare Innovation Pty Ltd are providing concept and design services for the Terminal 3 development. In 2024/25, this amount paid for these services was \$362,000. Rare Innovation Pty Ltd is a minority shareholder in Rare Earth CMT Laboratories Pty Ltd. Director Chris Oldfield is Chair of Sonic Civil Investments Pty Ltd. Sonic Civil Investments Pty Ltd is a minority shareholder in Rare Earth CMT Laboratories Pty Ltd. This is noted in the Directors' Declaration Register. Mr Oldfield was not part of the approval for the engagement of Rare Innovation Pty Ltd.
21	Please provide details related to staff turnover levels.	The turnover rate for FY25 was 9.9%
22	Please provide the Devonport Berth current annual Lease costs.	This amount is commercial-in-confidence. We would offer this information to be shared in-camera.

Should you require any further information or wish to discuss alternative options, please do not hesitate to contact me.

Yours sincerely



Ken Kanofski
Chair

Attachment A – Correspondence to Auditor-General, 29 July 2025



Martin Thompson
Auditor-General
Tasmanian Audit Office
Level 2, 144 Macquarie Street
Hobart, TAS 7000

29 July 2025
Matter
By Email

Dear Mr Thompson

Private and Confidential

TT-Line Company Pty. Ltd. - section 311 notice

We act for TT-Line Company Pty Ltd (TT-Line) in relation to its engagement with the Tasmanian Audit Office and in relation to its consideration of restructuring options.

Communications between you and TT-Line re s311

We understand that on Monday 21 July you informed the Chairman and CEO of TT-Line that it was your then present intention to notify ASIC under s311 of the Corporations Act that you had reasonable grounds to suspect that TT Line had contravened the Corporations Act. We understand that you said that you considered that s588G had been contravened (being the provision which casts a duty on directors to prevent insolvent trading by a company). We understand that you also said that you did not consider that TT Line was currently trading insolvently but that you were concerned that it would not be able to pay debts it had incurred and that you considered that the notification requirements of s311 was not limited to currently existing contraventions.

On Tuesday 22 July you provided to TT-Line a copy of a draft document you proposed to send to ASIC in which you would notify it, pursuant to s311, that you suspected that TT-Line had contravened the Corporations Act. That draft document relevantly stated that:

- (a) you first formed this view on 11 July this year;
- (b) the first instance of such contravention occurred on 30 April this year;
- (c) *you have "reasonable grounds to suspect that under current circumstances the Directors of TT line may have breached the Act in that they have not prevented insolvent trading" and that "Through the conduct of my audit procedures, I have developed reasonable grounds to suspect TT Line has taken on debt that, based on the current corporate plan, will not be able to be serviced and/or repaid; and*
- (d) *you noted that "TT Line is a private company with all shareholders being Ministers of the Tasmanian Government. I have been advised that the Directors of TT Line take comfort in the expectation that the company will be returned to sustainability and solvency at a future point, through some form of external intervention by the Tasmanian government. I have also been advised that the Board has commissioned further specialist legal and financial advice."*



The Board of TT-Line thanks you for the opportunity to comment upon the draft s311 notice, though notes, of course that you have no obligation to take on board any such comments. Consistent with the understanding that TT-Line would have until cob 29 July to provide such comments and further information, we now write to you with that content and request that you take it into consideration and not proceed with a s311 notice.

No basis for a s311 notice to ASIC

TT-Line considers that there are no proper grounds for issuing a notice to ASIC under section 311 and that it would be precipitous for you to do so.

The obligation on auditors under s311 to notify ASIC of a suspected contravention of the Corporations Act is temporally based. That is, an auditor is obliged to notify ASIC when the auditor is aware of circumstances which cause him/her to have reasonable grounds to suspect a contravention of the Act. That is, the contravention must have occurred, rather than may or may not, prospectively occur. The Board does not consider there to have been a contravention on 30 April, 11 July or as at the present date. We elaborate on that submission below.

We believe that the developments described in sections B and C below, should be sufficient to satisfy your concerns, but given your suggestion of a contravention having been ongoing since 30 April, we deal with this issue sequentially.

A- your reference to 30 April 2025 Corporate Plan

Your draft notice suggests that from the above date there has been a contravention of the Act as you have formed the view that “*TT Line has taken on debt that, based on the current corporate plan, will not be able to be serviced and/or repaid.*”

The Corporate plan provided to the Treasurer and Deputy Premier on 30 April 2025, set out at pages 54 -55, details of the High, Base and Low case scenarios for the repayment of the then and projected levels of debt, and the projected repayment dates. It was stated there that: *Under the Base Case scenario debt is expected to peak in FY2027 at \$1.297M, in December 2026. With debt currently capped at \$990M, it is forecast that the borrowing limit will be exceeded in November 2025. Additional support or an increase in the debt limit is assumed in all three Cases to enable the Company to fund the completion of the projects. As noted above, this assumption may be impacted by the capital structure review being planned.*”

The assumptions as to the availability of additional funding to enable the meeting of projected indebtedness set out in the scenarios, have proven to be well founded.

Consistent with the Corporate Plan, TT Line wrote to TASCORP on 30 April 2025, requesting an increase in the the current borrowing limit from \$990m plus a \$45m working capital account (WCA) (total \$1,035m), to \$1,400m plus a \$45m WCA (total \$1,445m). That letter noted that such increase would be required to be supported by an increase in the guarantee provided by the Treasurer under section 15A of the Tasmanian Public Finance Corporation Act 1985. A copy of TT Line’s 30 April 2025 letter is attached. Also attached is a copy of a letter dated 30 April 2025 from TT Line to the Treasurer, which attached the company’s Corporate Plan.

To be clear, TT Line did not on 30 April 2025 incur new debt obligations (under finance facilities), nor has it done so subsequently. The increased facility limit referred to at B and C below has yet to be drawn upon.

B- 26 June 2025 letter from TASCORP

So as to avoid the need to suspend the capital works on Berth 3 and to buttress the company’s financial capacity, the TT-Line Board approved a recommendation to request an increase in the current TASCORP funding facility to \$1,400 million and a \$45 million



working capital account (total maximum borrowings \$1,445 million). The TASCORP Board has approved the requested increase on a temporary basis until 31 October 2026, subject to an increase in the maximum amount guaranteed by the State (the TASCORP letter dated 26 June 2025 is attached).

C- 26 July 2025 letter from the Treasurer

On 26 July 2025, the Treasurer and Deputy Premier provided the attached letter uplifting the guarantee of TT-Line's debt obligations to TASCORP to \$1,445 million (also attached is a copy of TT Line's 25 July 2025 letter to the Treasurer, which requested an uplifting of the guarantee). No expiry date was placed on the availability and duration of that guarantee. The condition TASCORP imposed for uplifting the facility limit to \$1,445 million has therefore been satisfied such that the increased facility is now available to TT-Line to draw on over the next 15 months.

The availability of support under the guarantee gives TT Line comfort that it can satisfy forecast liabilities to suppliers. As to the attendant increase in the loan obligation to TASCORP, it also gives TT Line comfort that it can, if needed, draw on the guarantee to ensure that the \$410M portion requiring to be repaid by 31 October 2026, is satisfied and the balance of the debt can be satisfied by the relevant maturity dates (whether from TT Line's own resources or by drawing on the guarantee). The position then is that it cannot be said that "*TT Line has taken on debt that, based on the current corporate plan, will not be able to be serviced and/or repaid.*"

We note that:

1. the sums available under the increased facility are yet to be drawn down but will be available to be drawn down over the next 15 months (i.e. the increased debt to TASCORP has not yet been incurred)- equally, the Board has options available to it to avoid or delay the incurrence of such increased indebtedness by way of suspending works on Berth 3;
2. the obtaining of this financial accommodation is being done in the context of where all of TT Line, TASCORP and the State see the increased loan facility as being a temporary measure until 31 October 2026 so as (in the words of TASCORP), "to provide TT Line with the immediate funding commitment it requires while allowing the government sufficient time to consider and approve any necessary equity injection to address the underlying concerns with TT Line's capital structure". Support for the likelihood of the prospect of an equity injection by the State is found in numerous public statements by the government and in the invitation in the Treasurer's letter to TT Line to provide details of the "potential requirements for government equity support". TT Line has yesterday written to the Treasurer setting out the company's strategy and approach to assessing its capital needs and its ongoing engagement with the State (being its shareholder) to quantify the amount and timing of the equity injection needed. A copy of TT Line's 28 July 2025 letter to the Treasurer is attached.

The current board has reasonable grounds to believe that such capital injection will be forthcoming, noting that:

- There is a commonality and harmony of interests as between its shareholder and lender (effectively, the State of Tasmania, as the enterprise is entirely state owned and state financed); this commonality of interest is exemplified by a Ministerial direction given to TT Line in June 2024 (copy attached), which shows that the government requires the company to deliver the project above all else, and illustrates the way Ministers see the alignment of the company and the public interest, and is further evidence which supports the directors having a



reasonable basis for believing that the government will support the company financially.

- The continued operation of the ferry service, and the enhancement of those services by the introduction of the Spirit of Tasmania IV and V and the availability of Berth 3, are critical infrastructure of the state for enabling trade, tourism and the state's economy generally.
- The ferry service is an essential service for Tasmania- it is considered a road under s3(d) of *The Roads and Jetties Act 1935*. This categorisation allows the ferry service to be treated as road infrastructure and be under the same governance umbrella as roads, including the continued maintenance, improvement and funding of the service. The continued provision of the service, by way of financial support, is not an elective for the Tasmanian government, but an imperative; this factor gives comfort to the company as to the prospect of a capital injection.
- Both the government and the Opposition have recognised the likely requirement for the State to inject new capital into TT Line. Attached are copies of extracts of hearings before the Public Accounts Committee on 27 March 2025 and 9 May 2025, where the prospect of an equity injection was discussed and which comprises contemporaneous evidence of the Minister's and TT Line's thinking about possible initiatives, which have now either come to fruition (increasing the debt facility supported by a government guarantee) or which will do so in the near term (a capital injection by the State).
- As to the timing of that capital injection, the government is in caretaker mode, but that is a relatively short-term timing issue only which is outside of the directors' direct control but noting that the Treasurer has said publicly that he discussed the TT-line debt guarantee with the Opposition as part of caretaker conventions.

Rationale and approach that has guided the company's taking on of increased debt and view as to its ability to repay that debt

Seeking and then obtaining the increase in the credit facility, and the guarantee obtained from the State to repay such debt, is one step in a process that has been agreed with all relevant financial stakeholders to improve the financial sustainability and address long standing issues inherited by the new board, while at the same time ensuring that the economic benefits to the state of the services TT Line provides are maintained.

At all relevant times, the Directors of TT-line:

- Have acted in accordance with a lawful direction by the shareholders to expedite the delivery of Berth 3 and bring Spirit of Tasmania IV and V into service at the earliest opportunity;
- Have forecasts which show that its debt can be paid back and have commissioned further work from independent experts to create opportunities for improving financial performance.
- Have taken steps to independently assess those short- and long-term forecasts;
- Have acted in accordance with a clear process developed in consultation with Treasury (the key government adviser) and TASCORP (the lender);
- Have agreed to be guided by TASCORP on the level of debt that is sustainable and related matters;
- Are acting in accordance with the decision of TASCORP on the debt;



- Acted in accordance with a process that has the knowledge and support of the shareholders (of both TT-line and TASCORP) and the debt guarantor (the Treasurer);
- Have a reasonable and ongoing expectation based on the evidence that the shareholders and debt guarantor will, if required, support measures to reduce the debt, including but not limited to an equity injection, sale of asset/s and/or restructuring of the business and its services if required;
- Have a reasonable expectation based on the evidence that it has time to effect any required change;
- Have structured the delivery contract for Berth 3 such that if at any point in time it believes it is necessary it could suspend the project and the net cash outflow;
- A range of restructuring options may be available to the company to decrease its indebtedness in the medium to long term, such as the sale and leaseback of Berth 3 (once completed) and/or the sale of other assets, such as the 2 currently operating ferries, once they have been replaced by Spirit of Tasmania IV and V and/ or seeking a CSO payment from government for some services. These and other restructuring options can be explored as part of the work being done by ourselves and KordaMentha.

The purpose of the increased line of credit is to complete Berth 3 (which the company is under a lawful direction from the shareholders to expedite) and get the ships into service as soon as possible. The shareholders have publicly endorsed the new budget for the Berth in the full knowledge that the company's debt limit would need to be increased and in fact always needed to be increased, even before this board adopted that new budget... . The purpose has strong public interest and is in the long-term financial interests of TT-line.

The increased line of credit is guaranteed by the shareholders, who are also the same shareholders of the lender. TT Line's modelling – which was provided to both the lender (TASCORP) and Shareholding ministers (in the Corporate Plan) shows that TT Line can repay the loan.

Directors' conduct is consistent with compliance with s588G

Taking into account the above matters, we say that the directors conduct is consistent with compliance with duties cast under s588G. Guidance as to the approach directors should take when dealing with constrained liquidity is given in the decision of *Hall v Poolman* (2007) 215 FLR 243. It was said there that to continue trading responsibly the directors must be able to form a view that it is objectively and reasonably likely that the necessary funds will be forthcoming to satisfy the company's debts and to meet all other financial obligations as and when they become due for payment. But this is to be viewed through a lens of commercial reality, and this is appropriate (and indeed necessary) having regard to the other duties of directors, including to act in the best interests of the company and exercise the necessary degree of skill and care. Indeed, courts have recognised¹ that in some circumstances of constrained liquidity, directors must display entrepreneurial flair and accept commercial risks to produce a sufficient return on capital invested, and that it is necessary to balance risk and reward.

So, s588G is not engaged on a purely balance sheet or immediate cash flow basis, and the obligations that directors have is to positively explore options, and not to panic and appoint administrators prematurely.

¹ *Ingot Capital Investments Pty Ltd v Macquarie Capital Markets Pty Ltd* (2007) 63 ACSR 1



We think it is manifestly the case that the company, when releasing the Corporate Plan on 30 April 2025 and on an ongoing basis, has not been trading insolvently and there was, and continues to be, a reasonable basis to believe that it can discharge its debts.

Unfortunately, the possible intervention of a s311 notice will occur in the midst of the company dealing with the above proposed initiatives and in circumstances which we say do not justify the issuance of such a notice.

We would welcome the opportunity to discuss the above with you.

Yours sincerely

Alan Mitchell
Partner
Herbert Smith Freehills Kramer
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alan.mitchell@hsfkramer.com

Herbert Smith Freehills Kramer LLP and its affiliated and subsidiary businesses and firms, Herbert Smith Freehills Kramer (US) LLP and its affiliate, and Herbert Smith Freehills Kramer, an Australian Partnership, are separate member firms of the international legal practice known as Herbert Smith Freehills Kramer. We practise in Australia through Herbert Smith Freehills Kramer, an Australian Partnership (ABN 98 773 882 646).

Attachment B – Animal Welfare Manual and Conditions of Carriage

1. Checks Conducted on Animals and Onboarding Procedures

- **Pre-boarding checks:**

- Animal Cage Declaration: Required for animals housed in cages on trailers or vehicles with trays. Must be signed by a registered veterinarian confirming adequate ventilation for up to 15 hours. Lodged at least 24 hours before sailing.
- Consignor's Declaration: For livestock (including horses), confirming animals are fit to travel, last watered within 12 hours, and that transport vehicles comply with ventilation and stalling requirements.
- Visual Inspections: Terminal Services staff inspect horse floats/trucks to ensure horses are individually stalled with fixed barriers and ventilation openings meet prescribed standards (minimum 0.4 m² per opening for floats; 0.5 m² per horse for larger vehicles).
- Compliance Check: Failure to meet these requirements results in refusal to board.

- **Onboarding procedures:**

- Animals must be accompanied by their owner or a responsible attendant.
- Pets (dogs, cats, small animals) are housed in Spirit of Tasmania kennels located on ventilated decks (G3 and G5). Kennels vary in size (approx. 700mm W x 800mm H x 900mm D) and are checked periodically during the voyage.
- Kennel areas have continuous ventilation systems exceeding SOLAS minimum standards (10 air changes/hour in transit; 20/hour during loading/unloading). TT-Line runs ventilation fans throughout the voyage, with only brief pauses during berthing.
- Fully enclosed horse transport vehicles must provide at least 12 air changes per hour mechanically.
- Passengers cannot access vehicle decks during transit except under strict conditions (e.g., veterinary certificate and Master's approval).

2. Procedures for Transport of Animals and Information Provided

- **Information to transporters:**

- Conditions of Carriage and Animal Welfare Manual outline:
 - Biosecurity requirements (e.g., dogs treated for hydatid tapeworm within 14 days).
 - Ventilation standards for vehicles and kennels.
 - Restrictions on feed/hay and species that cannot be carried.
 - Emergency contact details for on-call veterinarians (available 24/7 in Tasmania and Victoria).
- Transporters are advised that animals must be fit for a 12-hour unattended voyage and provided with water before boarding.

- **TT-Line staff responsibilities:**

- Conduct vehicle deck rounds during the voyage (visual and audible checks for distress).

- Provide fresh water for animals in kennels and monitor kennel areas.
- Escalate any welfare concerns to the Master and, if necessary, contact an on-call veterinarian.
- Ensure ventilation systems are operational and report any failures immediately.

- **Passenger obligations:**
 - Provide bedding for animals.
 - Complete all required declarations.
 - Collect animals promptly after disembarkation.

Attachment C – Sponsorship 2024/25

Organisation	Type	Event/Activity	Cash	Voucher	In-kind/Contra
North Melbourne Football Club	Sponsorship	Agreement – Approval to disclose is being sought	TBA	TBA	TBA
Tasmania JackJumpers NBL	Sponsorship	Agreement – Approval to disclose is being sought	TBA	TBA	TBA
Cancer Patients Foundation	Community Sponsorship	Look Good Feel Better Gala	-	\$1,000	-
Powerhouse Junior Rugby U14 Team	Community Sponsorship	Participation in the TRC Cup Tournament	-	\$500	-
Variety Tasmania	Community Sponsorship	Variety Chef's Event	-	\$1,000	-
Westbourne Grammar	Community Sponsorship	FoodBank	-	\$1,000	-
Game Fishing Club of Northern Tasmania	Community Sponsorship	Game Fishing Club of Northern Tasmania	-	\$500	-
Kooringal Golf Club	Community Sponsorship	Ladies Day	-	\$1,500	-
Tas Bike Collective	Community Sponsorship	Trivia Fundraiser	-	\$500	-
Kyla's Foundation	Community Sponsorship	Long Table Fundraiser	-	\$500	-
Kingsborough Helping Hands	Community Sponsorship	Annual Christmas Fundraiser	-	\$250	-
Love Your Sister	Community Sponsorship	Online Auction	-	\$500	-
UTAS	Community Sponsorship	Motorsport Team	-	\$3,000	-
Hockey Tasmania	Community Sponsorship	U12 Fundraiser	-	\$1,000	-
Sean Bell	Community Sponsorship	Starlight Foundation	-	-	\$2,000
Ride for Sids Fundraiser	Community Sponsorship	Ride for Sids Fundraiser	-	\$1,250	-
Skal Hobart	Community Sponsorship	Fundraising	-	\$1,750	-
Foodbank Tas	Community Sponsorship	Raffle	-	\$1,000	-
Punchbowl Primary	Community Sponsorship	Annual Fundraiser	-	\$500	-
Tas Police Charity	Community Sponsorship	Trust Ride	-	\$1,000	-
Hobart Golf Club	Community Sponsorship	21st Skal Charity Golf Day	-	\$1,500	-
Diamond Valley Football Club	Community Sponsorship	Fundraising	-	\$500	-
Warrandyte Cricket Club	Community Sponsorship	Pink Stumps	-	\$500	-
Riverside Olympic Football Club	Community Sponsorship	Mothers Day	-	\$500	-
Williamstown Cricket Club	Community Sponsorship	Ladies Lunch	-	\$500	-
Devonport Regatta	Community Sponsorship	Devonport Regatta	-	\$1,500	-

Organisation	Type	Event/Activity	Cash	Voucher	In-kind/Contra
Queen of Hearts	Community Sponsorship	Fundraising	-	-	\$1,726
Mental Wheels Foundation	Community Sponsorship	Ride Towards Resilience	-	-	\$592
Ulverstone Municipal Band	Community Sponsorship	Fundraising	-	-	\$1,582
Warragul Country Club	Community Sponsorship	Fundraising	-	-	\$1,472
TICT	Tourism and Events	Tasmanian Tourism Awards/Top Town/Conference -	\$90,000	-	-
WxNW	Tourism and Events	RTO Conference	\$10,000	-	-
Young Achiever Award	Tourism and Events	Award Sponsorship	\$10,000	-	-
Geelong Committee	Tourism and Events	International Women's Day	\$3,000	\$5,000	-
Devils Cardigan	Tourism and Events	Event winner	-	\$1,000	-
Devonport City Chamber of Commerce	Tourism and Events	Business conference	\$3,000	\$5,000	-
ProVelo Super League/Eudumania	Tourism and Events	Cycling Tour	-	\$10,000	\$4,765



**Legislative Council Select Committee
Government Businesses Scrutiny A**

11 December 2025

The Hon Kerry Vincent MLC
Minister for Infrastructure and Transport
Parliament House
HOBART 7000

Email: kerry.vincent@dpac.tas.gov.au

Dear Minister

QUESTIONS ON NOTICE

Thank you for your correspondence dated 8 December 2025 providing responses to questions taken on notice at the hearing in your capacity as Minister for Infrastructure and Transport responsible for TT-Line Company Pty Ltd on 24 November 2025.

The Committee considered the response and would appreciate the following clarification:

Question 3

Please clarify whether current management are not aware of previous management having a pre-existing contract for the sale or any pre-sale agreement for the current vessels and has a review of all company records been undertaken to confirm whether previous management had a pre-existing contract or pre-sale agreement for the current vessels.

Question 4

Will the International Marine pollution regulations prevent the **current vessels** (SPOT I and II) from being used in the European market after 2030.

Question 5

In relation to the artwork purchased for the new vessels, please provide the names of the 13 artists whose artworks were purchased.

Question 15

What exactly did the psychosocial risk assessment find. What controls did it identify that TT Line is currently working through.

Question 19

Please provide the sponsorship agreements with the Jack Jumpers and the North Melbourne Football Club.

Question 20

Please provide a copy of the Director's Declaration Register.

It would be appreciated if you would provide the requested information by no later than close of business on **Friday 19 December 2025**. If you have any questions regarding the above, please contact the Secretary, Jenny Mannerling on (03) 6212 2249 or via email jenny.mannerling@parliament.tas.gov.au

Yours sincerely

A handwritten signature in black ink, appearing to read "ffm" followed by "Forrest".

HON RUTH FORREST MLC
Chair

w. 03 6212 2249 e. jenny.mannerling@parliament.tas.gov.au

cc – tim.lovibond@dpac.tas.gov.au

Minister for Housing and Planning
Minister for Infrastructure and Transport
Minister for Local Government

Level 10, 15 Murray Street, HOBART TAS 7000 Australia
GPO Box 123 HOBART TAS 7001 Australia
Email: Minister.Vincent@dpac.tas.gov.au



Hon Ruth Forrest MLC
Chair, Government Business Scrutiny Select Committee A
Legislative Council
Parliament House, Hobart

c/- jenny.mannering@parliament.tas.gov.au

12 JAN 2026

Dear Chair

Please find enclosed with this letter a response from TT-Line Company Pty Ltd responding to your request for further clarification to questions taken on notice during the 2025 Government Business Scrutiny hearings.

Should you have any further questions, please contact my Chief of Staff, Tim Lovibond by email to tim.lovibond@dpac.tas.gov.au or phone on 0427 903 165.

Yours sincerely



Hon Kerry Vincent MLC
Minister for Infrastructure and Transport

Encl.

8 January 2026

Hon Kerry Vincent MLC
 Minister for Infrastructure and Transport
 Level 10, 15 Murray Street
 HOBART TAS 7000

Dear Minister

Questions on Notice - Legislative Council Government Businesses Scrutiny Committee

Please find below and attached the information in response to the request for further clarification from the Legislative Council Government Businesses Scrutiny Committee for TT-Line Company Pty Ltd.

No.	Question	Response
3	Was there a pre-existing contract for sale or any form of pre-sale agreement for the current vessels in 2021 or 2022?	Management is not aware of a pre-existing contract or formal pre-sale agreement for the current vessels (Spirit of Tasmania I and II) from 2021 or 2022.
	Clarification request Please clarify whether current management are not aware of previous management having a pre-existing contract for the sale or any pre-sale agreement for the current vessels and has a review of all company records been undertaken to confirm whether previous management had a pre-existing contract or pre-sale agreement for the current vessels.	Current management confirms it is not aware of any pre-existing contract or formal pre-sale agreement for the current vessels (Spirit of Tasmania I and II) from 2021 or 2022, including any arrangements entered into by previous management. A review of available company records and documentation has been undertaken, and no evidence has been found to suggest that previous management had a pre-existing contract or pre-sale agreement for the vessels.
4	Will the International Marine pollution regulations prevent the vessels from being used in the European market after 2030?	The International Maritime Organisation is the United Nations specialised agency with responsibility for the safety and security of shipping and the prevention of marine and atmospheric pollution by ships. Regulations will not automatically prohibit vessels from operating in the European market after 2030.
	Clarification request Will the International Marine pollution regulations prevent the current vessels (SPOT I and II) from being	The International Marine Pollution Regulations will not automatically prevent SPOT I and II from operating in the European market after 2030.

	used in the European market after 2030.	However, continued compliance will largely depend on how the vessels are operated and whether necessary operational modifications are implemented to maintain acceptable Carbon Intensity Indicator (CII) ratings.
5	Provide a breakdown of all Artwork purchased for new vessels by artist/geographic region of Tasmania.	<p>To date, original artwork has only been procured for Spirit of Tasmania IV.</p> <p>Handmark Gallery engaged 13 artists with the following geographic split:</p> <ul style="list-style-type: none"> - 1 x Midlands - 8 x Southern Tasmania - 2 x Northwest Tasmania - 2 x Northern Tasmania
	<p>Clarification request</p> <p>In relation to the artwork purchased for the new vessels, please provide the names of the 13 artists whose artworks were purchased.</p>	<p>Artists (multi-format)</p> <ol style="list-style-type: none"> 1. Folko Kooper – Mangalore 2. Jeewan Suwal – South Hobart 3. Luke Wagner – Sorell 4. Susan Simonini – Riana 5. Mandy Renard – Neika 6. Jonathan Partridge – Fern Tree 7. Justin McShane – Moonah 8. Melissa Smith – Newstead 9. Diane Allison – Kingston 10. Michael McWilliams – Breadalbane <p>Photographers</p> <ol style="list-style-type: none"> 11. Richard Leigh – Smithton 12. Luke O'Brien – Hobart 13. James Stone – Opossum Bay
15	Has the company undertaken a psychosocial risk assessment? If so, when and what did it find?	<p>TT-Line arranged for an external review of unlawful workplace behaviour and Respect@Work issues in 2024.</p> <p>Based on the findings, the review outlined five key recommendations:</p> <ol style="list-style-type: none"> 1. The implementation of induction training on unlawful workplace behaviour 2. Undertaking a psychosocial safety risk assessment 3. Review of training/onboarding requirements for contractors 4. Ongoing/refresher training and smaller group training sessions 5. Review and update of relevant policies <p>All actions have since been closed out, including the establishment of a</p>

		<p>psychosocial safety risk assessment, which was undertaken in early 2025 in consultation with the workforce. The risk assessment was based on the WorkSafe psychosocial hazards and identified some controls which TT-Line is continuing to work through.</p>
	<p>Clarification request</p> <p>What exactly did the psychosocial risk assessment find? What controls did it identify that TT Line is currently working through?</p>	<p>The review found that TT-Line:</p> <ul style="list-style-type: none"> Provides Appropriate Workplace Behaviour (AWB) training to employees and keeps written records of such training Has policies addressing AWB, including sexual harassment and also complaint/grievance processes Keeps a breach register which provides a record of breaches of company policy, including breaches of TT-Line's AWB Policy, along with the outcome and any remedial action taken. <p>The gaps identified in the review were:</p> <ul style="list-style-type: none"> A lack of focus on psychosocial safety and training dealing with Respect@Work issues at the induction stage A culture of 'what happens on board stays on board', meaning that issues relating to unlawful workplace behaviour are likely to be underreported Most current measures taken by TT-Line in response to unlawful workplace behaviour are reactive as opposed to proactive. <p>The subsequent psychosocial safety risk assessment identified a total of 52 controls to mitigate the WorkSafe Hazards, of which 22 have been implemented, 19 are in progress, and 11 will be progressed 2026.</p> <p>Controls have focused on improving:</p> <ul style="list-style-type: none"> Workplace relationships Employee recognition and reward Role clarity, job control and workload management Employee support Organisational change management Remote and isolated work Violent or traumatic events.
19	<p>Please provide a breakdown of TT-Line's sponsorship budget and the amount of sponsorship provided to each organisation, event and activity.</p>	<p>TT-Line requires the other party's prior written consent to disclose the value of major sponsorships, pursuant to contractual obligations. To this end, TT-Line is now seeking appropriate approvals to disclose.</p>

		Attachment C – Other Sponsorship 2024/25
	<p>Clarification request</p> <p>Please provide the sponsorship agreements with the Jack Jumpers and the North Melbourne Football Club.</p>	<p>We approached the Tasmania JackJumpers and the North Melbourne Football Club to seek their consent to disclose the details of these agreements.</p> <p>However, both parties have declined our request, citing confidentiality and commercial sensitivity provisions contained within the agreements.</p>
20	<p>Please provide detail on any conflicts of interest registered by Board Members in relation to consultancies.</p>	<p>Rare Innovation Pty Ltd are providing concept and design services for the Terminal 3 development. In 2024/25, this amount paid for these services was \$362,000.</p> <p>Rare Innovation Pty Ltd is a minority shareholder in Rare Earth CMT Laboratories Pty Ltd.</p> <p>Director Chris Oldfield is Chair of Sonic Civil Investments Pty Ltd. Sonic Civil Investments Pty Ltd is a minority shareholder in Rare Earth CMT Laboratories Pty Ltd. This is noted in the Directors' Declaration Register. Mr Oldfield was not part of the approval for the engagement of Rare Innovation Pty Ltd.</p>
	<p>Clarification request</p> <p>Please provide a copy of the Director's Declaration Register.</p>	<p>Please find attached the Director's Declaration Register (Attachment A).</p>

Should you require any further information, please do not hesitate to contact me.

Yours sincerely



Ken Kanofski
Chair

Attachment A – TT-Line Company Pty Ltd Director’s Declaration Register

DIRECTOR DECLARATION REGISTER – AS AT DECEMBER 2025

REGISTER OF INTERESTS			
Director	Date Advised	Date Ceased	Interest
James Atkins	11-Feb-25 11-Feb-25 11-Feb-25 11-Feb-25 11-Feb-25 11-Feb-25 11-Feb-25	23-Apr-25 25-Sep-25	NED – Melbourne Water NED – BIG4 Holiday Parks (to cease 10-Apr-25) NED – Connective group Chair – Good360 (advised Chair role 25-Sep-25) Advisory Board Member – Osticare Pty Ltd Advisory Board Member – AirSeed Technology Pty Ltd Principal – Vantage Strategy
Jane Bennett	03-Mar-25 03-Mar-25 03-Mar-25 03-Mar-25 03-Mar-25 03-Mar-25 19-May-25	25-Sep-25	Chair – Haas Investments trading as Hop Products Australia NED – Grain Growers Ltd NED – Forestry Tasmania trading as Sustainable Timber Tasmania Chair – Nuffield Australia Ltd NED – Tasmanian Agrifood Network Ltd Chair – Heart Foundation Tasmanian Advisory Board Director – Nuffield International
Steve Gilmore	04-Mar-25 25-Sep-25	23-Apr-25	Tasmanian Defence Advocate – Department of State Growth, Tasmania Advisor to Pivot Marine only on defence matters

DIRECTOR DECLARATION REGISTER – AS AT DECEMBER 2025

REGISTER OF INTERESTS			
Director	Date Advised	Date Ceased	Interest
Ken Kanofski			<p>NED – Western Sydney Airport</p> <p>Chair – Sydney Olympic Park Authority</p> <p>Chair – Placemaking NSW</p> <p>Chair – Tellus Holdings and associated entities</p> <p>11-Feb-25 25-Sep-25 NED – Jerrara Power Pty Ltd</p> <p>11-Feb-25 17-Feb-25 Independent member, Audit & Risk Committee – ATSB</p> <p>11-Feb-25 Commissioner – NSW Independent Planning Commission</p> <p>17-Feb-25 Principal – Ken Kanofski Advisory</p> <p>25-Sep-25 NED – Jerrara Holdings Pty Ltd</p>
Chris Oldfield	<p>13-Feb-25</p> <p>13-Feb-25</p> <p>13-Feb-25</p> <p>13-Feb-25</p> <p>13-Feb-25</p>		<p>Consultant – Kidder Williams Ltd</p> <p>NED – Macquarie Point Development Corporation (& member of Audit Committee)</p> <p>Chair – Sonic Civil Investments (SCI) (& member of Remuneration Committee) <ul style="list-style-type: none"> SCI has a 25% minority holding in RARE Earth. RARE Engineering is also a minority shareholder in RARE Earth. RARE are providing design services for the Terminal 3 Project. Harding's Group is a wholly owned subsidiary of SCI and is supplying some asphalting services to T3 contractor BMD. </p> <p>Chair – PFG Group (private company - owns SeaMaster)</p> <p>Chair – Sentinel Boats (subsidiary of PFG Group)</p>

DIRECTOR DECLARATION REGISTER – AS AT DECEMBER 2025

REGISTER OF INTERESTS			
<i>Director</i>	<i>Date Advised</i>	<i>Date Ceased</i>	<i>Interest</i>
Jill Rossouw	11-Feb-25 11-Feb-25 27-Mar-25 10-Apr-25	April-25	ED Infrastructure – IFM Investors Pty Ltd Chair – High Speed Rail Authority NED – Australian Rail Track Corporation Limited NED - Marinus Link Pty Ltd

APPENDIX C – TABLED DOCUMENTS



Tasmania (Head Office)
Esplanade (PO Box 168E)
East Devonport Tasmania 7310

Victoria
Spirit of Tasmania Quay
136 Corio Quay Road (PO Box 242)
North Geelong Victoria 3215

Reservations
spiritoftasmania.com.au
Tel: 13 20 10

TT-Line Company Pty Ltd
ABN 39 061 996 174

13 November 2025

Hon Eric Abetz MP
Treasurer
Level 10, 15 Murray Street
HOBART TAS 7000

Hon Kerry Vincent MLC
Minister for Infrastructure and Transport
Level 1, 7-9 Franklin Wharf
HOBART TAS 7000

Dear Shareholder Ministers

Thank you for your letter of 7 November in which you express support for the Government for:

- The work being undertaken by the Board to turn around the TT-Line business
- The ongoing essential service that the company provides
- The provision of long-term financial support if necessary.

I want to give you an update on the board's ongoing activities.

The new Board has inherited a very challenging set of circumstances. In a short 10 months since its appointment, it has:

- Brought the troubled Berth 3 project under control and is on track to deliver the project and have the new Spirit vessels operating by October 2026, within the revised budget that the board developed and announced.
- Appointed a new CEO and made substantial changes in executive function within the business.
- Worked hard to restore relationships with the Tourism and Freight sectors
- Addressed short- and medium-term financial challenges that were critical to the survival of the business
- Commissioned a root and branch review of all aspects of the business operation, which we expect will deliver improvements over the coming months and years.



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- Commenced preparation for the entry into service of Spirits IV and V.
- Developed a strong working relationship with TasPorts
- Continued the safe operation of Spirits I and II, which carry an average of 8,000 passengers with their vehicles and essential freight across the Bass Straight every week.

The board has been mindful of the shareholder direction of June 2024 to take all steps to complete Devonport Berth 3 and bring the vessels into operations as soon as practical.

It is the role of the company's Directors to determine whether the company is solvent. All members of the board are experienced company directors. We have considered the issue of solvency and believe that TT-line has remained solvent at all times.

The future is never guaranteed; however, the board has addressed the short- and medium-term financial challenges it has inherited and has confidence that it can work with the Government to advance options for a long-term sustainable financial solution. The Governments' strong statements of support are an essential part of the Board's consideration of solvency.

In developing the options, TT-line is considering:

- The essential nature of the service it provides
- The co-incidence of interest between the government's role as shareholder, debt holder and debt guarantor
- The broad discretion available to the Treasurer if the debt guarantee is called.
- The Government's strong support of the business.

The board, of course, has obtained specialist advice. This advice is privileged and confidential. Briefings have been provided to Shareholder Ministers based on confidentiality, so as not to prejudice the position of the Company and its Directors.

The new board and management have been working hard with specialist independent advisers to provide robust options for the Government to consider. We expect that these options will be available over the next two months.



Tasmania (Head Office)

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East Devonport Tasmania 7310

Victoria

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spiritoftasmania.com.au
Tel: 13 20 10

TT-Line Company Pty Ltd
ABN 39 061 996 174

We look forward to your continued support of the company and the essential service that it provides.

Yours sincerely,

A handwritten signature in black ink, appearing to read "K K".

Ken Kanofski

Chair



Martin Thompson
Auditor-General
Tasmanian Audit Office
Level 2, 144 Macquarie Street
Hobart, TAS 7000

24 November 2025
Matter 82801230
By Email

Dear Mr Thompson

TT-Line Company Pty. Ltd. - Auditor-General's report on the financial statements of State entities (Volume 2)

We act for TT-Line Company Pty. Ltd. (TT-Line).

We refer to:

- Volume 2 of the Auditor-General's report on the financial statements of State entities dated 10 November 2025 (Report); and
- your appearance at the Tasmanian Legislative Council Estimates Committee A on Monday, 17 November 2025 (Estimates Committee).

In the Report, you expressed the opinion that TT-Line was likely to be able to meet its debts as and when they fall due for the forthcoming 12 month period to August 2026, but that you had reasonable grounds to suspect it would not be able to meet its longer term debts that fall due after this time. On this basis, you opined that TT-Line was insolvent as at 19 August 2025. Subsequently, during your attendance at the Estimates Committee, you said that you formally formed the view that TT-Line was insolvent on 11 July 2025.¹

For the reasons set out in this letter, we consider these opinions expressed in the Report and at the Estimates Committee to be incorrect.

Treatment of long-term debt

On pages 47-48 of the Report you made the following statements:

'During the conduct of my audit, I formed the opinion that TT-Line, was likely to be able to meet its debts as and when they fall due, across the relevant period to August 2026. Concurrently, I developed reasonable grounds to suspect that the company would not be able to meet its longer-term debts that fall due after the relevant period. I issued my audit report on the financial statements of TT-Line on 19 August 2025, at that date it was my opinion that TT-Line was insolvent, in that it had incurred debt that it did not have the ability to repay. My audit responsibilities are to form an opinion on the financial statements, not maintain ongoing oversight, as such this matter will be reviewed again when conducting our audit activities in relation to the 2025-26 financial reporting period.'

First, it is well established that the period of 12 months forward from the "snapshot date" is generally the appropriate period of assessment of a company's ability to pay debt as and when it becomes due and payable, and therefore the usual period to be applied when assessing its solvency.² That legal principle, correctly applied, ought to have led

¹ Parliament of Tasmania, Legislative Council Estimates Committee A Transcript, 17 November 2025, page 107.

² *The Bell Group Ltd (in liq) v Westpac Banking Corp (No 9)* (2008) 39 WAR 1.



you to a conclusion of solvency as at mid-August 2025. Rather, you were led into error by elevating uncertainty as to the company's ability to pay debts maturing after that 12-month period, as being tantamount to a seemingly known inability to do so as existing as at mid-August 2025. In effect, the statements you make in the Report are a prediction of the prospect of inability to pay a future debt when it becomes payable rather than a soundly based application of the relevant principles when assessing solvency in the relevant period.

Secondly, your conclusions as to solvency in the Report fail to account for the approach to be taken to long-term debts when assessing solvency in *Anchorage Capital Master Offshore Ltd v Sparkes [2023] NSWCA 88 (Anchorage)*.

In *Anchorage*, the New South Wales Court of Appeal endorsed the principle of differing degrees of certainty for short-term debts as compared to long-term debts when assessing solvency. Specifically, a distinction is drawn between 'present insolvency' and 'prediction of the prospect of inability to pay a future debt when it becomes payable', with the correct question being whether 'at the date of alleged insolvency, it can be said that the company is already in a state of inability to pay those debts when they fall due'.³ It was held that, generally speaking, the longer the period to elapse before a debt becomes due, and the greater the potential for intervening events to impact the company's ability to pay it, the less sound a basis it will provide for a conclusion of present insolvency.⁴

Anchorage makes clear that, before drawing a conclusion of insolvency based on long-term liabilities, a high degree of assuredness or probability that the company would be unable to repay them when they fall due is required. The judgment has the practical effect of diminishing the relevance of long-term future debt in assessing the solvency of financially challenged companies.

The Court of Appeal's approach in *Anchorage*⁵ to the treatment of long-term debt when assessing solvency has been followed in several cases⁶ and no court has questioned the correctness of its approach to that issue.

Considering the principles emerging from the *Anchorage* decision, your conclusions that TT Line was insolvent as at 11 July 2025 and 19 August 2025 are misconceived given that:

- the relevant period for the Report is the 12 months to August 2026 (**Relevant Period**);
- you formed the opinion as expressed on page 47 of the Report that TT-Line was likely to be able to meet its debts as and when they fall due across the Relevant Period, which satisfies the cash flow test for solvency,⁷ which ought to have led you to a conclusion that the company was solvent;
- as stated on page 48 of the Report, your audit responsibilities are to form an opinion on the financial statements, not to maintain ongoing oversight, and as such you will review TT-Line's financial statements again in the 2025-6 financial reporting period;

³ *Anchorage*, [245].

⁴ *Anchorage*, [246].

⁵ We note that the High Court refused an application for special leave to appeal the NSW Court of Appeal's decision in *Anchorage*.

⁶ See *Re IOUpay Ltd ACN 091 192 871 (Admins Apptd)* [2023] NSWSC 568; *Re Keybridge Capital Ltd (No 2)* [2025] NSWSC 354

⁷ Corporations Act 2001 (Cth) s 95A; *Wild K9 Pty Ltd (in liq) v Thompson* [2025] VSC 178, [75] citing *Crema Pty Ltd v Land Mark Property Developments Pty Ltd* (2006) 58 ACSR 631, 651-2.



- TT-Line is currently working with its specialist advisers to develop and implement strategies targeting financial sustainability, including having obtained an increase of \$410 million to its borrowing limit (the obligation to repay which is guaranteed by the Tasmanian Government) and an equity contribution of \$74.5 million from the Tasmanian Government. In addition, members of the Tasmanian government have provided assurances of the government's support of TT-Line's ability to continue to pay its long-term debts; this includes the Treasurer, who said at the Estimates Committee that 'no government irrespective of its hue would allow [TT-Line] to fail'.⁸ There are multiple strands to the plans being developed, which address the need for more capital, debt extension, asset realisation and operational improvement. The measures are being proactively advanced, with an intended path of being able to restructure the company and put it on a sustainable operational foundation; and
- these strategies will inform your review of TT-Line's financial statements in August next year in respect of your audit of the 2025-6 reporting period, which is the period after which part of TT-Line's long-term debt is currently scheduled to begin to fall due.

Consideration of all the circumstances

In addition to the wrong treatment of long-term debt when assessing the company's solvency, your opinions expressed in the Report and at the Estimates Committee do not take into account all circumstances relevant to an assessment of solvency.

Specifically, whether a company is insolvent is a question of fact taking into account the company's financial position as a whole, which includes consideration of 'commercial realities' such as the nature of the company's assets and liabilities, cash, the money it could realise by sale or on security of its assets and the ability to obtain financial assistance.⁹

Statements you made during the Estimates Committee indicate that you have not taken opportunities to inform yourself as to TT-Line's financial position as a whole, including:

- your statement that you identified 'financial viability challenges' in January 2025. We are instructed that to the current board and senior management's knowledge, your suggested concerns were not communicated to anyone within TT-Line management or the board;¹⁰
- your statement that you met with TT-Line management on 28 May 2025 to discuss 'significant concerns' about the viability of TT-Line's corporate plan. We are instructed this conference was in fact a meet-and-greet with the new CEO (which he initiated) at which, when the CEO offered you an opportunity to raise any concerns as to TT-Line's financial position prior to year-end, no concerns were raised by you;¹¹ and
- your opinion that you are not aware of anything occurring that has made or will make TT-Line solvent again. We are instructed that since completion of your audit on 19 August, you would simply not know what initiatives have been pursued by the company since that time to restructure its financial position. This is unsurprising given that your audit role does not require you to monitor the

⁸ Parliament of Tasmania, Legislative Council Estimates Committee A Transcript, 17 November 2025, page 27.

⁹ *Bentley Smythe Pty Ltd v Anton Fabrications (NSW) Pty Ltd* (2011) 248 FLR 384, [47], citing *Southern Cross Interiors Pty Ltd (in liq) v DCT* (2001) 53 NSWLR 213, [224]-[225]; *Bell Group Ltd (in liq) v Westpac Banking Corporation (No 9)* (2008) 70 ACSR 1, [1087]-[1090].

¹⁰ Parliament of Tasmania, Legislative Council Estimates Committee A Transcript, 17 November 2025, page 106.

¹¹ *Ibid*, page 107.



company during the Relevant Period. However, to reference your comments in the present tense when you are not privy to what the company is currently doing, is simply misconceived.¹²

For the reasons set out above, we consider that your assessment of TT-Line's solvency is misconceived in suggesting that TT-Line was insolvent as at 11 July 2025, 19 August 2025 or is presently so. Whilst being respectful of your role and responsibilities, the commentary you are making about the company is causing real harm to the company and its stakeholders, being its shareholders, employees, suppliers, and customers.

Yours sincerely

Alan Mitchell

Partner

Herbert Smith Freehills Kramer

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alan.mitchell@hsfkramer.com

Herbert Smith Freehills Kramer LLP and its affiliated and subsidiary businesses and firms, Herbert Smith Freehills Kramer (US) LLP and its affiliate, and Herbert Smith Freehills Kramer, an Australian Partnership, are separate member firms of the international legal practice known as Herbert Smith Freehills Kramer. We practise in Australia through Herbert Smith Freehills Kramer, an Australian Partnership (ABN 98 773 882 646).

¹² Ibid, page 108.

APPENDIX D – TRANSCRIPTS OF PROCEEDINGS



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE A

TT-Line Company Pty Ltd

Monday 24 November 2025

MEMBERS

Hon Ruth Forrest MLC (Chair)
Hon Sarah Lovell MLC (Deputy Chair)
Hon Dean Harriss MLC
Hon Cassy O'Connor MLC; and
Hon Bec Thomas MLC

OTHER PARTICIPATING MEMBERS

WITNESSES IN ATTENDANCE

Mr Kerry Vincent MLC, Minister for Infrastructure and Transport

TT-Line

Chris Carbone
CEO

Ken Kanofski
Chair

PUBLIC

THE LEGISLATIVE COUNCIL GOVERNMENT BUSINESS SCRUTINY COMMITTEE A MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE HOBART ON MONDAY, 24 NOVEMBER 2025.

The committee met at 9.00 a.m.

TT-Line

CHAIR (Ms Forrest) - Thanks, minister and the team from TT-Line for appearing before the Government Business Scrutiny Committee. If you would like to introduce the members of your team at the table and I invite you to make a short opening statement if you wish, and if the chair has a statement as well - does he? Yes. Then we will go to questions. Thanks.

Mr VINCENT - Thank you, Chair. To my right, I have my chief of staff, Tim Lovibond; to my left, chairman of the TT-Line Board, Ken Kanofski; and the CEO, Chris Carbone. Thank you, Chair.

CHAIR - Thank you.

Mr VINCENT - In my opening statement, no one can deny the *Spirit of Tasmania* vessel replacement and berth project has been significantly difficult; even that comment feels like an understatement. The situation the government found itself in was deeply regrettable, no one is disputing that; but we said all along we would sort the *Spirits* and back the state's critically-important tourism industry, which is so important for the broader Tasmanian economy.

I'd like to commend the diligent work of the TT-Line chair, Ken Kanofski, and CEO, Chris Carbone, in their short time with the company. I'd like to acknowledge the hard work of the TT-Line Board, which was appointed in December last year. It is also important to reflect the ongoing commitment of all *Spirit of Tasmania* staff and crew, who have faced criticism about the numerous delays the projects have experienced. I've visited the berth 3 site numerous times now and I've dropped into see staff in Devonport twice as well. A few weeks ago, I joined Chris on board one of the ships in Devonport to chat with the crew and staff. Their passion and commitment to the company was very clear. They're the best in the business, but they're feeling the frustration of the situation TT-Line has put them in. Thankfully, the end is in sight.

As we know, after the meticulous work of all the people I have just mentioned, berth 3 is progressing well and is on track for completion in October 2026. *Spirit of Tasmania IV* is in Australia, and the *Spirit of Tasmania V* will travel to Tasmania for the first time next year. Of course, there is more work to do, and the government and TT-Line are in lockstep about what it looks like to get the new vessels commencing their operations on Bass Strait in October, now just 11 months away.

The ships have been designed to deliver an exceptional sailing experience with increased comfort. There will be more cabins, more recliners, including new business-class recliners, and an upgraded onboard experience with expanded catering outlets, dining and passenger lounges. Those many Tasmanians, and I hope some of this committee, who toured the *Spirit of Tasmania IV* when she was in Hobart, will have seen that for yourselves.

PUBLIC

The vessels are specially designed and built for Bass Strait conditions in mind. They feature an enhanced hull design, and large stabiliser fins will ensure optimal passenger comfort while travelling the 242-kilometre voyage on Bass Strait between Devonport and Geelong. When people first step on board, the interiors will provide visitors to the state with a taste of what to expect before they arrive.

I'm not saying there aren't still challenges ahead, but I'm pleased to be working with Ken, Chris and their teams to ensure we stay on track and the failures of the past not be repeated. I'd like now, Chair, to pass to Ken to make a few introductory remarks. Thank you.

Mr KANOFSKI - Thanks, minister. The *Spirit of Tasmania* is an important and iconic ferry service as part of the National Highway. It provides a vital public service and enables a substantial contribution to the state's economy by tourism and by parts of the agricultural sector.

The new directors and management of TT-Line have inherited a very challenging set of circumstances. The renewal of the entire capital base of the business, being two ships and two ferries over a three-to-four-year period, would put a financial strain on any business. Imagine if TasNetworks decided to renew all its poles and wires over a three-to-four-year period; or Metro replaced all its buses over three-to-four-year period; or TasRail replaced all its rolling stock and tracks over a three-to-four-year period. Add to this the well-documented cost overruns and delays that we've inherited, and the financial challenges are many and various.

The new board has been addressing the financial challenges it has inherited in a structured and rigorous manner. The board has, in a short 11 months since its appointment, bought the troubled berth 3 project under control and is on track to deliver the project and have the new vessels operating by October 2026 within the revised budget that the board developed and announced. We've appointed a new CEO and made substantial changes in executive function within the business. We've worked hard to restore relationships with the tourism and freight sectors. We've addressed short and medium financial challenges that were critical to the survival of the business.

We've made substantial progress on options for the government to consider that will ensure the long-term sustainability of the business. We've commissioned a root-and-branch review of all aspects of the business operation, which we expect will deliver improvements over coming months and years. We've commenced preparation for the entry into service of the new *Spirit* vessels. We've developed a strong working relationship with TasPorts, and we've made changes to management and practices and policies that were not contemporary and did not meet community expectations.

The board is expecting to present long-term options for financial sustainability to the government in January 2026. Those options will be prudent plans that aim to provide value for money for the people of Tasmania. We expect that our plans will be scrutinised by the Department of Treasury and Finance and the Department of State Growth. We expect that once agreement is reached, the agreed plan will be incorporated into our new corporate plan, and we will be held accountable for the delivery of that plan. We're excited and optimistic about the future. While there are still risks, we are on track to get the new vessels into service in October 2026. We are confident a long-term, financially-sustainable plan will be agreed with the government and Tasmanians will be able to put this whole saga behind them.

PUBLIC

CHAIR - Thanks, Ken. I do want to start with a matter of company solvency, which I'm sure is no surprise. I appreciate the commentary you've provided around working toward a new plan to inform your corporate plan; as you said, that will be provided to government in January.

Mr KANOFSKI - Yes.

CHAIR - Okay, so there is still a period of time before that. My first question is, and this is to the company, minister. I asked you about this last week: how did the directors satisfy themselves, as per the directors' declaration, that the financial forecasts presented to them were sufficiently robust and reliable to conclude that TT-Line was not insolvent at the relevant times?

Mr KANOFSKI - We take the matter very seriously. We've got company directors' duties, and we take them very seriously. We've taken specialist advice from some of the leading experts in the country. People can form a view and have a view, but in the end the directors need to be accountable and decide whether the company's solvent.

Solvency is not determined by an accounting formula. It is determined by careful consideration of all the facts, consideration of all the circumstances, directors making reasonable, evidence-based judgments about the future, and the correct application of the law to those facts and judgment. As noted in ASIC regulatory guidance note 217, paragraph 26, and I'm paraphrasing: whether a company is insolvent involves a consideration of complex legal and accounting issues, and that directors should consider obtaining advice from appropriately-qualified professional advisers. It is not plain and simple. That is why you need specialist advice.

We live in a real commercial world where directors' expectations about the future do not need to be in the form of binding commitments. If this was the yardstick to be used, any company that's looking to refinance its debt or raise equity in the future would be insolvent. This would be thousands, maybe tens of thousands, of companies every year. Clearly this would be an absurd interpretation of the law.

As noted in ASIC regulatory guideline 217, paragraph 23, and again, I'm paraphrasing: it may be relevant to consider the company's assets and liabilities as a whole, the ability to defer debt, and whether additional money can be realistically raised in a timely manner.

The directors have and continue to draw on expert external advice when drawing their conclusion. So in inheriting the process, we have looked very carefully at the financial forecast of the business. We're redoing the financial forecast of the business because we wanted to have a first-principles review of those. That is currently underway - but importantly, that work has been completed for the next couple of years, and we now have a robust set of forecasts for the next couple of years - and those forecasts, in the view of the board and of our external advisers, demonstrate that the business is solvent.

We've been following a structured process to deal with the financial challenges, and this is important. We had to deal with the short-term cashflow issue, which is why we got the debt ceiling raised; that had to be dealt with. We got an increase in our borrowing limit that was guaranteed by the Treasurer. The second step was to look to the medium-term cashflow and, as I said, that's why we concentrated - our external advice concentrated on that medium-term in the first instance before turning its mind to the long-term.

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Having reviewed the medium-term forecasts and now having a confident base from which to work for the next couple of years, we requested that the government inject \$100 million-worth of equity into the business. We requested that the debt maturity date of our debt in October 2026 be moved forward. We would like it to move backwards, I should say. We would like it to be moved backwards until October 2028 to allow reasonable time for the long-term plan to be implemented, but what we've said is we want it to be at least for one year. We're working with TASCORP on that debt extension. The Treasurer has indicated that he will support that extension with the required Treasurer's guarantee. So we dealt with the short-term.

We're in the process of dealing with the medium-term. We've got forecasts that we can rely on for the medium-term. We are still compiling our long-term forecasts, and when we've compiled those long-term forecasts, then we will develop and present options to the government to consider. Those long-term forecasts - forecasting a future of TT-Line is complex. It involves assumptions about growth, market share in both tourism and freight, assumptions about operating arrangements, fuel prices, business improvements, and many other factors where small changes in assumptions can lead to large changes in outcomes; bearing in mind we're dealing with vessels here that have a 40-year life and infrastructure that has at least a 50-year life.

The board is confident that we will be able to reach agreement with the government on a long-term, financially sustainable plan, and that the government will provide financial support if necessary. The government has made that clear. We're confident that we can develop a long-term, financially sustainable plan. We're confident that we have time to deliver that plan. That is the essence of the assessment that the directors have made.

CHAIR - Okay. I'm going to come back to some of those points. There's a lot of information there, but I will come to those because of some of the future stuff.

I want to go back to talk about when you signed off on last year's annual financial reports. Can you outline the specific processes, assumptions and sources of information that the board relied upon to ensure that the forecast you were using at the time, which was the then-corporate plan which has since been withdrawn, could be relied upon to ensure that forecasts accurately reflected TT-Line's financial position, and its ability to meet its debts as and when they fell due?

Mr KANOFSKI - As the audit developed, we were already in the process of developing our review of the financial forecasting. As I said, the relevant period for a going concern - and, in fact, the relevant period for solvency - is a 12-month look-ahead. It's a well-established legal principle. That is the law. That is how the law gets interpreted -

CHAIR - My understanding was the going concern had a 12-month horizon - solvency had a longer horizon. I'm not going to argue points of law across the table because I'm not a lawyer. That's my understanding from my research.

Mr KANOFSKI - It might be helpful, Chair, if I table a letter from our lawyers to the Auditor-General -

CHAIR - Sure. If you're happy to do that.

Mr KANOFSKI - which outlines our relevant concerns about the assessment.

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Ms O'CONNOR - Was that letter following his referral?

Mr KANOFSKI - It was the letter following his evidence last week.

Ms O'CONNOR - Okay.

Mr KANOFSKI - It's dated today's date. If I could quote some things from that letter:

It is well established that a period of 12 months forward is the snapshot date that is generally appropriate period of assessment of a company's ability to pay its debt as and when it becomes due and payable. It is therefore the usual period to be applied when assessing its solvency. The legal principle correctly applied or to have led you to a conclusion of solvency as at mid-August 2025.

There's a range of case law which is outlined in the letter; in particular, 2023 New South Wales Court of Appeal case in Anchorage, where the practical effect of the Court of Appeals finding is that there's different standards of proof for consideration of long- and short-term debt. Anchorage makes it clear that:

Before drawing a conclusion of insolvency based on long-term liabilities, a high degree of assuredness or probability that the company would be unable to pay them when they fall due as required. The judgment has the practical effect of diminishing the relevance of long-term future debt in assessing solvency of financially challenged companies.

I won't go through the whole letter, obviously.

CHAIR - I appreciate you providing a copy of that to me.

Mr KANOFSKI - The other relevant factor here is that, when you assess solvency, the primary test is a cash-flow test.

CHAIR - You did tell us in a previous hearing - I think it was PAC, we've had a few - that you had effectively run out of cash.

Mr KANOFSKI - No, we didn't effectively run out of cash. We needed an increase in our borrowing limit - many companies take on increased debt. That increase in the borrowing limit has been known that this would be needed for probably two years, maybe even longer. We haven't gone back to find the exact date when it was clear that additional borrowings would be required. We got those additional borrowings in July. So, the position as at the balance date and as at the audit date in August, was very, very clear: we could pay our debts as and when they fall due within the relevant snapshot period and then when developing plans to pay our debts as and when they fall due beyond that period. Correctly applied, that is the test of solvency.

CHAIR - Can I ask then, does the existence of a third-party guarantee - from the government in this case, or TASCORP on behalf of the government - mean that TT-Line will always satisfy the solvency test, or are there limitations to this approach under Australian law and practice?

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Mr KANOFSKI - I'm not a lawyer either, Chair, but what I would say is this: this is an unusual set of circumstances for the application of insolvency law because the government, relevantly, is the shareholder, is the debt holder and is the debt guarantor. So, if you actually work through the principles of this, certainly, it's legally possible for the company to become insolvent. However, it's highly unlikely, because when you consider those three roles that the government holds, if the debt guarantee is exercised by TASCORP, the Treasurer pays the money to TASCORP, TASCORP is kept whole, TT-Line then owes the money to the Treasurer; the Treasurer has broad discretion then as to how to deal with that debt. Only if the Treasurer decides to enforce that debt against the company, would you become insolvent in those circumstances.

That would seem to be highly unlikely, in my view, that the Treasurer, who is also a shareholder would do that. It is legally possible, but the board's assessment is that that's highly unlikely because - just think about this -

CHAIR - Yes, the optics would be extraordinary, but I just want to say -

Mr KANOFSKI - Can I just finish, one second, just think about it. In those circumstances the government would still have all the debt because it's guaranteed it, so the government's got all the debt. But if it let the company fail, it would lose control of the assets and the services it provides. It would be perverse. It would be absolutely perverse.

CHAIR - The point is here though, Ken - and this is not a matter for you; this is for the Treasurer who's not at this table - but there is no obvious provision in the Budget beyond the \$75 million and the extension to 2027 of your borrowing limit, your borrowing repayments, that clearly show a pathway out of insolvency.

Mr KANOFSKI - As you say, I can't comment on the Budget. What I can say is that we will be presenting a range of options to the government in January 2026, and the government has said it will consider those options. What I can say is that - when you consider the situation as a whole then the circumstances in which the company could become insolvent appear so remote as to be absurd. What I can also say is that we have advice from external experts who do this all day, every day. This is what they do for a living. Their view is we are solvent and their advice is that we are solvent.

CHAIR - You said that you would rather the debt repayment on the extra \$400 million be pushed out to 2028. Isn't that a further indication that you won't be able to meet the debts as and when they fall due in 2028?

Mr KANOFSKI - Debt refinancing is a normal part of corporate life. Corporations do things with their debt all the time. What we're saying is we want to present financial options to the government. We want to make sure there is time for whatever the government decides to do as a result of those, for those changes to be implemented. That's just acting prudently.

CHAIR - Isn't the test, though, that you can demonstrate, over the time that the debt requires repayment, that there is an avenue to achieve that?

Mr KANOFSKI - The requirement is that we have a reasonable expectation that we will be able to come to a set of arrangements that will lead to long-term financial security for the

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business. As I said, those arrangements don't have to be locked into binding commitments. That's actually not how the law works.

CHAIR - No, but have you got some sort of indication - looking at the business as it is and debt you've got, the operating costs and everything with the business - of what sort of money you would need to prevent insolvency then?

Mr KANOFSKI - I'm not going to speculate on that. I know there's been a lot of discussion about what's the number, what's the number. A couple of things I'd say about that. One is we haven't finished the work. I was very clear on the cost of berth 3 when I was at the PAC in March, when everyone was going, what's the number? What's the number? So, I'm not going to tell you the number. When we've done the work and we know what the number is, we'll tell you the number.

CHAIR - But you did assure us it would be within budget.

Mr KANOFSKI - Then, as soon as we came to a conclusion, then we told people what the number was. We're not calculating a single number here. What we're calculating is a range of options for dealing with financial sustainability. There is a number of options and I'm just not going to speculate on what's going to be in those options. We will provide that advice to the government and the government will consider that advice.

Ms O'CONNOR - I wanted to ask a question about this letter that's been sent to the Auditor-General. Do you want to talk about its contents and what TT-Line is expecting from the Auditor-General in response to this letter?

Mr KANOFSKI - I don't have any expectations. What we're doing in that letter is voicing our concerns at some of the positions the Auditor-General set out. They're our concerns. The Auditor-General doesn't have to do anything with it. The Auditor-General is free to do whatever he wishes.

Ms O'CONNOR - Okay. So, it's not like sending a legal letter to the Auditor-General that puts him on notice or anything. The company is simply laying out how it disagrees -

Mr KANOFSKI - Correct. We're expressing our view, just as he has expressed his view.

Ms O'CONNOR - But it's pretty clear that TT-Line thinks the Auditor-General got it wrong.

Mr KANOFSKI - Well, we disagree with the Auditor-General, with great respect. I have great respect for the position of the Auditor-General, but we disagree with the Auditor-General. The directors determine whether the company is solvent.

Ms LOVELL - Minister, through you to the chair, if I may. You spoke about an assurance from the government that the government had assured the Treasurer had indicated he would guarantee extensions to debt and so forth and to make sure that you can continue to trade solvently. When did you receive that assurance from the government?

Mr KANOFSKI - That specific assurance we received, I think, on about the 15th of this month, but we've had correspondence going backwards and forwards between shareholders

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and the company for a number of months on this issue as we've developed. In each one of those, the government has made clear that it supports the approach we're taking in terms of dealing with the short term, dealing with the medium term and then presenting options for the future. No one's pretending there's not challenges here. We're not pretending there's not challenges.

Ms LOVELL - I don't think anyone is suggesting that.

Mr KANOFSKI - That the specific undertaking from the Treasurer to guarantee the debt extension, I think, was 15 November.

Ms LOVELL - That was in writing, was it?

Mr KANOFSKI - Correct.

Ms LOVELL - Okay, and that was to guarantee a further debt extension?

Mr KANOFSKI - The Treasurer is aware that we're working with TASCORP to extend the date.

Ms LOVELL - Right.

Mr KANOFSKI - So at the moment we have around \$400 million of debt expiring or due in October 2026.

CHAIR - That was the additional borrowings?

Mr KANOFSKI - The additional borrowings, correct. What we're doing is seeking to extend that date. The Treasurer was aware that we are seeking that. We wrote to the Treasurer knowing - I mean, we're clearly anticipating that TASCORP will require a Treasurer's guarantee to do such a thing. We wrote to the Treasurer and said, 'Will you guarantee it?' And he wrote back to us, among other things, and said, 'Yes'.

Ms LOVELL - Was that guarantee from the Treasurer part of the board's decision that the company is solvent?

Mr KANOFSKI - Well, not just that. I mean, so solvency -

Ms LOVELL - Not just that, but was that part of it?

Mr KANOFSKI - Solvency is an ongoing consideration, right?

CHAIR - To be clear, that guarantee is not to TT-Line.

Mr KANOFSKI - No, no, no.

CHAIR - The guarantee is to TASCORP.

Mr KANOFSKI - No, but it's to secure the extension to the debt.

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Ms LOVELL - Was that guarantee part of what has informed the board's decision of all of solvency of the company?

Mr KANOFSKI - All these things are part of what informs the guarantee, yes. Clearly, the board's recognition, or the board's reasonable expectation that the government will stand behind this company is part of its assessment.

If you read the asset guidelines on how solvency is assessed, there's a primary cash-flow test and then there are other matters to be taken into consideration. That's clearly one of the other matters: 'Do you think you'd be able to defer your debt? Do you think you'd be able to raise equity or other forms of financial assistance?'.

Ms LOVELL - So that was part of the decision or the determination of the board. There was a director's statement signed on 18 August that claimed or stated that the company was solvent. So you were confident without that extension guarantee from the Treasurer already?

Mr KANOFSKI - Yes, because we already had debt until October 2026.

Ms LOVELL - Okay.

Mr KANOFSKI - That director's undertaking is at August 2025.

Ms LOVELL - Okay. I wanted to go back, if I may, chair, to the timelines. There has been lots of information coming through Estimates, hearings and stuff about various timelines. When did the board first seek legal advice to determine whether the directors had breached their duty to prevent insolvent trading?

Mr KANOFSKI - When the Auditor-General raised the matter with us on 21 July.

Ms LOVELL - Yes. When did you receive that advice?

Mr KANOFSKI - We received an initial verbal advice, I think, probably the next day. We received formal written advice on 2 August.

Ms LOVELL - Will you table that advice?

Mr KANOFSKI - No.

Ms LOVELL - There was a section 11 notice sent by the Auditor-General to the Chair and CEO of TT-Line, I understand.

Mr KANOFSKI - There is a section 311 notice which the Auditor-General has forwarded to ASIC. We were provided with a copy of that. We were provided with a copy for comment, and we made some comments. The Auditor-General made some adjustments.

Can I say, when we were provided with a copy for comment, we also made the point that we don't agree with the assessment, because we don't, but we did make some comments on the statement. Some of those comments were taken into account. Some weren't; that's fine -

CHAIR - Are you willing to provide that correspondence?

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Mr KANOFSKI - I will take it on notice. Probably yes, but I want to take it on notice.

Ms LOVELL - The Premier referred to TT-Line providing shareholder ministers with written advice on 29 July. Is that the correspondence you're referring to now?

Mr KANOFSKI - I don't think the 29th had that. There's a couple of issues here, a couple of different things all happening around about the same time.

Ms LOVELL - It's complicated, yes.

Mr KANOFSKI - On the 29th, we wrote a letter to the Auditor-General - which the Premier referred to, I think - which outlined our view that we didn't agree with the issuing of the notice, but separately to that, and probably an email correspondence around about the same time, we were dealing with the notice and its wording.

Ms LOVELL - So, in the email correspondence, that was to -

Mr KANOFSKI - Probably between the Auditor-General and myself, or the Auditor-General and the CEO. I don't recall, but there was an exchange of information around the notice. Ultimately, I think on the 31st, the Auditor-General provided us with a copy of what he actually sent to ASIC.

Ms LOVELL - 31 July? Okay. So, the letter to the Auditor-General from the date of 29 July - would you be willing to table that?

Mr KANOFSKI - I will take it on notice, but probably yes. I want to seek some advice. I want to make sure that we're not prejudicing our legal position. But I don't have a particular problem with it, no.

Ms LOVELL - Thank you. Is that the same one you were talking about, Chair?

CHAIR - Sure.

Ms LOVELL - Have you provided any advice to shareholder ministers in writing, and if so, would you be willing to table that?

Mr KANOFSKI - Yes, we have provided advice to shareholder ministers in writing.

CHAIR - Have you got a timeline of when that's happened?

Ms LOVELL - Yes, that would be helpful.

Mr KANOFSKI - Let me go through my timeline. Oh - no, that's the incoming minister's brief.

Do we provide written advice - what's the question again, sorry?

Ms LOVELL - Just any written advice that you provided to the shareholder ministers about this issue from the start to finish, essentially - whether you would be willing to table that?

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CHAIR - Acknowledging that some would have happened in caretaker period, and whether -

Mr KANOFSKI - Yes. So, 30 July was the main advice that we provided to shareholder ministers, which included TT-Line's letter to the A-G on the 29th. We provided a letter to the shareholder ministers, and that included the letter that we'd sent to the A-G. As I said, I'm certainly happy to provide the letter we provided to the ministers, but I will take it on notice whether we can provide the letter of the 29th.

Ms LOVELL - Okay, thank you.

Mr KANOFSKI - Sorry, we also wrote to the shareholders on 13 November with a general update and confirmation of solvency. I understand that the Premier has already tabled that letter.

CHAIR - You might like to table it with the committee as well, if you can, or provide it to the committee.

Mr KANOFSKI - Yes, we will.

Ms LOVELL - If I could just go back. You spoke about the medium-term forecast, that the work had been done on that, and I understand work is still underway in a longer-term forecast. When was the work on those medium-term forecasts done?

Mr KANOFSKI - It commenced on 21 July, and was done prior to - I mean, we received progressive updates, so we received an update on the 29 July. We received progressive updates as we went through the - as we got more and more certainty on it. Then, by mid-October, I think, we wrote seeking the equity injection. So, it's been a progressive exercise.

I mean, the interest - we appointed specialist advisers on 21 July when the Auditor-General raised this issue with us. Interestingly, we were already about to appoint financial advisers, which we'd foreshadowed in previous correspondence with the government. The directors had foreshadowed in the letter that supported our submission of the corporate plan, which we've now withdrawn. We wrote to the shareholders and said, and I'm paraphrasing, here's the corporate plan; we've updated the forecasts for bringing the vessels into service and for Devonport, but other than that, it remains pretty much the old board's forecast.

We expressed a range of concerns about it and said that we were going to commission work to redo it. We were already intending to re-forecast the business in any event. Then the events on 21 July happened and it took a slightly different flavour, but we were always going to re-forecast the business in any event.

Ms LOVELL - Have those medium-term forecasts been provided to the Auditor-General?

Mr KANOFSKI - No, the Auditor-General hasn't requested them.

CHAIR - The Auditor-General is about to engage with you on this year's financial reports though?

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Mr KANOFSKI - I imagine so, yes.

CHAIR - So, is that something you would provide at that point or update it?

Mr KANOFSKI - I'd have to take advice. The forecast at the moment is being prepared for consideration by the government and for Cabinet considerations. I'd have to take advice on what we will provide. I mean, we will be as cooperative as we can be.

CHAIR - One would expect the Auditor-General would need that sort of information to assure himself for the going concern question he will be asked to address next year.

Mr KANOFSKI - We will provide relevant information to the Auditor-General to enable him to complete his audit.

Ms LOVELL - I have one other matter, if I can. The secretary of State Growth - I think it was his capacity, I'm trying to think which hearing it was - Craig Limkin, told an Estimates hearing last week that the first time he learned about the question of solvency or insolvency was in a phone call with you, the Chair, on 21 July. But the Auditor-General said he had only told TT-Line about his decision or determination on 22 July, I understand. Can you just walk through the timeline of when this came to your attention, who you told - who, you, what, when, essentially?

Mr KANOFSKI - Absolutely happy to. On 18 July, which was the Friday, the Auditor-General contacted the CEO and said he wanted to meet with myself and the CEO because he had some issues that he wanted to raise. That was late on Friday afternoon. We met at 8 a.m. on Monday morning, 21 July.

Ms LOVELL - That would've been the 21st, yes?

Mr KANOFSKI - 21 July we met at 8 a.m.; myself, Mr Carbone, the Auditor-General and several other people from the Audit Office were present at that meeting. It was a scheduled board meeting day, so we already had a board meeting planned. We immediately went into a board meeting, we discussed the issues that the Auditor-General had raised, and we appointed specialist advisers. We met with the shareholding ministers and appropriate advisers, I think, at 3 p.m. on that day to advise them.

CHAIR - Who did you meet? This was in caretaker.

Mr KANOFSKI - We met with both of the then shareholding ministers.

CHAIR - So, who?

Mr KANOFSKI - So, the treasurer, Guy Barnett; Mr Abetz, being a shareholder minister; and there were a number of advisers in the room. I could get the names. I have the record of meeting here somewhere if you want the names of the advisers?

CHAIR - That's okay, I just want the ministers. What date was that, sorry?

Mr KANOFSKI - It was on 21 July.

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Ms LOVELL - How does that line up the timeline then, with the borrowing limit extension?

Mr KANOFSKI - The borrowing limit extension was about a week after that.

Ms LOVELL - Was that requested at that meeting? Was that -

Mr KANOFSKI - No.

Ms LOVELL - What led to that?

Mr KANOFSKI - What happened was we were already in train to get the borrowing limit extension when the election was called. We had discussions with TASCORP and discussions amongst ourselves and we said we think this can wait till after caretaker. That was our initial view and that was the advice we provided government.

We had a number of discussions and we all were of the view that we have forecasts that said September/October was when we were likely to breach the debt ceiling. As it happens, we breached it a couple of weeks ago in the first few days of November.

CHAIR - That was the existing debt, without the extra \$400 million?

Mr KANOFSKI - The existing debt without the existing 400.

Ms LOVELL - Hope so.

Mr KANOFSKI - Yes, indeed.

CHAIR - Just to be clear.

Mr KANOFSKI - Indeed. We breached the old debt limit, but obviously, we had the new debt limit in place by that date.

We took the view that we could wait because we had that amount of time. When we put specialist advisers on, they provided us with some advice on 25 July to say that they thought that it would be prudent for us to get that debt extension in place earlier and not to wait until after caretaker for a range of reasons. We, therefore, changed our advice to the government and we said, no, we can't wait until after caretaker, we need it now.

CHAIR - On what date?

Mr KANOFSKI - On the same day, I think, on the 25th. Then the government approved, the treasurer approved the debt extension on the 27th, or the 28th. I don't have the exact date, but it's either the 27th or the 28th, but it was within several days of us requesting.

Ms LOVELL - You were already having these conversations with the government before the election and well before the question of insolvency had been raised by the Auditor-General, certainly publicly. Why was an extension to the debt limit already being considered?

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Mr KANOFSKI - The debts needed to be extended. As I said, we haven't gone back and done a forensic exercise to work out exactly what was the date at which it became clear that we were going to need more debt than what we had approved. If I was going take a guess, I would say for at least two years, probably longer, it has been clear. It was very clear to us as directors as soon as we started. I, in fact, talked about it in March at PAC. I said, you know, we're going to go and talk to TASCORP. We're going to go through the process. We're going to see what TASCORP can do for us. If TASCORP can't do anything for us, then we're going to have to talk to Treasury and talk to the government.

As directors, it was very clear that we needed an increase in the debt limit, otherwise we were going to have to stop the construction of berth 3. At that point in time, our option was to get more debt or stop constructing berth 3.

Ms LOVELL - You also said with that specialist advice that you should proceed with that limit increase sooner, for a range of reasons. Can you talk about some of those reasons, what those reasons were?

Mr KANOFSKI - I'm not going to quote from the advice because it's privileged and confidential. What I can say is, it was really about being prudent and not getting too close to the date. The view was that we didn't want to be sitting in the middle or the end of September, needing a debt extension by mid-October because we were going to run out of money in October. It was really about being prudent and getting it earlier rather than later.

There were a few other issues as well, but that was - also the consideration of the fact that we needed to sign the audit report in August was a relevant consideration for us as well, in terms of the director's declaration in the audit report. So, that was relevant to that consideration as well.

We had always said to the government - we had always qualified our advice on - that we could wait till after caretaker provided it's by the time we have to provide our director statement. We needed it by that date.

CHAIR - It's fair to say, correct me if I'm wrong, Ken, if TASCORP is unable to extend the borrowings out to 2028, the repayment of the borrowings, because we know the vessels don't come online until October - you said in your opening statement that's still on track to occur in October 2026 - then it will become incumbent on the government to prevent insolvency by stepping in.

Mr KANOFSKI - I wouldn't put it that plainly.

CHAIR - Wouldn't you?

Mr KANOFSKI - No, I wouldn't. There is a range of factors to be considered and, clearly, we have said that as a board we would like that debt date extended. If we don't get that debt date extended, there is a range of things we'd have to consider.

CHAIR - In that then, and you talked about the work you're doing at the moment, re-forecasting and looking at options, what options do you have?

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Mr KANOFSKI - I'm not prepared to speculate on the options. We're preparing that work for the government and there is a number of options that will be presented.

CHAIR - I might go to the current vessels. Do you want to confirm the price or the value of those two vessels that will be sold?

Mr KANOFSKI - Our intention is to sell. We've appointed a broker.

CHAIR - Do we have a value of those?

Mr KANOFSKI - The market value. Mr Carbone might help me with the market value of the vessels.

Mr CARBONE - Thank you. In our annual report and our accounts for the year ended 30 June 2025, those vessels were valued at \$85 million each, AUD.

CHAIR - There was some speculation that there had been a contract signed or entered into in 2021 when there was some fanciful thought that the new vessels may be online and a berth built to facilitate them. Is that the case? I know you weren't there at the time.

Mr KANOFSKI - I don't have any knowledge. I'm happy to take it on notice and investigate, but I don't have any knowledge.

CHAIR - So, there's no knowledge that you have that there was a pre-existing contract for sale or entered into?

Mr KANOFSKI - Not to my knowledge, no.

CHAIR - Would you mind going back to your records and checking on that?

Mr KANOFSKI - Happy to take it on notice.

CHAIR - So, a broker has been engaged to try to sell them?

Mr KANOFSKI - Yes.

CHAIR - What's the arrangement with the broker?

Mr KANOFSKI - Mr Carbone will help me, but in essence, they sell on commission. If they sell, they get a commission; so, no sale, no fee. Is that correct?

Mr CARBONE - Correct.

CHAIR - In terms of the likely market they will be sold into?

Mr KANOFSKI - It's really a matter for the broker, but if you look at the use of these roll-on/roll-off ferries, you'd have to say there's a very strong likelihood that they would be sold into the Northern Hemisphere market. Simply, because there are way more ferries used in the Northern Hemisphere than there are in the Southern Hemisphere. The brokers clearly have

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a good knowledge of the market and will engage broadly with the market to try to get us the best possible price.

CHAIR - Is it the case that the international maritime pollution regulations have recently - well, I don't know how recently - but have changed to mean that these sorts of vessels operating with diesel and the engines they have can't operate in Europe after 2030?

Ms O'CONNOR - It's the bunker fuel.

CHAIR - If that's the case won't that reduce their value, if you're seeking to have them sold into that market?

Mr KANOFSKI - I'd have to take it on notice to give you a well-considered answer. Generally speaking, those types of regulations have sunset clauses in them and generally apply to new vessels after a certain date and things like that. I'm not saying that's the case here, but I'm saying, generally, those types of regulations, when they come in, are applying - what I can say is that we've had the ships valued by a licensed valuer and that's what they say the market value of the ships is, as of the balance date.

CHAIR - Now, it's up to the broker to get the money.

Mr KANOFSKI - To go and get the money.

Ms O'CONNOR - Can I check is there anything that needs to be done to the current *Spirits*? Any kind of renovation or money that needs to be spent on them before they go to market?

Mr KANOFSKI - I will let Mr Carbone comment but, not in order to take them to market. Obviously, we keep them maintained currently, because they're in operation. They're in heavy operation and they're not new ships, so we have to continue to maintain them while they're in service. Mr Carbone, I don't think there's anything we're planning to do in terms of the sale?

Mr CARBONE - Certainly, there's no plan to dry-dock either of the vessels prior to sale. However, there is some maintenance that will be required prior to the sale of the vessels.

Ms O'CONNOR - On both, obviously?

Mr CARBONE - Yes.

Ms O'CONNOR - That would be cleaning the ships up, would it, for sale?

Mr CARBONE - No, there's regular maintenance to keep the vessels in class. We also need to do some repairs to a stabiliser on one of the ships.

Ms O'CONNOR - Okay. Is there an understanding of what that might cost? Maybe you don't. Do you have a budget for that?

Mr CARBONE - We have a routine repairs and maintenance budget. Certainly, the repairs to the stabiliser, we believe, will be covered under insurance claim.

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Ms O'CONNOR - Okay, thanks. Can we have an update on *Spirit V* - exactly where it is and perhaps an understanding of -

CHAIR - Geographically, you mean?

Ms O'CONNOR - Yes. I think it is still in Leith?

Mr KANOFSKI - It is, yes.

CHAIR - It's in Leith; I've seen photos of it.

Ms O'CONNOR - It's costing about \$800,000 a month is it, to keep in Leith?

Mr KANOFSKI - First of all, yes, it's in Leith, and it's in a locked port in Leith. It's the most cost-effective way of berthing this vessel for long-term storage, because the berth is in a lock, which means it's not exposed to the tide, not exposed to open sea, doesn't need to be moved anywhere, doesn't need all that sort of stuff, which means we can minimise the number of crew that are on the vessel as opposed to, say to where *Spirit IV* is currently, which is in Geelong, at anchor. So, you need more crew on board because you might have to move at some stage, you might get bad weather, you might get - all those sorts of things.

My understanding is the cost in Leith is around about \$600,000 a month; that is the most cost-effective storage option. I really can't stress this enough, the vessels cost money to have wherever they are. They, in fact, cost less money to have in Leith than they do in Hobart or in Geelong. The reason for that is because of the nature of the port. It has nothing to do with port fees - port fees are a consideration, but they are a relatively minor part of the cost. The cost of the vessel is you have to have a crew on board to maintain the safety and operability of the vessel. The number of crew you require depends on the nature of the berth and how active it is. There are no available berths in Tasmania. We needed to get *Spirit IV* out of its berthing here -

Ms O'CONNOR - Before the cruise ships.

Mr KANOFSKI - Before the cruise season started. We were okay for about a month, I think, or bit more than we were here.

Ms O'CONNOR - It was lovely to see it there.

Mr KANOFSKI - We were there, but of course, if we were still here now, we'd be going on and off the whole time, because there's crew -

CHAIR - Which costs money.

Mr KANOFSKI - which costs money. Clearly, we are focused on the most cost-effective solution possible. It is a big drain on this business to have four vessels when only two of them are in service. I mean, nobody's trying to hide that. It's a reality: it's financially draining on the business to do that. What we're trying to do is, do it in the most cost-effective manner.

The other consideration for us with *Spirit V* was - we're in high season now - it was just availability of crews. We're in high season; we're running double sailings across Bass Strait in the old vessels; we have *Spirit IV* here, do we really want to mobilise a crew in the middle of

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high season for a six-to-eight-week journey home with a crew change because the crews have a one-month swing, so you have to do a crew change in the middle of that trip home. We need to manage our resources in a sensible way and if she's not going to get used here, then she might as well be there.

Ms O'CONNOR - The staff who are there at the moment - did you say there are eight of them?

Mr CARBONE - I think nine on *Spirit V*.

Mr KANOFSKI - Nine.

Ms O'CONNOR - Nine. So, they're TT-Line employees?

Mr KANOFSKI - They're a blend. Mr Carbone, you might want to comment on that.

Mr CARBONE - Thank you for the question. They're a combination of TT-Line employees as well as employees from ASP, who we contract out. That's part of an ongoing relationship between TT-Line and ASP.

Ms O'CONNOR - Is it the crew and the TT-Line members of the crew who are keeping an eye on the ship, or do you have representatives go over semi-regularly just to check in on how it's going and being looked after?

Mr CARBONE - We've had no management visit *Spirit V* since it's been in Leith for the past few weeks. Certainly, we do have the nine crew members including a senior captain on board the ship.

Ms O'CONNOR - Okay. What's happening with *Spirit IV* in Geelong? There was an issue wasn't there with some of the infrastructure that's in place, so it's having to move around a little bit in Geelong on the dock there, is that correct?

Mr CARBONE - *Spirit IV* is in Geelong. It's currently at anchor and twice we've brought the vessel onto the existing TT-Line terminal to test the gantry and the berth. The vessel will come on and off that berth for the foreseeable future as we plan for our operational go-live. We are looking at alternative options for the vessel but, at the moment, the Geelong anchorage is the cheapest, best option for the vessel.

Ms O'CONNOR - Can we have confirmation of when we expect to see *Spirit IV* running a Bass Strait trip, exactly?

Mr CARBONE - The intention is we're all planning for an operational go-live of both vessels in October 2026. As we've said many times, we can't guarantee, but we're certainly planning for our operational go-live.

Ms O'CONNOR - Can I just ask, is the fit-out on *IV* complete, or near complete?

Mr CARBONE - The fit-out on *IV* is all but complete.

CHAIR - How many crew are on *Spirit IV*?

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Mr CARBONE - *Spirit IV* has 15 crew on board the ship today and that will reduce to 11 in the coming weeks. We're using it as a training exercise at the moment as well.

CHAIR - So 15 is the base level of crew to keep it at anchor?

Mr CARBONE - Eleven, I believe.

CHAIR - Sorry. I meant 11.

Mr CARBONE - Fifteen today: we expect to go to 11.

Ms THOMAS - I want to go to the 'basis of preparation' section of the financials on page 19, where there's a series of dot points related to the opinion of the directors, which says:

In the opinion of the directors, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, for reasons including but not limited to -

and there's a series of seven dot points, a lot to do with the borrowings and the guarantees. Then the final two are what I wonder if you were able to expand on. The second-last dot point says:

The directors of the company have an ongoing expectation that the shareholders and guarantor will, if required, support measures to reduce the company's debt, including by way of an equity injection, sale of assets, and/or restructuring of the business and its services where required, based on the essential nature of the services provided and the statements made by government.

First, I wonder if you're able to at all expand on what sale of what assets is being considered.

Mr KANOFSKI - We need shareholder approval to sell *Spirits I* and *II*, which we have.

CHAIR - But you can't sell them until the others are in service.

Mr KANOFSKI - No, but we would consider a sale and leaseback of them. We'd consider selling them early and leasing them back. From a capital management point of view, if someone -

CHAIR - Is that on the table? Has that been promoted?

Mr KANOFSKI - Nothing's been promoted, because we only just appointed the broker.

CHAIR - So, the broker is to look at that as well.

Mr KANOFSKI - That's one of the things the broker will look at. It really depends on the buyer - what a buyer would want to do.

Ms THOMAS - Are they the only assets for which sale is being considered?

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Mr KANOFSKI - Well, they're the only assets we have approval to sell, yes.

Ms THOMAS - Okay. So is there any possibility or likelihood that the company would consider selling the new ships, or one of them?

Mr KANOFSKI - That's not currently under consideration.

Ms THOMAS - Okay, thank you. In terms of the restructuring of the business and its services, are you able to expand at all on any measures being actively considered there?

Mr KANOFSKI - We're kind of delving into, I think, what I would call what we're going to present to government in terms of options. As I said, I don't really want to speculate on those options. I really want us to finish the work and then get that signed off by the board, so that the board's happy with that work, and then present it to the government.

Ms THOMAS - Okay. What do you see as the risks associated with speculating or being open and transparent now, at this point, about that?

Mr KANOFSKI - Well, we're going to present a range of information for the consideration of Cabinet. So, it's Cabinet-in-confidence. The information we're going to present will also be highly commercially sensitive in terms of the business. Our view is that we will - and the requirement is that we present it to government and then government will consider it.

Ms THOMAS - Okay. Did you say when you were expecting to do that?

Mr KANOFSKI - We expect to present it to government in January.

Ms THOMAS - January - yes, I thought. Thank you.

Mr KANOFSKI - And just to be clear: there are no options on the table right now. Just to be really clear: there are no options on the table right now because the board has not even signed off on the options that we're going to present to government. So, when I say there are no options currently under consideration, because there are no options that have been approved by the board.

Ms THOMAS - But the board would be considering options.

Mr KANOFSKI - The board will consider options and they will consider the work, and then we will sign off on a set of options to present to the government. I just want to be clear about the process here.

Ms THOMAS - Okay. The answer to the next question may be along similar lines, but the final dot point in that statement there is:

There are a number of operational considerations and options available to the company to manage cash flow and to decrease the company's indebtedness in the medium to long-term.

Are you able to expand at all on what those operational considerations are?

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Mr KANOFSKI - As you would expect, we're conducting a root-and-branch review and as part of our consideration of options, it's what improvements can we make to this business; leaving government assistance or otherwise aside, what can we do to make this business operate better.

Ms THOMAS - Will that form part of the work that you present to government as well?

Mr KANOFSKI - Yes.

Ms THOMAS - Okay. Thank you.

CHAIR - The next question there if I might: previously, you particularly made a lot of mention of the independent advisers providing comfort to the board of TT-Line. How could the independent advisers provide comfort about solvency if the board cannot provide forecasts beyond the immediate period? You said you don't have anything on the table at the minute, you're working on it. How could the advisers have comfort in that?

Mr KANOFSKI - I think the letter to the Auditor-General makes this very clear: we have sufficient comfort to sign off on solvency within the relevant period.

CHAIR - The relevant period being to August.

Mr KANOFSKI - Within the relevant period.

CHAIR - I just want to come back and follow this.

Ms LOVELL - Yes, it's linked to this. This is my question as well: as the directors signed a statement on 18 August saying you were comfortable with solvency of the company. The Auditor-General at that point disagreed. As we know, he made his determination public, I believe, on 19 August or around that time. It seems to me that most of the work that's been done since then, the guarantee, the options that are being put on the table, the advice that you're getting, these are all things that have taken place since then. What was it at that point that gave you confidence that the company was solvent, would remain solvent?

Mr KANOFSKI - As at that point, we would have had \$500-odd million of undrawn debt, with a maturity date more than 12 months in advance. We hadn't fully drawn even the old debt at that point, so at that balance date, we would have had \$500 million of debt available to us with a maturity date beyond the relevant period.

Ms LOVELL - The relevant period is just that 12 months? That is a very short-term period.

Mr KANOFSKI - The relevant period, I think if you read the letter, it makes clear -

Ms LOVELL - Is the audit period through to August next year?

Mr KANOFSKI - That's the relevant period.

Ms LOVELL - You didn't have any medium- or long-term forecast at that stage?

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Mr KANOFSKI - No, no. We've developed those since then and we've taken further actions.

Ms LOVELL - Are you still working on those?

Mr KANOFSKI - We have developed those since and we're taking further actions. The further actions we've taken are: we requested an equity injection and we've requested to extend the maturity date of the debt.

CHAIR - Can I just come back to the advice from the independent advisers? I'm not asking you to provide the advice to you. You've given us the letter to the Auditor-General, which is a different document, obviously, from any advice they would have provided to you. Was that advice to you, or to TT-Line, subject to caveats, or was it qualified?

Mr KANOFSKI - No.

CHAIR - What specific questions did the board ask the independent advisers to address?

Mr KANOFSKI - No, I'm sorry. We're delving into legally-privileged areas here.

CHAIR - I'm not asking for the advice. I'm just asking what questions did you ask?

Mr KANOFSKI - Well, clearly the board of directors asked the legal advisers: do you think we've breached the *Corporations Act*, do you think we're solvent; to which they said, no, you haven't breached the *Corporations Act*, and yes, at all relevant times you've been solvent.

CHAIR - Okay. In terms of the longer-term projection, you talked about the short- to medium-term, which is what you're working on now.

Mr KANOFSKI - We're doing two things at the moment: one is we're preparing longer-term outcomes and, as I said -

CHAIR - When you say longer term, how long a term are we talking?

Mr KANOFSKI - What we're talking about here are developing options that would set the business up for long-term financial viability. Those are the options we're looking to present to the government. As I said, there are no options on the table right now because the board hasn't signed off on the options to present the government, but they will.

CHAIR - Just to be clear, Ken: I am trying to understand what you're actually providing to government, like a short-term management of the situation plus the medium term you referred to, but the long term is also included in this work?

Mr KANOFSKI - I would characterise it this way: the medium term, which is to deal with the next 12 to 18 months from now, is we request an equity injection and to move the expiry date of the debt. We believe that deals with the medium term.

CHAIR - So medium term is how many years?

Mr KANOFSKI - Well, it certainly deals with balance date next year.

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CHAIR - Some might call that shorter term, but anyway.

Mr KANOFSKI - That's why we've asked for it to 2028, because that would mean it would be secure until balance date 2027. That's what we've asked for. We will see what transpires in that process. The long-term options we're presenting to the government, which as I said, the board will consider and sign off on and then we will present to the government are, as the name suggests, long-term options. They are: how do we set this business up so that it is financially sustainable for the long term and has a secure financial future.

CHAIR - Are you reconsidering or redoing the business case that was previously in place to deliver the new vessels and now the berthing infrastructure?

Mr KANOFSKI - We're not redoing the business case because clearly we've got the new vessels and we've got the infrastructure we've got; but what we are doing is looking at how we use those, what are the things we can do better in the business in terms of improving the way the business operates, and what are the things we need to do to the financial structure of the business to make it financially sustainable?

CHAIR - Are you relying on the projections in that business case in terms of passenger numbers, freight, all that sort of thing, to inform you, or are you resetting that?

Mr KANOFSKI - No, we're redoing them. We're redoing all of them which is obviously why it takes some time to do this work. As I said, we're looking at growth rates, we're looking at market share, we're looking at all those sorts of information. We're looking at our cost base. It's not a five-minute job.

CHAIR - I appreciate it's not a five-minute job.

Ms LOVELL - As part of that work, are you looking at freight or fare increases?

Mr KANOFSKI - Our freight and fares are market set. The reality is pricing is always under review. Clearly, we want to price in a way that attracts customers to come on the ship, but it also is financially sustainable for the business. I've said this a number of times: people are going well, will you put up the fares in order to pay for all this? People don't have to travel on the *Spirit*. People don't have to send their freight on the *Spirit*, right. We don't have pricing power. What we have is that we operate in a market and we will price appropriately for that market.

Ms LOVELL - I've heard you say, Ken, in an interview with the ABC that the board would bring a more sophisticated approach to pricing.

Mr KANOFSKI - Yes.

Ms LOVELL - What does that look like, what do you mean by that?

Mr KANOFSKI - Probably about segmenting time and place and those sorts of things. Who knows, we might not continue with this, but at the moment we have a high-season price and a low-season price and that's kind of what we have. Most businesses that sell capacity -

Ms LOVELL - Like airlines for example.

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Mr KANOFSKI - Like airlines, for example, and others, have far more sophisticated pricing mechanisms for meeting demand in the market, for doing those things. I think it will be reasonable to assume that we would seek to go to a more sophisticated model in order to try to attract more people and more revenue. Ultimately our goal here is to get more people on the ships. The ships are much bigger and so clearly our goal is to get more people on them to generate more revenue.

Ms O'CONNOR - Can I just check on that? In your opening statement, Ken, you talked about how the company needs to raise equity in the future. We've just heard that raising cross-strait fares or freight charges is hard to do in a market. So, in terms of increasing the company's revenue, really there's only one pathway, is that correct, and that is to increase patronage on the *Spirits*, or how do we unpack how you turn around the financial situation if you can't raise money through increased fares?

Mr KANOFSKI - Yes. We've got everything under review, which is the pricing structure, the revenue structure, how do we attract more people, how do we get more revenue through the gate? We're also looking at the cost structure very carefully.

Our view is that the cost structure has been unsustainably high and we're working through that to try to work out what changes we can make in that regard. So we're working on all the things we can do and the business opportunities that there are, that present themselves because of who we are and what we do in the marketplace.

I don't think there's been much work done, really, on how to extend the brand and how to take advantage of that in terms of other business opportunities. There is a whole range of things. None of them are short-term fixes, to be frank. There is a range of things that we will be looking at in terms of the overall financial operation of the business. Clearly, we will be putting structural options to government about the financial structure of the business as well.

Ms O'CONNOR - Thank you for that. Can I ask, on the current vessels there have been electronic gaming machines -

CHAIR - They were taken off.

Ms O'CONNOR - Well, there have been.

CHAIR - They were taken off a long time ago.

Ms O'CONNOR - Well, it's not that long ago, actually. I want to check that there's no plan for the company to reinstate those -

Mr KANOFSKI - It's not currently under consideration.

Ms O'CONNOR - to reinstate those as a revenue-raising measure?

Mr KANOFSKI - It's not under consideration.

Ms O'CONNOR - Very good to hear. Thank you.

Mr KANOFSKI - It's not really our brand, to be honest, I think -

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Ms O'CONNOR - It never was.

Mr KANOFSKI - It's not something that we're even talking about.

Ms O'CONNOR - Great. Thank you. Also in your opening statement, you talked about the strong working relationship with TasPorts. Obviously there have been real challenges within that relationship. How is that manifesting? Do you have regular engagement with TasPorts? Has there been a kind of détente about the history? How does that work?

Mr KANOFSKI - I'll let Mr Carbone comment as well. I talk regularly with the chair of TasPorts. That's not a formal arrangement, but we talk relatively regularly. I'd say every few weeks or so we discuss what's going on between the two businesses and make sure we're both happy with how that's progressing. Certainly, I can't speak for them but, from our point of view, we're not interested in re-prosecuting arguments about the past.

Ms O'CONNOR - No, because what's the point?

Mr KANOFSKI - There is no point.

Ms O'CONNOR - It's what happens looking ahead, of course.

Mr KANOFSKI - Precisely. As I said, I can't speak for TasPorts, but I'm not seeing any evidence that they're interested in re-prosecuting anything from the past either. We're all focused on the future. Mr Carbone, do you want to talk about some of the regular meetings that we have?

Mr CARBONE - Yes, thanks, chair. I think I have a very good working relationship with the TasPorts CEO. We meet every week. We had coffee this morning. I attend weekly meetings with his team around all the key issues. Most of my direct reports would also have some contact with TasPorts. We've now got a very solid working relationship.

Ms O'CONNOR - That's really good to hear. How is that working for the Devonport wharf? What's the latest on -

Mr KANOFSKI - It's good. We've got some details still to be worked through with the agreement for lease with TasPorts because things have changed so much from what was originally planned, but we're working through that in good faith.

What we said to TasPorts is we need to sort this construction project out first before we can even have a discussion about this, because we need to understand what it is we need, when we need it, all that sort of stuff. Our first priority was to sort out our own project and make sure that we got that on track and we understand what our requirements are. Now we're in the process of talking to them about the agreement with the lease, and how that shapes up.

Ms O'CONNOR - Can I ask, because I haven't heard an update in a little while: exactly where are we at with wharf 3?

Mr KANOFSKI - It's on track to be complete and operational by October 2026. All the marine pile sleeves are in the river. I think all the concrete has been poured as well. I received a photo last week of the trial assembly of the gantry in China, so the gantry was trial assembled.

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It's big. It's very big and it's been trial assembled in China. It's now being pulled apart and it will be sandblasted and painted prior to shipping. It's planning to be shipped in December to arrive into Devonport late January to be unloaded and then assembled.

For us now, probably the most important part of this project is the shipping of that gantry. I'm the senior responsible officer for the project. If you talk about what the thing that -

Ms O'CONNOR - Worries you a little bit.

Mr KANOFSKI - What is the thing that worries me a little bit, but not a lot, I would say. Worries me a little bit because I'd always be worried about the shipping, right. I'm not worried because it's going badly. I'm worried just because.

Ms O'CONNOR - You want it to go well.

Mr KANOFSKI - Yes, indeed.

CHAIR - It's the highest point.

Mr KANOFSKI - It is. Once that gantry is on the wharf in Devonport, the risk of a substantial delay lessens quite dramatically because the work then is pretty much under control.

We've also awarded the contract for the terminal building. VOS has started. They're working away. BMD did some of the pre-work for them to get the site ready. It's in good shape at the moment. I would say the project is under control and functioning how I would expect a project to function.

Ms O'CONNOR - And still coming in well over budget at -?

Mr KANOFSKI - It's within the \$493 million which was the board's estimate of the cost. We did a complete reforecast of that project, complete project recovery. That was the budget that was set for the project. I mean that doesn't give anyone any joy, but that's a reality, but we are within that budget, or we are tracking within that budget.

CHAIR - I want to go back to one other point on the financial situation. As you said, can the directors continue to operate getting advice, advisers and others on courses of action to lead to a better outcome and basically effectively creating a new corporate plan because the other one's been withdrawn? Is this consistent with directors seeking Safe Harbour protection under section 588 GA of the *Corporations Act 1990*?

Mr KANOFSKI - We're not insolvent. Just to understand 'Safe Harbour'. Safe Harbour is protection. It's a defence for directors to protect themselves from personal liability in a case where they are trading a business that is insolvent.

CHAIR - So, your directors aren't relying on those Safe Harbour provisions. Is that what you're saying?

Mr KANOFSKI - What I'm saying is, we don't believe Safe Harbour is in play because we don't believe we're insolvent. Are we having regard to what those requirements would be? Yes, we're having regard to what those requirements would be, but we don't think they apply.

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CHAIR - You're applying the measures that sit under that provision in the *Corporations Act 1990*.

Mr KANOFSKI - We're having regard to those as you would expect sensible directors to do.

CHAIR - Okay. I want to go then to the Geelong port and the lease there. Acknowledged and you've said again in your response to Cassy, Ken, that you haven't got an agreement for lease with Devonport yet.

Mr KANOFSKI - Well, we have one, but it's expired and has a whole range of things in it that didn't happen.

CHAIR - Just before we go to Geelong, what's the timeline do you expect to get that agreement for lease?

Mr CARBONE - I expect we will finalise it within the next three months.

CHAIR - Okay. We don't have any idea how much that's going to be this stage, the cost of the lease?

Mr CARBONE - We do have an existing cost of lease.

CHAIR - On the current berth?

Mr CARBONE - On the current berth and for the new berth. However, we're working through a number of issues that have arisen since the AFL was originally signed. In the original lease there was some timing that was envisaged certainly were number of years behind that. So, we're working through those issues and associated costs with TasPorts.

CHAIR - What are the total lease costs in Devonport per annum?

Mr CARBONE - I think we will need take that on notice. I'm also not sure we will be able to disclose it for commercial reasons, but we'll take it on notice.

CHAIR - That includes berth 1 and berth 3?

Mr CARBONE - We're only paying for one berth at a time.

CHAIR - You are not paying anything for berth 3 now, just for berth 1.

Mr CARBONE - Correct.

CHAIR - If we put that question on notice, you will provide the figure for berth 1, if you can?

Mr KANOFSKI - If we can. To be clear, there's commercial sensitivities both for us and for TasPorts. I think, at a minimum, we'd be consulting with TasPorts before we provided the information, and we may not be able to provide it for commercial reasons.

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CHAIR - Why isn't that commercial sensitivity around the Geelong lease fees because they are clearly outlined in your annual report, \$30 million per annum?

Mr KANOFSKI - It is not under any negotiation currently. And also, yes, it's a question -

CHAIR - Berth 1 is not under negotiation, is it?

Mr KANOFSKI - No. We will take it on notice.

CHAIR - Okay. With regard to the Geelong berth, under AASB16/IFRS16, how does TT-Line treat the Geelong port berth lease in its EBITDAR calculations?

Mr CARBONE - My understanding is historically it was treated as a financing cost and certainly more recently we've been bringing it into an operating cost. Let me take it on notice, but certainly it has been topical.

CHAIR - Alright. Are lease-related depreciation interest expenses on the Geelong berth added back in calculating EBITDAR or is that something you need to provide further advice to me on?

Mr CARBONE - Further advice, please.

CHAIR - On notice.

Mr CARBONE - Yes, please.

CHAIR - Again this might be the same. Given that most of teaching on the interest and depreciation expenses in 2024-25 relate to the leased Geelong port berth rather than traditional loans or freehold asset, how does this impact the meaningfulness of EBITDAR performance metric?

Mr CARBONE - I think we will take that on notice.

CHAIR - Are the lease payments for the Geelong berth included as part of operating expenses currently, therefore calculating EBITDAR, or are they excluded?

Mr CARBONE - We've included them in our future cash flows. That's certainly the case.

CHAIR - So they're included in its future cash flows?

Mr CARBONE - Cash out flows, yes.

CHAIR - Has the management provided the board with alternative performance metrics that show the true cash operating performance of the business net of lease obligations?

Mr CARBONE - I think it's fair to say management, as the chair indicated, is doing a root and branch review of the whole business, including how we report, what we report on, what are the key metrics, what are the key KPI's and that's certainly something that's under development at the moment.

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Mr KANOFSKI - Just to be clear, as you would expect, we're taking a very strong interest in cash right now. We have cash-flow forecasts that are updated regularly and are considered at each board meeting, in terms of cash flow, forget the accounting for whether things are in what bucket they're in from an accounting perspective. From a cash-flow perspective, we absolutely get cash-flow reporting at every board meeting.

CHAIR - You can probably answer this, Ken, but this is obviously to you as chair. Given that EBITDAR is not governed by any accounting standard and calculations can vary, is the board satisfied that its self-management calculation provides an accurate picture of operational performance?

Mr KANOFSKI - I think the whole concept of how we measure the performance of this business is something that we're reviewing right now. What I would say is what we are very focused on at the moment is cash and very focused on our cash position.

As we develop the new corporate plan, we certainly will look at what are the appropriate performance measures. I don't have a strong view on whether it's EBITDAR or whether it's, you know, net profit after tax, or whether it's EBITDAR adding back certain issues, I really don't have a strong view. What we need to do is review all that and say, 'What is the thing that is most important to this business?', and we will start reporting on that. Right now, the thing that's most important to the business is cash. So we're very focused on that.

CHAIR - Keep your head above the water.

Mr KANOFSKI - Well, so to speak.

CHAIR - Can we move to a slightly different point? The company paid no interest on borrowings in 2024 and with \$47.8 million capitalised. When do these capitalised costs begin hitting the profit and loss?

Mr KANOFSKI - As soon as the ships come into service, is my understanding. When the ships come into service is that correct?

Mr CABONE - Correct. *Spirit IV* is in Tasmanian waters and -

CHAIR - Is that classified as 'in service'?

Mr CARBONE - My understanding is once the vessel, *Spirit IV*, was in Tasmanian waters and the final fit-out had finished, we're no longer capitalising interest.

CHAIR - So we will see that flow through in this year's financial statements.

Mr KANOFSKI - In this financial year, yes, you will.

CHAIR - When do you expect *Spirit V* to arrive in Tasmanian waters?

Mr CARBONE - I expect *Spirit V* to arrive just after Easter.

CHAIR - So it will be also in this year then?

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Mr CARBONE - Yes.

CHAIR - That will be a not insignificant hit?

Mr CARBONE - Correct?

CHAIR - Make it even harder.

Mr KANOFSKI - Again, though, what I would say is that regardless of the accounting treatment of the interest, the interest is front-and-centre in our assessment of our cash flow and our future cash requirements.

Ms THOMAS - Thank you. I will go to a totally different area. Looking at page 45 of the financials, it talks about short-term incentive payments to employees. I note the statement says:

Short-term incentive payments were those that depended on achieving specified performance goals within specified timeframes.

From what I can see there, there were no short-term incentive payments provided to employees during 2025. I wondered, is the framework that TT-Line uses linked to the KPIs that are outlined on page 13 of the annual report, or is there some other framework?

Mr KANOFSKI - There are no incentive payments for executives, so there are no incentive payments that link to anything. There used to be in the past. I'd have to take on notice how they were framed, but we currently have no incentive payments for anybody.

Ms THOMAS - So in 2024, the financials show that there were incentive payments totalling \$273,308 made to employees. As I said, there's nothing in 2025. Are you saying that now there is no scheme?

Mr KANOFSKI - There is no scheme.

Ms THOMAS - Have contracts been changed to reflect that?

Mr KANOFSKI - Yes.

Ms THOMAS - And when did that happen?

CHAIR - The appointment of the new CEO probably.

Mr KANOFSKI - No, it was prior to that. The incentive payments had ceased by the time we were appointed as a board.

Ms THOMAS - Okay.

Mr KANOFSKI - Effective July 2024, the company remuneration policy was amended to remove a performance and incentive payment scheme, so July 2024.

Ms THOMAS - Thank you.

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Minister, this one is for you then. Obviously there's a bit of work going on to reform GBEs overall. I'm aware that some other GBEs do have incentive frameworks for employees. I wonder is that something that you know or expect will be standardised through the GBE reform?

Mr VINCENT - I think it's fair to say that that's something that's being looked at as we go through the GBEs and fully understand that in most cases it's tidier to have a set salary agreement, but any of those will be looked at on an individual basis, those that might be needed at that point in time for that GBE.

Ms THOMAS - Okay. Thank you. Continuing with the KPIs on page 13 of the annual report it makes clear that seven out of the eight targets that were set for 2024-25 weren't achieved. The customer satisfaction target was exceeded by one point, which is pleasing. I wonder how the board, the CEO, has reflected on that and what targets have been set for this year?

Mr KANOFSKI - The targets haven't been finalised for this year. Part of this root-and-branch review of the business is we will set new targets. We've had communication with the government and we're intending to issue a statement of corporate intent with one-year forecast and one-year targets, which is what we've been asked to do. We've been exempted from the need to deliver a corporate plan in this year, with a view that we will deliver a corporate plan for the following year. We haven't been exempted from the creation of a statement of corporate intent, but we've been advised that it will only include one year of forecasts at this point in time. It will obviously include more years of forecasts once those have been finalised. So, we're intending to issue a statement of corporate intent by January.

CHAIR - And that will be made public?

Mr KANOFSKI - That's a public document. Once approved by shareholders, it is a public document.

Ms THOMAS - That will be six months into the financial year, so effectively the company is operating without any KPIs for that first six-month period of the financial year?

Mr KANOFSKI - I guess we could characterise it that way. What the new board is trying to do is come to grips with a very challenging set of circumstances. I could say, yes, let's write down some numbers and see how we go. But, as a board, we don't think there's a lot of point to that and I think the government has also taken that view. We are very aware of our need for public accountability in terms of the statement of corporate intent process.

What I can say is - there's no intention here to try to avoid that scrutiny. I expect that we will be held to account. I expect that not for this year, but for next year - if that makes sense, the 2026-27 year when we submit a statement of corporate intent and corporate plan - that it will be fully developed. It will contain all the things that you would expect it to contain. Once a statement of corporate intent is approved by the shareholders, it will become a public document and I expect that we will be held accountable for it.

I reflect on that and go, 'That's not good performance, clearly', but there is a whole range of things I reflect on in the business and go, 'That's not good performance'. I think the board and new management need to be given a reasonable amount of time to come to grips with what

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it is that we've inherited and then develop a clear and solid plan for the government to consider and approve.

Ms THOMAS - So developing this new corporate plan is really the key deliverable.

Mr KANOFSKI - In my mind the whole thing goes together. We will present long-term, financially sustainable options for the government and clearly whatever options are agreed between ourselves and the government will form the basis for the corporate plan. Then the corporate plan will ultimately be approved, and we will be accountable for its delivery. If we don't deliver, we'll be sitting in places like this answering for why we didn't deliver.

CHAIR - PAC probably.

Mr KANOFSKI - And here as well, I'm sure.

CHAIR - So this is a year away.

Mr KANOFSKI - Yes.

CHAIR - But PAC will be seeing you more often, as you know.

Mr KANOFSKI - Correct.

Ms LOVELL - Ken, I had a question about your CEO remuneration and appreciate with this annual report it's a bit hard to get a year-on-year comparison because of the change over partway through the year. I'm wondering if you can tell us, as best you can, whether there's been an increase in the CEO salary, whether it's consistent with the previous year or -

Mr KANOFSKI - It's largely the same.

Ms LOVELL - Okay.

Mr KANOFSKI - It's in accordance with the GBE guidelines that are issued by the government.

Ms LOVELL - Has there been a percentage increase from what would have been 2023-24 to 2024-25?

Mr KANOFSKI - That's what I would expect, yes.

Ms LOVELL - Do you know what that percentage is?

Mr KANOFSKI - No, I don't. I will take it on notice, but there's been no substantial change to the CEO salary in the changeover from one CEO to the other. I'm not saying they're exactly the same number, but -

Ms LOVELL - I appreciate that. Most CEOs would have a percentage increase year-on-year, so if we can get that percentage.

Mr KANOFSKI - There's not a big change.

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Ms LOVELL - That's fine.

Ms THOMAS - Back to page 45 of the financials, it talks about termination benefits that were paid out in the financial year. I know there were three termination payments made, two of which included balance of accrued leave entitlements and also redundancy packages, and one that represented the balance of accrued leave entitlements. In each of those three cases, the balance of accrued leave entitlements is quite high: \$66,000, \$82,000, and \$256,000. How is the company managing accrued leave now to minimise liabilities?

Mr KANOFSKI - I will start and then I will let Mr Carbone cover and comment in detail. Those redundancies occurred on 1 July 2024. They were some time ago and under a different management regime in a different board.

What I would say generally, in a policy sense, I expect that our business will be brought into line with modern business practice. The three individuals were very long-serving, but they did have very substantial leave balances, as you can see.

My view from a policy perspective is it will be implementing modern business practice in the organisation, which is people take their annual leave.

Ms LOVELL - Has there been an audit done of accrued leave?

Mr KANOFSKI - There hasn't been an audit done of accrued leave. What I can say is there's a whole range of things in this business that we're, I guess, modernising and bringing into line with what I would say is community expectations. There is a whole range of things that we have found that are either not contemporary or don't meet what we would regard as normal -

Ms THOMAS - Contemporary arrangements.

Mr KANOFSKI - And meet community standards.

Ms THOMAS - They don't pass the pub test.

Mr KANOFSKI - They don't pass the pub test. I will let Mr Carbone comment. To understand from a board policy perspective, we will be looking to manage annual leave properly. In my experience in organisations that haven't been doing that, it takes a while to do because you have to allow a reasonable amount of time.

CHAIR - They can't all take leave at once.

Mr KANOFSKI - No, they can't, but that will certainly be our policy objective. Mr Carbone.

Mr CARBONE - Thanks, chair. In relation to accrued leave, I'm now receiving reports each month of team members who have, what I would deem to be, excessive leave. We certainly have a plan to reduce the leave. It is a challenge, and I will acknowledge that, because the balances are particularly high and certainly with the introduction of the new vessels, it's a very busy period. But the reporting has commenced and we have the intention of reducing those balances so as we do not repeat what's occurred in the past.

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Further to the chair's comments, we're reviewing a whole raft of employee entitlements and trying to make them more contemporary. We're currently reviewing allowances, the way we treat motor vehicles, and certainly we're under a number of consultation processes in relation to those.

Ms THOMAS - In terms of redundancy packages, are you doing any sort of audit of contracts to see what provisions, I guess, are still in place for and what likelihood there is the organisation will cop hits like that into the future?

Mr KANOFSKI - I will let Mr Carbone talk to that. Clearly, we have legacy contractual commitments in place. If we want to change those, then we're going to need to go into a consultation process and to work with those. But clearly, we are aware of where we want to get to in terms of what I would call normal redundancy packages that kind of meet the pub test, frankly. We have a range of legacy contracts in place which don't currently. We're going to have to work our way through that. Mr Carbone.

Mr CARBONE - Thanks, chair. Yes, I agree with the chairman's opinion. There's certainly a number of legacy contracts that have what I deemed to be quite excessive entitlements in relation to redundancy and other provisions.

Ms THOMAS - It beggars' belief, doesn't it, no matter how it happened.

CHAIR - Just on that then, Chris, what are some of the higher levels of leave entitlements that are sitting there that you've got to try to deal with?

Mr CARBONE - I've certainly got two members who have balances that are far in excess of six months.

Mr KANOFSKI - As you can appreciate, chair, it's going to take some time. You can't send them on leave for six months.

CHAIR - They might like it.

Mr KANOFSKI - They clearly haven't liked it in the past.

Ms THOMAS - They must love their jobs.

Mr KANOFSKI - We are very alive to this. I mean, there is whole range of risks which come with allowing people to accumulate leave at those levels. It's certainly not our ambition to continue in that vein.

CHAIR - Just on that, it picks up a bit on that point. The chair referred to and, in your comments, an unsustainably high cost base. Can you break this down as to where the cost bases are? We've identified one there that's obviously an issue for the CEO to manage. What else?

Mr KANOFSKI - I will let the CEO comment a bit more. Clearly, fuel costs are a major issue for us. We're looking whether there's better ways of managing those over time, although you know, we're a market taker principally in that. We have a number of outsourced arrangements, suppliers, all those sorts of things. We're looking at those, and we clearly have

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employee costs both corporate and operational. We have crew on vessels. We have staff in ports and then we have administrative staff as well.

We're not targeting a particular area as such. What we're saying is, everything in this business needs to be looked at to see that it's efficient and operates well.

CHAIR - There's not lot of capacity to reduce your cost base a lot. I mean, you can't run without fuel; you can't work without people.

Mr KANOFSKI - No, but we can look at the efficiency of how all those things are run and make sure that they're as efficient as they can possibly be. Mr Carbone, do you want to comment some more on that?

Mr CARBONE - Thanks, chair. Recently, we've updated our procurement policy, that's very key. We're also planning to, as a follow up to that, update the procurement procedure. Also looking to appoint a group procurement lead. All these are really important because we need to get back to good governance where everything's put to market in a very structured and transparent way. Certainly, we believe through better procurement we will be able to reduce some cost out of the business.

We also need to deeply reflect on some of the outsourced arrangements we have in place. We've got stevedoring, security, some shift management outsourced and so again, we will reflect on that as we move forward.

Ms LOVELL - In terms of workforce generally, has there been any work done around the size of the workforce? Are you looking at reducing that at all? You were talking about outsourcing; might you bring some of those things back in?

Mr CARBONE - I think it's more likely we insource than further outsource. Certainly, there's no major plans to reduce the internal workforce. They're our greatest asset. They took great offence to some previous commentary about them being a cost.

Ms O'CONNOR - Chair, could I ask a question about parts of the business that have been found to be not contemporary, and we were talking about some of them now. Just a sort of a more detailed snapshot of the kind of practices or contracts, and we've heard some of it, about what's been identified and what needs to be modernised?

Mr KANOFSKI - I will start again, and the CEO will no doubt pick up some more detail. Some of the things that stand out for me is the travel policy in our view as a board was too generous and we've brought it in line with community practice. There's far too much business class travel happening within the business. Basically, the default position now under our current policy is - and we accept that people are travelling long distances and things like that, particularly with the vessel replacement program - our default position is, particularly for people who are going to be over there for a long time is premium economy is a reasonable compromise, not business class. We would certainly consider business class for someone who's on a short turn around, you know, on a case-by-case basis. Previously all those flights were business. We don't think that meets community expectation and so we've changed it.

We received an internal audit report on our payment practices and our payment processes. It found paying suppliers - it found some very substantial weaknesses in that process -

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Ms O'CONNOR - That were costing the company money.

Mr KANOFSKI - At least potentially costing the company money.

I would say that it didn't find any evidence of corrupt conducts, and I want to be clear about that because if it had found that then we would have reported it.

Ms O'CONNOR - That's reassuring.

Ms LOVELL - Late payments, that sort of thing.

Mr KANOFSKI - Payments not being properly authorised. What I would call, frankly, just very sloppy administration and control.

CHAIR - No fraud.

Mr KANOFSKI - There's no evidence found of fraud. If there has been evidence found of fraud, we would have reported it. We are very cognizant of our obligations in that regard. Poor practice. There's some of the things.

Ms O'CONNOR - Yes, thank you. Just to have a better understanding of how you could improve your procurement practices and what has been identified that requires that change.

Mr KANOFSKI - The procurement has been very decentralised in the organisation and there hasn't been a centre for excellence in the business. I don't want to say 'gatekeeper' because it's not the right term -

Ms O'CONNOR - But looking after the company's interests.

Mr KANOFSKI - Yes, that's it. Someone who has a high degree of expertise, or someone and a number of individuals who have a high degree of expertise and can ensure that procurement's done in an efficient way that's going to best drive value for money. It's been a highly decentralised process with not much control, that would be my observation. Mr Carbone?

Mr CARBONE - Thank you, chair. To answer your question, I think there's been a number of items procured from suppliers that haven't been put to market on a regular basis. Certainly, our intention is to put all those key goods and services to market on a three-year cycle. That's certainly an intention as we move forward.

CHAIR - On the new vessels or the current ones?

Mr CARBONE - No, for the whole of the business procurement. I'm talking about shore and ship procurement. It's really important that we have a structured process in place to make sure those items are put to market.

To answer your earlier question about contemporary arrangements, certainly for my mind as we discussed, motor vehicles was not contemporary and some of the allowances. We've got historical arrangements in place around gym memberships, around home internet, et cetera. The intention is to work with the team members involved to modify their contracts.

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Ms O'CONNOR - On the procurement side of things, have you found, for example, that TT-Line historically had entered into contracts with suppliers that weren't best value for money, but because they'd had an established relationship with the company, these contracts are getting rolled over? What's been the problem? Is it just that it's so disparate or have we not been getting value for money and quality?

Mr KANOFSKI - The thing I would say is the processes that we've had run a substantial risk that we're not getting value for money. It's impossible to cast yourself back and go, what was the alternative here? You can't say for sure that you didn't get value for money. But what we would say is the processes are not contemporary, or haven't been contemporary, therefore we think using those processes leads to a substantial risk that you didn't get value for money. It's a well-established principle that you put things to market on a regular basis, provided there is a market for those services. It just brings what I call 'normal' practice.

It's difficult to measure whether you have historically got value for money or not because you don't know what the counterfactual is, but certainly the sorts of things that we're seeing would lead you to suspect that you have a risk that you haven't been getting value for money.

Ms O'CONNOR - Does that also apply to some of those outsourced services that we were talking about before, like stevedoring?

Mr KANOFSKI - Yes. Correct.

CHAIR - If I can just go back to staffing costs, obviously a critical part. We've seen an increase in employee costs which are employer costs ultimately, aren't they? What percentage of that relates to the requirement to crew four vessels, like the additional two that aren't in service?

Mr KANOFSKI - Unless Mr Carbone can come up with an answer, I'd have to take that on notice. Clearly, there's a substantial cost. As we've said, we've got nine people on a vessel in Leith. We've got 15, but going to 11 people on a vessel in Geelong. Neither of those vessels is earning a dollar in revenue.

CHAIR - When those vessels go into full service there will be more staff required then.

Mr KANOFSKI - Correct.

CHAIR - What will be the staffing level required for the new vessels once they're in operation?

Mr KANOFSKI - I will let Mr Carbone talk to this because we have established crew levels for our existing vessels. I'm not sure that we've established crew levels for the new vessels at this point in time.

CHAIR - Just to be clear, there are crew levels for the existing vessels and then -

Mr KANOFSKI - Yes, so it's around 80, isn't it? Eighty-two? Bearing in mind that's operational crew and hospitality.

CHAIR - I'm talking about the cost of putting the vessels across Bass Strait.

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Mr KANOFSKI - That's everybody; everybody who's on the vessel. It's 82 currently.

CHAIR - For the new vessels, do we have that figure yet?

Mr CARBONE - No, we don't. We're still working with our team members in the unions to establish the base level for the new vessels.

CHAIR - One would presume it will be a bit higher because they're bigger vessels.

Mr CARBONE - I would expect it to be higher. Yes.

CHAIR - So when we look at the - like smallish numbers manning the crews of the new vessels now, we're likely to see them absorbed into the overall crew staff? Maybe an increase beyond that number or? I know I'm speculating a bit. I'm trying to understand that we're going to have a lot more people required or?

Mr KANOFSKI - I wouldn't think it's going to be a lot more people required. There's a potential for there to be more people than the current vessels, because the vessels are bigger, but it won't be a lot more people required, would be my view. But those numbers are just to be finalised.

Mr VINCENT - Eighty-two is the indication on the new one, I think.

Mr CARBONE - Could I make the point? The new vessels are larger. So, as an example, we have additional food outlets on board, so we will need some additional chefs on board the ship. We certainly will need additional numbers. What I'd say is - the answer I gave to PAC was I don't believe it will be material, but certainly it will be an increase and we're working through that with our team members and the unions.

CHAIR - Sure. So, we have seen the annual report reveal there's been a flat freight and a fall in passenger numbers on the current vessels. How confident are you that we're going to see the increase in passenger numbers and freight required to make the business profitable?

Mr KANOFSKI - Sorry, I was only half listening to the question. I think it's difficult to speculate with any accuracy on what's likely to happen. We expect that the new vessels will generate some additional demand. It is really hard to get empirical evidence to support what that level would be, but we know the ships generate - you know, the visit in Hobart - the ships generate a lot of interest. The new vessels generate a lot of interest.

We will certainly be supporting the introduction of the new vessels with substantial marketing aimed at getting as many people on the vessel as possible. So I think it is difficult to speculate on that.

The other thing is that the new vessels will have substantially more overheight vehicle capacity. We do know there's a current capacity squeeze in the middle of high season on that, which is likely to be manifesting in people just not taking the journey at all and going somewhere else, frankly. We think we can capture that as well.

Mr Carbone, do you want to comment?

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CHAIR - You must have some sort of forecast or modelling you've been doing to feed into your new plans?

Mr KANOFSKI - Yes. We're forecasting a range basically. If you forecast a range, the range would be you get exactly what you get now. That's the worst case. There's been some assessments done, but it is difficult to get empirical evidence to support because you don't know who the people are, right?

CHAIR - You've got to find new people.

Mr KANOFSKI - Yes. You don't know who they are and you don't know what choices they're making.

There's also - I mean, and this is speculative, right? There's also a view that we may be experiencing a bit of a lull currently in demand for people going - not so much Tasmanians going to the mainland to do things and things like that - but in terms of holiday-makers. There's a chance that people might go, 'Well, I can leave it a year and I can go on the new vessel, so I will go somewhere else this year and I will go to Tasmania next year,' sort of thing. Look, it's very challenging to get a clear handle on that.

The minister has just helped me with correcting my answer to the crew numbers. The current vessel crew is 74 and the currently proposed baseline staffing for the new vessels is 82.

CHAIR - The minister's right over it.

Mr KANOFSKI - He is. Very lucky to have him.

CHAIR - The marketing budget. You've talked about that, Ken, there will need to be marketing - and there will, because there's been a bit of damage done to the to the reputation of TT-Line. I think that's a fair statement unfortunately, in many respects. What's your marketing budget?

Mr KANOFSKI - Unless Mr Carbone wants to talk, we'd take the exact number on notice. It's not so much a question of the budget, but we're looking at the sort of marketing that we do as well.

CHAIR - We need a budget for that regardless. I mean there's a fairly good floating one in Leith right now.

Mr KANOFSKI - There is a budget, I just don't know what it is at the moment off the top of my head but I'm happy to take it on notice.

CHAIR - Does Mr Carbone have it or not?

Mr CARBONE - I don't know it off the top of my head, no.

CHAIR - Okay. I will put that on notice.

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Mr KANOFSKI - We're certainly looking at how that spend is spent as well, so it's not just a matter of we will roll out what we've always rolled out. We believe there's a substantial opportunity with the introduction of the new vessels to target some areas for new customers.

Mr CARBONE - Could I add: we're certainly looking at the effectiveness of our advertising, which I believe is important to do. We've also held some initial discussions with partners such as Tourism Tasmania to make sure that we're both targeting separate segments of the market and we're avoiding duplication from a whole-of-state point of view.

Mr KANOFSKI - Bearing in mind I'm not a marketing specialist by any stretch of the imagination, but as an observation I would say we've historically done a lot of what I call brand-Tasmania-type advertising. The *Spirit of Tasmania* has done that sort of advertising and marketing, and my view is that that's principally the job of Tourism Tasmania, not ours. Our job is to get people on vessels.

CHAIR - Does Tourism Tasmania share that view?

Mr KANOFSKI - Yes.

CHAIR - A possible question for Tourism Tasmania: are they adequately resourced to do it.

Mr KANOFSKI - That's my understanding. I don't know if it's a question of them being resourced. I believe it's a question of are we duplicating something that perhaps they're better placed to do.

CHAIR - To the point you just made, Ken, you said you're looking at marketing to get more people on the vessels as opposed to come-to-Tasmania type of thing; is that what you're saying?

Mr KANOFSKI - Yes. Essentially, I would say it's primarily the job of Tourism Tasmania to sell Tasmania. It's our job to sell to a specific segment of people who might want to come on a roll-on-roll-off ferry. That's how I would describe it. Is there some crossover between those two things? Yes, there probably is some crossover between those two things, but I do believe principally it's Tourism Tasmania's job to market Tasmania and it's our job to market the ferry service.

CHAIR - That's one side of the business; the other side is the freight. Obviously, you can't, I would expect, undertake anti-competitive behaviour, particularly as a very heavily subsidised-by-the-taxpayer business right now. What's your approach there with freight, then?

Mr KANOFSKI - I might let Mr Carbone comment on freight because he's been doing a lot of work in the freight area.

Mr CARBONE - I'd like to acknowledge it's a very highly-competitive market, certainly -

CHAIR - Coming from that sector yourself.

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Mr CARBONE - Notwithstanding that, it's a very competitive market. We have two very active competitors. Certainly we are reviewing our freight offering, our freight pricing and, where needed, will react to the market price. But we certainly can't set the price for freight across Bass Strait.

CHAIR - Do you see there are opportunities for TT-Line in this? As I said, there's a lot more freight capacity for camper vans and caravans, et cetera, as well, but that's more seasonal too, so in the off-campervan season?

Mr CARBONE - I believe one of the great things about our new ships is the additional meterage and particularly the high capacity. What I'd like to say is that I don't believe the freight market will grow materially in the coming years. It might grow, let's hope it grows, that would be good for Tasmania, but I don't see it growing materially. What that means is, by and large, the majority of the additional space on the new vessels will go to passengers, caravans, campers, and that will be fantastic for the Tasmanian visitor economy.

In very plain English: the majority of the new space on the vessels will go to the tourism market. There will be additional space for our freight customers. We're certainly not going to leave them behind but, by and large, that's how I see the market playing out.

CHAIR - It comes back to the point a little bit - and Ken, you have limited capacity to turn up the dial in making the business really self-sustaining because of these limitations; is that a fair comment?

Mr KANOFSKI - No. We've identified - there's no silver bullet is how I would describe it. I believe what we are looking at in terms of the work that we're doing is, is there a long list of relatively small-on-their-own initiatives which might add up to a substantial improvement in the profitability of the business? That's what we're focusing on. There isn't a silver bullet. It's not like you say we will just do this one thing and that's going to generate another \$50 million a year in EBITDA, and it's happy days and we're all fine.

CHAIR - Same with most businesses, though.

Mr KANOFSKI - There's not that, right? What I would say is the business has been run in a particular way for a very long period of time and we're going to go through and challenge all that. What we expect, based on what we've observed so far, is there will be opportunities for improvement, but there won't be a silver bullet. There will be lots of hard work for the CEO to implement lots of things over a period of time that will improve the performance of the business.

CHAIR - Sure. It is 11 a.m., so we will take a 15-minute break.

The committee suspended from 11.01 a.m. to 11.16 a.m.

CHAIR - Thanks for coming back, in fact. I understand Mr Carbone's got an answer to a question on notice before we go to further questions.

Mr CARBONE - Thank you. The question on notice earlier was in relation to the marketing budget. I'd like to acknowledge that it's \$14 million per annum.

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CHAIR - Is that an increase on the past or is that pretty consistent?

Mr CARBONE - That's fairly consistent. We certainly haven't spent all the budget this year, but that's the annualised budget.

Ms O'CONNOR - Do you market internationally, or is that the domestic marketing budget?

Mr CARBONE - It's domestic.

Mr KANOFSKI - Only about 2 per cent of our passengers come from overseas and they're probably people who are coming to Australia and then decide to come to Tasmania, if you like; but yes, it's about 2 per cent of the passengers.

CHAIR - We touched on the Devonport berth earlier. I want to go to some other matters related to that, but before I go there, there was additional hull-strengthening works undertaken on both *Spirit IV* and *V* related to the Devonport berth situation. Has that work been done on both of them?

Mr KANOFSKI - No. The work will take place - and again I will let Mr Carbone add some detail - but the work will take place in the first half of next year. We're in the process of finalising the engineering designs to decide exactly how much needs to be done and then we will undertake it. It's not particularly difficult or time-consuming work.

Mr CARBONE - Further to the chairman's comments, we have a weekly meeting with TasPorts. We're working together on both hull strengthening and the fenders. As the chairman indicated, we hope to sign off the specifications for both of those projects prior to Christmas, and the works in both cases should be undertaken in the first half of calendar year 2026.

CHAIR - Where is it expected that *Spirit IV*'s works will be done?

Mr CARBONE - *Spirit IV*?

CHAIR - Yes.

Mr CARBONE - *Spirit IV* is currently in Geelong. It's envisaged we will either do them in Geelong or at a dry dock between now and the middle of next calendar year.

CHAIR - A dry dock where?

Mr CARBONE - We haven't been able to secure a dry dock location as yet. We're exploring Garden Island in New South Wales, and Singapore, Auckland, and some other options as well.

CHAIR - What about *Spirit V*?

Mr CARBONE - It's envisaged at the moment that we will do the works, the hull strengthening, that is, on *Spirit V*, whilst the vessel is in Leith.

CHAIR - Can it be done in the loch it's in now, or does it have to be moved for that?

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Mr CARBONE - My understanding is the hull strengthening can be done where the vessel's currently located, at the berth in Leith.

CHAIR - The hull strengthening that's required, is that purely and only because of the situation with the Devonport wharf, or is there additional strengthening required?

Mr KANOFSKI - No, it's purely a matter of the wharf issue. I think I've said this a number of times: there's not a problem with the ships. The ships are fine.

Mr KANOFSKI - No. It's purely a matter of the wharf issue, and I think I've said this a number of times: there's not a problem with the ships.

CHAIR - I understand there's no problem with the ship.

Mr KANOFSKI - When we discovered the problem with fenders, we then went to a what's the most cost-effective, blended solution here? It became apparent that the most cost-effective, blended solution is to fix the fenders to a certain level and to strengthen the hulls of the ships. I should also mention, kind of related: I'm not saying the work will take place here, but one or other of the ships or both will have to come to Devonport at some point to commission Devonport as well. In terms of ships moving around, at some point we will need one or both of them in Devonport to commission that side as well. That's still a little way off, but will be occurring.

CHAIR - In terms of the new vessels, still: is there any further money due to RMC, or have they been paid in full for the new vessels?

Mr KANOFSKI - I suspect if there is any, it would be a very small amount of money because they have been paid, certainly as to my knowledge. Mr Carbone?

Mr CARBONE - To the best of my knowledge they've been paid in full.

Mr KANOFSKI - Yes, because we've taken possession of the vessels. I don't think there's any more money outstanding to them.

CHAIR - Sure. Is there anything else on that? I was going to Devonport.

Ms LOVELL - Mine is quite different, if you want to stay on Devonport.

CHAIR - We've talked about the timing of the gantry arriving. What's the anticipated period once it lands and it's on the wharf, and we can all see it if we stop on the bridge and get out of our vehicles and look over? Many people criticise me for not seeing it all the time, despite the fact that you can't when you're driving and watching the road. How long will it take to construct once it's on land side after delivery?

Mr KANOFSKI - A precise answer I'd have to take on notice, but it will be a couple of months.

CHAIR - I don't need precise.

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Mr KANOFSKI - It will be a few months. What needs to happen is it arrives in seven pieces. It will be in seven pieces. We need to fit out hydraulics and all those sorts of things. The hydraulics will be fitted to the pieces while they are on the wharf as opposed to fitting them after you've assembled it. The gantry needs to be fitted out first and then it will be assembled and then the fit-out will be fine-tuned to make them operational. It's probably a two-to-three-month kind of exercise.

CHAIR - Sure. You did identify, in answering questions from Cassy, that this was the highest-risk component at the moment. Are there any other things that, once that's dealt with, will be a risk that needs to be identified?

Mr KANOFSKI - I think it's the last major risk. I really think it's the shipping that is the risk. Once it's here - it has to get here. It has to clear customs; it has to do all those sorts of things. You can get shipping delays. You can have weather; you can have all sorts of things that might delay you in the shipping process. Once it's here - I'm not saying it's without risk because I've been in infrastructure a long time and no infrastructure project is ever without risk until it's finished, but I regard that as the biggest - the last major risk is the shipping of the gantry.

CHAIR - So the shipping passage is booked; it's not like you still haven't got that?

Mr KANOFSKI - Yes, it's booked. It leaves just before Christmas. Clearly getting it on the ship on time is important to that, but all the indications are that everything's running to time in China. BMD, which is the head contractor, has had a number of people in China for the last few weeks. They've been observing the process and doing that sort of stuff because, ultimately, it's their job to get it here, not ours. In fact, it's their subcontractor Fitzgerald's job to get it here. We're not getting any indication of any delay at this point in time.

CHAIR - The requirement to make good berth 1 after you vacate it, what's the expected timeframe and cost of that, and is that included in the budget?

Mr KANOFSKI - The timeframe will obviously commence once we become operational and we've moved out. We will do that as quickly as possible. There is a make-good, and it's included in the capital cost of the 493. I couldn't tell you exact number for it, but it's in that budget.

CHAIR - So with all of that, because it's going to take a bit longer than the vessels coming online in October 2026, all things being equal, the cost covers that period. We won't have the full cost, as to whether it's on time or and/or on budget until after the make-good provisions have been met.

Mr KANOFSKI - Precisely. I would expect by March 2027 we should have a pretty good handle on the final cost at that point in time. That would be the sort of time that I would have in my head.

MS LOVELL - Ken, I have some questions about workforce generally. I know a lot of other GBEs will include information in their annual report about employee satisfaction, for example, workers compensation claims, that sort of thing. First question is, and I guess this is linked to what you were saying before about the significant change that's required and

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contemporising the business: how are you monitoring employee satisfaction or otherwise, how regularly, what kind of monitoring are you doing, and what are you finding through that?

Mr KANOFSKI - I will let the CEO comment in more detail. Historically it's not been measured.

Ms LOVELL - At all?

Mr KANOFSKI - I find that reasonably surprising.

Ms LOVELL - Yes. I'm surprised that it hasn't come up at a previous hearing, actually.

Mr KANOFSKI - Historically, it hasn't.

CHAIR - We were too shocked by everything else in recent times.

Mr KANOFSKI - I'm surprised by the fact that it hasn't been monitored. It is about to be. We are about to measure it for the first time.

CHAIR - By what kind of measure?

Ms LOVELL - Okay. You might want to brace yourselves.

Mr KANOFSKI - By a traditional kind of employee survey-type arrangement. I can't remember which firm is doing it. It's being done in the normal course. It's fair to say, though, we are bracing a little bit for - people are feeling pretty beaten up by this process. Call centre staff have been abused. People on vessels have been abused. The ongoing poor, bad publicity. No matter who's getting blamed for all of that, it's wearing. People have got to put up with this at the school yard drop-off. People have got to put up with it in the pub. People have got to put up with it everywhere, right.

We really struggled to get a market for contractors to build the terminal building because people didn't want to be associated with this project. That's the first thing I would say.

The second thing I'd say, just back to your question, you probably won't be surprised by this: we are unhappy with the way workers compensation and safety generally has been managed in the organisation. We're doing a lot of things to improve that. But I will let -

Ms LOVELL - It will be interesting to hear more about that. Before we go to the CEO: there is a legislative requirement - actually it might be a question for the CEO. There is a legislative requirement from a number of years ago now under the Commonwealth legislation around measuring psychosocial risk to employees. Was that undertaken at that time when that came in? That was something we asked, we mustn't have had a TT-Line hearing that year, but we - well, we haven't for a few years actually.

CHAIR - We had TasPorts.

Ms LOVELL - Yes, that was one of the things we did ask others about. I'd be interested in comment on that as well, if that's okay. Sorry, it's a lot of questions in one.

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Mr CARBONE - In relation to the people survey, we're calling it, or the cultural survey, we've appointed an organisation called Culture Amp. It is a software company. We're also working with a local HR firm in Hobart called Adaptable HR, and we're doing that to show our team members that it truly is independent. Today actually, by sheer coincidence, we've launched that people survey. We did take a number of months to prepare for the survey because we thought it was really important to position our leaders for the survey because many of them haven't been through a process, and also in particular wanted to engage with the broader team and unions to make sure that we get the highest participation rate possible.

My understanding was the last cultural survey was possibly 15 years ago. We think this is really important in terms of listening to our team members. As I've told all the team members, we may not be able to act on every single bit of feedback, but certainly where we can't, we will be transparent about it. We will report the feedback in a very timely manner.

CHAIR - Publicly?

Mr CARBONE - Very quickly?

CHAIR - Publicly, will you provide some public feedback?

Mr CARBONE - Publicly: we're happy to share the themes.

CHAIR - Not individual comments.

Mr KANOFSKI - No, not individuals' comments, but themes.

Mr CARBONE - I think it's important we share the themes. I'm personally really excited by it because I think it presents a great foundation on which we can reset the culture of the business.

Ms LOVELL - Do you have a program of regular check-ins planned yet, or is that something you will do after the survey?

Mr CARBONE - Yes. What we've done is we've chosen to use a standard set of questions. That way we can compare TT-Line versus our peers, versus industry, versus competitors, versus other Tasmanian and Australian businesses. In addition to that, as the chairman alluded to, we are concerned about our safety culture. So, in addition to the standard survey questions, we've chosen to ask a series of additional questions to get that really granular feedback from our team members on how we can improve care, wellbeing and safety.

Ms LOVELL - Then will you check back in? Have you got a program in place?

Mr CARBONE - Absolutely. The plan is we will do this every year, which we think is good practice, and in between those annual cycles we will do a number of pulse checks as well.

Ms LOVELL - Thank you.

Mr CARBONE - In terms of workers compensation, we had 54 claims last year. It's simply 54 too many. The same can be said about the LTIs and the harm within the business. The new board and I are particularly focused on improving workplace safety. We're going back

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and reviewing all the critical risks within the business, in particular, things like people and plant separation and really going back and ensuring that we have all the foundations in place.

In terms of psychosafety, we've been doing some training within the business. We certainly need to do more and we've been updating a whole variety of policies within the business that impact -

Ms LOVELL - So has there been an assessment done of psychosocial risk in the workplace yet?

Mr CARBONE - Can I take that on notice? I know there's been training; whether there's been an assessment I would need to get back to you.

Mr KANOFSKI - We will take it on notice. One of my colleagues who chairs the audit and risk committee has been very focused on the psychosocial aspects and it's something we will be very focused on. But we will give you an answer to what we've done so far.

Ms LOVELL - Thank you.

Mr CARBONE - Chair, could I also add, if I may, we do have an internal audit program set for this financial year. In the back half of the year we have also envisaged doing an internal audit on psychosafety within the workplace.

Ms LOVELL - In terms of your workers compensation claims in the last year, 54: do you have a breakdown of the types of claims they are, or the type of injury they were for?

Mr CARBONE - I do. We had 25 sprains and strains. We had 10 soft tissue injuries. We had two burns. We had two skin and eye issues. The rest were classified as 'other'. I want to acknowledge that we do take them very seriously. We're also reviewing at the moment how we care for our team members once they have been injured. I'm very focused at the moment on the welfare of those injured team members, a big focus on trying to get them to return to work as early as possible, but also regular communication whilst they're off work on injury. These are all big focuses that we inherited but are working hard on.

Ms LOVELL - What sort of return-to-work data do you have at the moment? Obviously, some injuries are worse than others and need more time to recover. Do you have data around time for return to work?

Mr CARBONE - Yes, we can share that data transparently. We do report on a monthly basis on new workers comp claims, closed claims, the type of injuries, so absolutely.

Ms LOVELL - My last question on workers comp is around the 'other' category, the remaining injuries. I'm assuming that a psychosocial injury or a psychological injury would come under that category; do you have a breakdown of that at all?

Mr CARBONE - I don't have the breakdown with me, but it does. You're absolutely correct. It does include those, and I'm happy to transparently report back on the number of psycho injuries within the workforce.

Ms LOVELL - Thank you.

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Mr CARBONE - In addition to that, it's something the board and I are really focused on. What we're trying to do at the moment is establish new ways of reporting back to the board of business on the number of complaints, breaches and injuries occurring within the workplace. I think we all passionately believe that reporting will bring a lot of the change management that's required.

Ms LOVELL - The lost time injuries, how much time are you losing?

Mr CARBONE - It varies. We've certainly seen some of those where it's a single shift, but we've certainly seen others that run into weeks and months. Given the nature of those injuries, we have a lot of team members doing very repetitive tasks in high-risk environments, hence why some of those have taken a number of weeks to return to work.

Ms O'CONNOR - Can I take you back to probably a really difficult time in TT-Line's history. That was in January 2018 when 16 polo ponies were found to have died. The court established that they died on the ship. A number of charges were laid against both the person who was in charge of the horses and the TT-Line, and 28 charges under the *Animal Welfare Act* were levied against TT-Line. TT-Line, ultimately, was required to pay some compensation. We're not going to rake over that. I'm keen to understand what TT-Line learned from that experience and how, if anything, the transport of animals on the vessels has changed.

Mr KANOFSKI - I might defer to the CEO on that, if that's okay.

Mr CARBONE - Thanks for the question. A little challenge to answer that, given I wasn't involved in the business at the time. What I can say is that it's my understanding now that procedures have been put in place. That includes vets looking at the animals; it certainly includes, on our new vessels, as we showed some people recently, we have additional outdoor decks which we don't have on the current ships. Certainly, going forward, we will have the opportunity to transport animals both inside the ship and on the rear decks of the ship. It is certainly something we're cognisant of.

Ms O'CONNOR - I should hope so. Can you tell us whether on the current vessels - what in practice has changed? Are there vets, for example, involved currently as animals come on the vessel?

Mr CARBONE - Yes. My understanding is that's the case, that there are vet checks prior to animals being transported on the vessels.

Ms O'CONNOR - Thank you. So vet checks in both Geelong and Devonport?

Mr CARBONE - On departures, that's my understanding.

Ms O'CONNOR - Okay. Do you have knowledge of what the vet is checking? Are they checking both the wellbeing of the animal, but also the circumstances of their carriage, what they what they're caged in and whether there's sufficient ventilation?

Mr CARBONE - Can I take that on notice? I certainly know that the marine team has indicated to me within the business that they've put in place some robust procedures since that incident occurred. I'm very happy to table the internal procedures in relation to the transport of horses.

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Ms O'CONNOR - Thank you. That would be good. Does TT-Line provide information to people who are transporting animals across Bass Strait, whether they be someone taking their dog on the vessel, or someone transporting cattle or horses, a bigger job, if you like? Is it clear to the person who's taking animals across Bass Strait what their responsibilities are as well, given the history with the polo ponies where the operator of the truck was found to have failed in his duty of care to those animals?

Mr CARBONE - Look, it's certainly very topical. In fact, we had management meetings last week preparing for the new vessels, and the existing vessels in relation to the transport of animals on the vessels. I want to assure you it's something we're focused on. We certainly also last week and in recent times have been training team members on animal safety. For example, we had quite a large number of team members trained just last week on animal welfare. We're quite focused on it. It's something we're trying to learn from others on. We know there's been incidents in retail stores such as Bunnings; Virgin has just recently moved to transport small dogs on aeroplanes. It's something we're very focused on as we move forward.

Ms O'CONNOR - Are you able to provide any broad detail on what sort of issues management is raising, or aware of in relation to the transport of animals across Bass Strait?

Mr CARBONE - Yes. In terms of feedback our team members have given me, we've certainly had a number of dog bites. Hence, why we've gone back and are actually retraining and training many of our team members on appropriate dog handling. The team has also been recently looking at the list of banned breeds, as an example, that we shouldn't be transporting. That's two examples.

Ms O'CONNOR - Okay. Has anything changed in the conditions of carriage as they relate to animals and liability for the wellbeing of those animals on the vessels?

Mr CARBONE - I appreciate that I've been in the business for a short period of time. I think if I could take that on notice, we'll review it in a timely way.

Ms O'CONNOR - Just to confirm, you will provide information on notice on any conditions of carriage changes to the transport of animals -

Mr CARBONE - And the procedures.

Ms O'CONNOR - and the procedures for the transport of animals. That procedural question includes what information is provided to people who are transporting animals and how TT-Line staff deal with animals and help to ensure their wellbeing. That would be part of procedures, wouldn't it?

Mr CARBONE - It certainly would be.

Ms O'CONNOR - Okay. Thank you.

Mr KANOFSKI - Chair, before we go on, earlier in the piece, I referred to a letter of 13 November 2025. I'm happy to table that.

CHAIR - Sure, thank you.

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Mr KANOFSKI - I table that letter from TT-Line to the shareholder ministers.

Ms THOMAS - I want to ask about sponsorships. On page 10 of the annual report, it marks the final year of the *Spirit of Tasmania*'s partnership with the North Melbourne Football Club. Alongside this, the sponsorship of the Tasmanian JackJumpers Basketball Club provided significant reach and fan engagement through activations, competitions and ticketing. Other sponsorships supported major Tasmanian events such as the Wooden Boat Festival, *Spirit of Tasmania* Cycling Tour, and the West by North West forum, as well as smaller grassroot community causes with sponsorship support to 54 groups and organisations. I wondered what is TT-Line's budget for sponsorships and whether you publish a breakdown of what the sponsorships across those different organisations and events are?

Mr CARBONE - I don't believe we've previously shared the breakdown of those sponsorships. I'm very happy to share the breakdown of those going forward. I don't have the full breakdown with me today, but I'm absolutely willing to transparently break down all those sponsorships.

What I would say is, as we move forward, it would be my preference that the board and I focus on smaller community-based Tasmanian sponsorships. Certainly we wouldn't envision another large sponsorship such as the North Melbourne arrangement that is currently rolling up.

Ms O'CONNOR - Just to remind you for the record, TT-Line, your predecessors over numerous Estimates refused to provide detail on the value of that sponsorship. That's not on you. It's just making note of the lack of transparency in previous times.

Mr KANOFSKI - We're happy to provide that.

Mr CARBONE - Unless the sponsorship amount is covered by a contractual confidentiality requirement, we're more than happy to table it.

Mr KANOFSKI - We'll check that and, if necessary, seek permission from the other side to release.

Ms O'CONNOR - It doesn't engender trust.

Ms THOMAS - Do you think that's something you could publish in your annual reports going forward?

Mr KANOFSKI - I don't see any reason why we wouldn't.

Mr CARBONE - It's a great suggestion.

Ms THOMAS - Okay. Thank you. We'll take that on notice to provide that breakdown.

Mr KANOFSKI - Yes.

Ms THOMAS - Another question I had is in relation to the consultancy costs on page 17 of the annual report which amount to about \$11.8 million. I'm wondering how the organisation

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manages any conflicts of interest, whether there's a conflict-of-interest register, and who that's provided to in relation to consultancies.

Mr KANOFSKI - I'll leave it to you. I can say, with regard to berth 3, because that's what I'm more familiar with, all those normal practices have now been instigated within the contracting environment for berth 3. More broadly, I'll leave it to the CEO.

Mr CARBONE - Certainly, in board meetings, if there's any conflict of interest, they're disclosed at the start of the meeting. That's also the same process for any board subcommittee meetings as well. There's certainly a register of any management conflicts as well.

Ms THOMAS - And that registers kept by?

Mr CARBONE - The company secretary.

Mr KANOFSKI - In terms of the directors' interests, it's part of our agenda at every meeting, so people can make sure that they're up to date in terms of their interests.

Ms THOMAS - Are you able to disclose if any directors had any conflicts with any of these consultancies?

Mr KANOFSKI - I would have to take it on notice.

CHAIR - Are you happy to take it on notice?

Mr KANOFSKI - Yes, happy to take it on notice. I'm referring only to the time that I've been a director. If there have been, it would have been noted in the board minutes when the consultancy was considered.

CHAIR - There is a standing item on your agenda?

Mr KANOFSKI - There is a standing item on the agenda which (a) discloses all our general interests, because all of us have a broad range of interests, but (b) it's a question that's asked - one is do you need to update that and the second question is whether anyone has a specific interest in an item on the agenda that day. With the exception of some discussions about my own circumstances where I excused myself, I don't recall any other director excusing themselves. But we'll take it on notice and confirm it.

CHAIR - This goes back to procurement. I know that we have spoken at length about updating that and putting it in line with the community expectations, and this may be part of that, I guess.

I noticed that, by local performance measures here, only 23 per cent of purchases - \$90.2 million of \$392.6 million - were from Tasmanian businesses. I do acknowledge that you dock in Victoria as well. You can't assume that that's part of the reason, but I'm trying to understand how it could be improved, particularly on the operational side of it. We understand with the new vessels there was an expectation around a certain amount being provided by Tasmanian content. We can argue over the detail later if you want, but I'm not interested so much in that, in this question. I'm talking about business as usual. How is the local procurement or purchase of local product facilitated and why does it seem to be pretty low?

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Mr KANOFSKI - Leaving aside the vessel replacement policy, and I will allow the CEO to comment, we have already made some changes to local content on the ships. I will allow the CEO to talk about that. It's something we are very focused on, but I will let Chris talk to the detail.

CHAIR - I want to focus on operations at the moment, not the berth's construction or the new vessel.

Mr KANOFSKI - Week in, week out, things that we use every day.

Mr CARBONE - I want to acknowledge on page 16 and report the buy local percentage is low. One of the reasons that is, is because some of the larger items we procure, such as marine diesel, at the moment, is procured from the mainland. That is why - some of those large operating costs distort the percentage of buy local.

What I would like to say and put on record is, we understand the ships are an extension of the Tasmanian community. For that reason, with the new hotel management, we've been working hard on improving the amount of goods we procure for the ship from Tasmania. As an example, we recently removed the mainland beer from the taps on the ship. We've been trialling the removal of mainland wines from the ship. We've been looking at -

CHAIR - Would you have plenty to fill the gap?

Mr CABONE - We absolutely do, which is why we're focused on that conversion. We've looked at everything from moving our teabags to Tasmanian suppliers. It's something that we're very focused on. It's an area where we can do better and we will. We believe the ships are an extension of brand Tasmania, hence why we're working hard to improve that local procurement.

CHAIR - This is a comment, not a question. It was pleasing to see the Tasmania artwork, with the exception of one, on the new vessels.

Mr CARBONE - For clarity, all the artwork is Tasmanian. There's one that's not original.

CHAIR - Because you couldn't afford that?

Mr CARBONE - That's right.

CHAIR - It would have broken the budget completely. Can I ask what the budget was for procurement of artworks?

Mr KANOFSKI - I don't have it; I'd have to take it on notice.

Mr CARBONE - My understanding is the budget for *Spirit IV* was in the vicinity of \$200,000.

CHAIR - Artists don't get paid very much, do they? When you consider the number of artworks on the vessel. What about *Spirit V*? Is the same going to apply for *Spirit V*?

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Mr CARBONE - I suspect *Spirit V* will be slightly lower, in part because some of the printed imagery, you know the brand Tasmania, will be able to be reused. The intention is to put different but original artwork on *Spirit V* as well.

CHAIR - I know that Handmark Gallery was the gallery tasked with sourcing that. Is it possible to get a breakdown of where the artists who have had their artwork put into those vessels are geographically in the state?

Mr KANOFSKI - Yes, very happy to provide it on notice.

CHAIR - Yes, sure. Bear in mind, we have some amazing artists from all around this state, including King Island and Flinders Island. I don't know if they got any from there. I did try to have a look at all of them when I went round. I couldn't see some, but I didn't go to every area that vessel either, in fairness.

This goes back a bit to some things we talked about in the workforce perhaps. What is the turnover rate of your workforce, particularly around the [inaudible] and, obviously, you have the call centre, whether it can be broken down to that. You've got the crew, the hospitality staff - there are quite a few different areas of workforce. Do you have turnover figures?

Mr KANOFSKI - Have you got figures available today?

Mr CARBONE - I don't have figures with me in the room today, but we're very happy to share those and break them down. What I would say is that we do have significant tenure with a lot of our workforce. Maybe it's a great opportunity to thank those team members as indicated by others today. They've certainly had a very, very tough past 12 months. At every opportunity I get, we acknowledge their loyalty and the fact that they have, by and large, stuck with us through some very difficult and challenging times. That was recently conveyed by the minister directly to the team.

CHAIR - Those who have been subject to very unfortunate abuse by members of the public, not just in the call centre - it's not okay for call centre staff to be abused either - but how are you supporting those people?

Mr KANOFSKI - I will allow the CEO to talk about that. Clearly, we offer support to people in the workplace who have had that challenging circumstance.

Mr CARBONE - Thank you. We've been including those reports as part of our injury management safety incident reporting -

CHAIR - To the board?

Mr CARBONE - Both internally and then it rolls up into the board reporting.

We have three EAP providers and we offer that to our team members. What we've also done is reinvigorate what I call, loosely, our disruptive passenger panel. They meet on a regular basis. I'm not part of the panel, but the panel meets on a regular basis post any incidents and then determines the appropriate course of action for the disruptive passenger.

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CHAIR - This goes back historically, so it might be a little bit hard for you guys at the table to answer it. In terms of access to the EAP - I know you don't get individuals, it's not appropriate, but you would see how much you're paying.

Mr KANOFSKI - Yes, we'd see how much we're paying and how many calls there were.

CHAIR - Has that increased over the last 12 months, two years?

Mr KANOFSKI - I would have to take it on notice.

Mr CARBONE - It's a great question. It's something I've asked recently. One of the things that does make it more challenging is we have three providers. What we're planning to do - we've actually kicked off an RFP for good procurement to appoint a new single EAP provider. We think that's going to give greater transparency and accuracy to the quality of the data in terms of the usage of the program.

CHAIR - I will put it on notice to see what you can provide in terms of increasing costs because that is an indication of potential harm.

Mr CARBONE - It would be good in some ways though, if we saw an increase because it means people feel comfortable and safe to use the program. We do need to be mindful of some of the data that sits behind.

Mr KANOFSKI - I think the same of all safety issues. One of my experiences in organisations where you're trying to change the safety culture is you get an increase in reporting to start with and it's a good thing. It's a really good thing.

CHAIR - Yes. The point that Sarah made earlier that it's been a long time since there was a proper survey, regardless of the federal legislation that required it. Obviously, during that process there will be a raised awareness of EAP because it will bring things up for people.

Mr KANOFSKI - Absolutely.

CHAIR - In some respects we hope to see an uptick in it.

Mr KANOFSKI - Yes, correct. There's going to be a lot of work in this space for us over the next little while. Something that we're very focused on is - what I talked before, about the practices just not being contemporary and they're not, so they need to be made contemporary.

CHAIR - In terms of vacancies across the organisation, do you have a lot of staff vacancies, particularly in the maritime space that has more specialised skills than some other skills on the vessels?

Mr KANOFSKI - We certainly do have some challenges. Chris?

Mr CARBONE - Thank you, chair. It has been a challenging period for us as we're trying to increase team member numbers to facilitate the operation and the safe operation of the four vessels. There's a role called 'integrated rating', which is a marine terminology - deckhand, et cetera, roles. That's certainly been very challenging. We've been working with AMC in Launceston and AMSA, the regulator, to try to work out how we can increase the number of

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people coming through the system. That's why we've embarked on the training IR roles, or the trainees. It's something we need to do more of, but we're very focused on it as we try to increase our team member headcount.

CHAIR - It would be a bit of a shame if you got the vessels here ready to go and you couldn't crew them.

Mr CARBONE - I'm very confident we'll have sufficient crew for the new vessels. It is a challenge and I might acknowledge it, crewing four vessels when historically we've crewed two.

Mr KANOFSKI - Our ambition is to make *Spirit of Tasmania* the job of choice for maritime employees in the country. It should be. It is the best job there is in maritime and we want to make sure that our work practices reflect that.

Ms O'CONNOR - I want to give you an opportunity, in a way. It's been a rough ride and we've heard some information about how people who work for your company have been treated. Sitting here at the table there may be people watching; regardless, if you had to say something to give Tasmanians optimism for the future of the company, but also talk to your workforce and people who might choose to come and work on the *Spirit*, given the dark clouds, what would that message be?

Mr KANOFSKI - We are incredibly optimistic about the future of the business. We think these new vessels and the new berthing facilities will be fantastic. It will provide an enormous opportunity and we are very focused - this should be regarded as the best place to work in maritime in Australia. Hands down, it should be regarded as that. So, we're very focused on making it that, essentially.

As I said in my opening, it's really about getting these vessels into service, sorting out the long-term financial position of the company, getting ourselves off the front page and into moving people and freight.

The thing that I would say about the culture of the organisation as we've talked about is, the one bit of the culture that I don't want to change is, when you get on board those vessels, the culture of the crew on board the vessels - and this is not a detriment to the staff we have on the shore either - it's fantastic. All the customer feedback we get is sensational and I've experienced it myself. When I did my first sailing, no-one knew who I was so I was a normal punter, for all they knew. I would say that the levels of enthusiasm and customer service on the vessel has remained outstanding. It's a piece of the culture that we don't want to change. There are many pieces of the culture we do want to change, but not that one.

Ms O'CONNOR - Yes. And, broadly, to Tasmanians, because this is our company, it belongs to all of us, and it's long been a source of enormous pride, I think, but there have been these difficulties and it's really disappointing to hear that people have taken it out on TT-Line staff. So, to Tasmanians about their TT-Line, what's your message?

Mr KANOFSKI - This is a great Tasmanian company. There have been mistakes made through this process, of replacing the vessels and replacing the berths. There's absolutely been mistakes made. But let's be clear, what we're going to end up with is at least 50 years of infrastructure, at least 40 years of ships that are fantastic. That will support the tourism industry,

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and it will support the agricultural industry. The end result of this will be amazing. Yes, it has cost more than we would have hoped it would have cost. Absolutely.

Ms O'CONNOR - Here we are.

Mr KANOFSKI - There's no point in sugar coating that. It is what it is. But the result will be fantastic. I don't know whether you got on the new vessel. The new vessels are amazing. We had a lot of people through the vessel when it was in Hobart. We had uniformly positive feedback. People get on that. There's a real wow factor when you get on board that vessel. We think that's something we can sell and capitalise on and have more people use that service for that.

CHAIR - On behalf of the committee, we do need to wrap it up. We have another lot out there waiting to come in. We wish you luck with that. It's been a pretty untidy journey to date, and I think you're right to acknowledge that at the outset, both the minister and the chair.

We thank you for your appearance today. We will write to you with the outstanding questions on notice and thank you for your time today.

The committee suspended from 12.01 p.m. to 12.05 p.m.



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE A

Hydro Tasmania

Monday 24 November 2025

MEMBERS

Hon Ruth Forrest MLC (Chair)
Hon Sarah Lovell MLC (Deputy Chair)
Hon Dean Harriss MLC
Hon Cassy O'Connor MLC; and
Hon Bec Thomas MLC

OTHER PARTICIPATING MEMBERS

WITNESSES IN ATTENDANCE

Hon Nick Duigan MLC, Minister for Energy and Renewables

Hydro Tasmania

Rachel Watson
CEO

Richard Bolt
Chair

Hydro Tasmania

CHAIR - Thanks minister, we're on a nice back-to-back here with a change of scenery.

We thank you and your team for appearing before the Government Business Scrutiny Committee looking at Hydro Tasmania and the financial performance and other performance. I invite you to introduce the members of your team at the table and then if you wish to make an opening comment, you're invited to do so. The chair may want to make some opening comments as well.

Mr DUGAN - Thank you, Chair. With me at the table today at my far right is Mr Tim Peters, the Chief Financial Officer. Next to him is Ms Rachel Watson, Chief Executive Officer, and to my right, Mr Richard Bolt, Chair of Hydro. To my left, my Chief of Staff, Amanda Lovell.

It is a great pleasure to be here with Hydro and the rest of the team. Thank you for being with us and the work that you've done to talk about the 2023-24 financial year. Hydro continues to perform a vital role in the government's commitment to ensure Tasmania has affordable, renewable energy now and into the future. I would like to thank the board, the executive and all the employees of Hydro Tas for their efforts during another dry year which, together with the last financial year, marks the driest period on record. For a company whose business model is predicated on rainfall, this naturally makes for a challenging operating environment.

However, I'm very pleased to say that despite these challenges, Hydro Tasmania prudently managed storage levels within the Energy Security Risk Response framework over the entire period. This demonstrates very strong water management by Hydro Tas in line with the requirements under their charter to deliver safe, secure and reliable power to Tasmanians, as they have done for nearly a century.

We're looking toward the future and Hydro Tasmania continues to invest in their existing assets, investing \$284 million into its capital works program across 2024-25 to modernise, maintain and upgrade existing infrastructure. Significant progress was made on major works at Poatina, Gordon, Murchison Dam and the Bass Strait islands, ensuring that our historical assets continue to deliver for our state for years to come.

Additionally, work continues on major projects with Tarraleah progressing to the gate 3 assessment involving a request for proposal to seek market-based costings. The gated approach being used for this project allows for assessment at multiple points as well as robust market-based cost estimates. This will give government and Hydro and indeed parliament the best information to determine whether the project stacks up in the best interests of Tasmania as we progress through these gates toward FID.

In line with its updated charter, Hydro Tasmania continues to take action to support new generation in the state and provide the lowest possible power prices for Tasmanians. We have strengthened this requirement on Hydro through our 2025 election commitment, requiring it to partner with new variable renewable energy generators to bring on at least 500 megawatts of new generation in the state by 2030. In line with this expectation, Hydro Tasmania has finalised a market-engagement approach that clearly sets out the principles and processes. This seeks to identify suitable projects capable of entering commercial PPAs in a consistent and equitable

approach, and early engagement between new large-scale customers and Hydro Tasmania is important to better enable alignment of energy requirements.

With all those things said, I will pass to the chair to make some opening remarks.

Mr BOLT - Thank you, minister. Thank you, Chair and committee.

I just wanted to say that 2024-25 was a year of significant challenge, but also more progress. On the progress side, we did begin contracting wind and solar for the first time under our new charter obligations and particularly North Midlands Solar Farm. We did continue negotiations with major industrials that we take very seriously. They included a deal with the Liberty Bell Bay - it's had travails for other reasons, but that was successful. We continued and stepped up the refurbishment of our current asset base quite critical for preparing for what should be a more profitable future. We continued, as the minister was indicating, to develop our major projects as crucial options also to meet the needs of the future. All in all, continue to position Hydro to the benefit of Tasmania for a future of growth through firming but also additional renewable capacity.

Clearly, we had challenges. It was a second year, as a minister in outlined, of low inflows, a record two-year sequence. We also dealt with moderate prices in Victoria. We had an adverse draft decision on the regulation of Basslink. That meant that we had to look at 2025-26 as a year in which Basslink would effectively be under a partial economic outage. That meant we needed to be more conservative with storage. The conjunction of those things meant we needed to be more conservative on storage management through higher imports and some use of gas-fired power, all of which meant more moderate revenues and much lower profit than has been typical.

Not a new normal I want to emphasise, but certainly part of an increasingly volatile future, which also includes considerable potential for upside.

We had a year of leadership transition, which I think went very smoothly through succession of board members and CEO, through Erin van Manen to Rachel. I think the organisation managed that extremely well while dealing with all these adversities and continuing to build for the future. It didn't really miss a beat, which I think is quite an impressive testament to the team.

Can just finish by saying looking past 2024-25, we will continue to adapt and prepare for a changing future. There will be discussion about how adaptive and how future-focused we are - thinking about future climate change impacts on inflows.

We have more interconnection facing us. Potential for fewer imports, more variable inflows and all of that to be managed to additional Hydro, wind and solar capacity. That's of course the future we're building to, which does involve investing for opportunities that ought to be more beneficial to the state, both in terms of energy security, in terms of economic opportunity and also flows, financial flows to Hydro, hence to the state.

2025-26, however, will be a subdued year financially. Why is that? Because Basslink is constrained. We are going through this period, a very unfortunate period, one that we did our best and in fact succeeded in helping to reverse. This could have been the new normal. In fact, with this Basslink situation, we did actually engage robustly with the AER, but constructively.

They did change their decision, but we're left with this one year of difficulty with Basslink. It's not forever, but it does mean this year's results will be affected.

Overall, despite the low financial result, I think the board, me as chair, are very proud of the way the team got through a very difficult year. It takes a lot of skill to trade through and make these various things happen, whether it's Basslink, whether it's MI negotiations, whether it's landing Northern Midlands, whether it's simply dealing with the trading exigencies of low inflows. They did a great job and I want to make that public declaration here and leave it to you now to question us.

CHAIR - Thanks, minister and chair. It's interesting, the term 'partial economic outage'. Is that a new thing?

Mr BOLT - A new term?

CHAIR - A new term to be developed to deal with the situation.

Mr BOLT - Yes, and it's simply a product of the fact that the link is now TOLB, as a result of which if we want to export, we can get less for it. If you want to import, we have to pay more for it. It simply means that we're constantly engaged in this tussle with APA as to who prices in what way. As a result of which, we're simply seeing the link largely not flowing.

CHAIR - It has basically stopped, hasn't it?

Mr BOLT - Not quite stopped but very much less inflow. I don't know if we have the figures on it to hand.

CHAIR - We will come back to that one. I want to focus on the previous year, the 2024-25 year first. We will look to the future, which, is as you identified, pretty challenging with that situation at the minute. I will come back -

Mr DUIGAN - If I may, Chair, perhaps it's not too much of a stretch to compare the current circumstance of very low inflows, Basslink being highly constrained to -

CHAIR - Economically constrained.

Mr DUIGAN - To the period in 2015-16. It's not dissimilar. Everybody in Tasmania would be very surprised to hear that, given the level of impact on everyday Tasmania is testament to the good work that Hydro have done.

CHAIR - A lot of people out there don't understand it. I don't expect a lot of people out there to understand this. I barely understand it myself.

Mr DUIGAN - We haven't seen generators in shipping containers and one million litres of diesel.

CHAIR - We can still buy it across the link if we are willing to pay the price that APA is demanding. That's the reality.

If I could go back to last year before we talk about this year. Talking about Basslink and the trading margin versus your report of profit, the net profit before tax and fair value movements was \$7.5 million. AEMO data shows Basslink flows total 3000 GW hours - 2458 GW hour imports and 548 GW exports - generating interregional revenues of around \$180 million. With the network services agreement costing \$67 million, Basslink trading should have delivered around \$100 million net margin. Is that correct and where did that \$100 million go, if that's the case?

Mr BOLT - On the details of that I will defer either to Rachel or Tim.

Mr PETERS - We can check the figures exactly, Chair, but the methodology, what you said, is correct. But there is more than trading over Basslink that contributes to the operations across the year. Across the year our generation was down, so that means we were selling less to Tasmanian customers as well. That impacts the revenue. We also had lower storages throughout the year, and we had to run the combined cycle of AETV. The cost of running gas was also expensive. We look at this as part of the portfolio, so Basslink is just one part of that portfolio.

CHAIR - The question was where did the \$100 million go? Are you identifying the areas of the cost of gas in that as one of the components to that?

Mr PETERS - It's not where it goes. It's part of a portfolio across the whole year. Basslink is one part of that. A sale of LGCs is part of that. The sale on the spot market is part of that. The sale of contracts to Tasmanian customers. The sale of contracts to major industrials. How much we choose to use as capital, how much we use as maidens. There is a number of different factors that contribute to our operating result.

Mr BOLT - We had to import far more than is typical, and that's been true because trend has been true for three years or so.

CHAIR - Most of that, or all of that, was during a regulated link.

Mr BOLT - I'm not suggesting that the result was due to Basslink's constraint in the year we are talking about.

CHAIR - Not a regulated link, sorry, a link that had an agreement on it with Hydro to be clear.

Mr BOLT - Absolutely right. The link was free flowing as it would be under regulation. The issue in that year was much more to do with the consequence of inflows having to import and then pay for that. We had to pay for the imports, we had to pay for the gas-fired power -

CHAIR - But you also got the inter-regional revenue benefit. That's what I was referring to.

Mr BOLT - Yes, but overall, we could make less out of it because we're generating less and we had to spend more to effectively supply our customers. So, what we can't make we have to import. With Hydro assets we have to either make it ourselves with our gas-fired plant or, in this instance, substantially purchase off the market. That's a cost. That's not something that we profit from per se.

CHAIR - To continue then. The parent company accounts show a loss of \$14.7 million before revaluations - that's on page 34 of the annual report - while Momentum contributed before interest and tax of \$13.9 million, and the AETV nor Entura had any material change that I could see. Does this mean that the parent Hydro operations, the core business, lost money despite the strong trading performance?

Mr BOLT - That means a small operating loss. That's right.

CHAIR - Fair value losses on derivatives were \$69 million, so my question is, did hedge losses and increased direct expenses effectively neutralise Basslink's \$100 million margin including the inter-regional revenues?

Mr PETERS - Through the chair, I don't think they reduced it as part of the portfolio as we discussed. The Hydro business as a portfolio, it's not just one component about revenues. In regard to the Basslink imports and exports, we probably imported 1900 GWh net more across that year. That's not something that we would do over the course of a normal year. Ideally, we'd look at importing it at low to negative prices and then exporting back into higher prices. With the physical demands with our storages during the year, we weren't able to do that.

Mr BOLT - Yes, and from memory, the prices were also somewhat moderate that we were exporting into, which meant that some of the circumstances that were quite lucrative in the previous year weren't available to us.

What I'd also say, without trying to suggest for a moment don't look at this year as it's obviously what we're here to do, our performance is more accurately judged over multiple years. We are subject to variations in rainfall that do span years and that's the situation we've been in here. My view was, and I think the board's view is, that in a year that demanded a lot of agility and coping with quite, in some cases, unique and in other cases unusual circumstances, we did well to keep our head - pardon the expression - above water, or slightly below water, as you're saying. But overall, for the group, it's not a new normal. This is not something that I'd suggest is going to continue.

CHAIR - This year will be challenging as well, despite that.

Mr BOLT - It will be challenging and there will be challenging years in the future too, as they have been in the past, but there's also potential for us to do well in a transitioning market.

CHAIR - I'm trying to understand the impacts on the financial position of the last financial year - we are here to scrutinise your annual report as well as the future. Note 2 shows \$603 million in parent wholesale electricity sales for 2024-25. Can you confirm whether this figure includes the approximately \$180 million of Basslink to regional revenue, and around the \$75 million of large generation certificate incomes alongside domestic wholesale sales?

Mr BOLT - I presume the answer is yes, but it's a complex question so Tim will answer that one.

Mr PETERS - Just checking which page you're on, if that's okay.

CHAIR - Note 2, I haven't got the actual page. Page 53-54.

Mr PETERS - That will include sales to our Tasmanian customers as well as sales across the link, yes.

CHAIR - So it does include the inter-regional revenue? That was the question.

Mr PETERS - Yes.

CHAIR - It does. And the large generation certificate income as well? Does that include that?

Mr PETERS - Yes, that will be in that figure.

CHAIR - The question is then - I think I know what the answer is going to be for this, but I will ask anyway - minister, will you or the board disclose the gross value of discounts provided to major industrial customers? I'm not asking for individual - the combined; that is the difference between the NEM spot equivalent and the contract revenue you actually received, so we can actually see the true size of the subsidy that's provided.

Mr DUGAN - What I would say to that is that those contracts are obviously commercial-in-confidence. They are between Hydro Tas and those business entities.

CHAIR - I'm asking for the gross value of the discounts. That's all I'm asking for.

Ms WATSON - May I, minister?

Mr DUGAN - Yes, please.

Ms WATSON - I don't feel like that's a fair comparison of apples with apples. In the NEM when we sign up long-term PPAs, we fix a price for customers and both sides of that equation, both the seller and the buyer remove a risk around spot volatility. Typically, the price that you would fix particularly - and we sign long-term deals with the MIs in Tasmania, typically 10 years. In a normal situation you do price them based on some kind of long-term average expectation of where the market delivers, but then what actually happens every five minutes in the spot market is a completely different story. It's not really a useful comparison.

CHAIR - That's why you hedge.

Ms WATSON - Well, they are hedges.

CHAIR - Yes, that's what I mean. I'm asking the value of those.

Mr BOLT - Relative to the cost of?

CHAIR - Yes.

Mr DUGAN - Look, certainly from my perspective, that's not something I'd be committing to here at the table. The other thing I think that's important to remember is that those MIs provide other services to the electricity network beyond the face value of the price. There is a number of things - and I think going down that road is less helpful.

CHAIR - I'm not suggesting we shouldn't discount the price. I'm just asking for the global figure. That's all I'm asking for, minister - the global figure.

Mr DUIGAN - Yes, and I think people would then extrapolate that out and take things away from it that perhaps it doesn't necessarily reflect.

Ms O'CONNOR - There is no commercial in-confidence argument based on the Chair's question, though, which was your initial excuse for not providing the information.

Mr DUIGAN - I have said what I believe is a reasonable position. Certainly not here at this table would I be making a decision like that.

CHAIR - Perhaps just on that, can you provide a breakup on page 34; direct expenses under expenses, the first line item for the parent company in the profit and loss there. Can you provide a breakup then of direct expenses?

Mr PETERS - Would you like a high-level summary of that?

CHAIR - Well, it depends how high it is.

Mr PETERS - Yes, we can give you - I will list out -

CHAIR - There's no note that goes with that. I'm interested in if we get a breakdown of that.

Mr PETERS - Yes, I can provide that in the moment, if that's okay?

CHAIR - Sure.

Ms O'CONNOR - Can I ask some questions?

CHAIR - Do you want to wait for this?

Ms O'CONNOR - Yes.

CHAIR - I will have it come to you next.

Mr DUIGAN - Are we happy to wait for Tim to find the answer?

Mr PETERS - Included in direct expenses are transmission charges, the cost of the large-scale generation certificates, the cost of the Victorian energy efficiency certificates, the cost of gas supply - they are probably the major components of those direct expenses - Basslink facility fees in there, as well.

CHAIR - That's the facility fee as opposed to the network agreement?

Mr PETERS - Yes, that's correct. Oh, sorry, it might be a terminology thing - the fixed fee that we pay for Basslink across the -

Mr DUIGAN - The service agreement.

CHAIR - The one that's finished?

Mr PETERS - We had a network services agreement in 2025, which previously would have been the facility fee in prior years.

CHAIR - Right, but that ended. When did the network services agreement - is that what it's called?

Mr BOLT - For Basslink?

CHAIR - Yes.

Mr BOLT - End of last financial year.

CHAIR - So, that's ended now?

Mr PETERS - No, it completed 30 June 2025.

CHAIR - What was that, sorry?

Mr PETERS - No, they are completed 30 June 2025. It completed at the end of June 2025.

Mr BOLT - This entire financial year was under that agreement.

CHAIR - Yes. I want to come back to the future of Basslink then, but you want to go somewhere else.

Ms O'CONNOR - Yes, I think it would be good to break up the questioning a bit.

Thank you. Well, it goes directly to the evidence we've already heard about risk to the organisation. We've heard that Hydro has had another dry year as the record second-driest year in sequence. There's been three dry years. There's some talk of things returning to a kind of normal, whatever that looks in this day and age. The Bureau of Meteorology's most recent modelling projects a hotter than normal summer coming up, and the summer after this one to be an absolute belter, a massive scorcher. The only places that will be leaning towards wetter than normal conditions will be far North Queensland and the Western Australia wheat belt. We've also got stratospheric warming over Antarctica, so Tasmania particularly is projected to be very dry and hot this summer.

What is Hydro's understanding of the next 12 months, if you like, in terms of what it's already been through, which is already eating into your profit base?

Mr DUIGAN - I will make a quick point around that. The work that we're doing in terms of our energy agenda and with Marinus Link is designed to make the best possible use of Hydro Tasmania's storages and the most strategic application of those valuable resources, so it helps in the scenario that you are describing. However, in terms of what we understand to be the climate risk in the next 12 months or so, I would pass to Rachel, I think.

Ms WATSON - Thank you, minister. We do look both at the long term and at the short term. As you've pointed out, short term, the Bureau of Meteorology (BOM) is forecasting some high temperatures.

We are going into this summer in a pretty good position because we have had a very wet spring. Fortunately, those two dry years that the minister and the chair referred to earlier seem to have broken, and so we actually have had very good inflows not in July and August. That actually sort of put a bit of a break on the beginning of our financial year. Since then, since September, we have had really good consistent rainfall and very good yield. Actually, I'm pretty comfortable about the coming summer even with that high evaporative load, which I guess is what you're pointing to.

We are in good shape. We are certainly in better shape, I guess, than we would have been potentially in previous years.

As I said, we really are very much focused as well over the longer term. We work closely with the Bureau of Meteorology as well as CSIRO on that long-term climate modelling and that really does inform very much the approach we take. As the minister already touched on, having Marinus there in the medium term is going to be a really good asset for that purpose.

Ms O'CONNOR - What is the long-term projection, if you like, based on the best available modelling through you, minister, of the impact of global heating on Hydro storages? We know from the climate futures work, for example, that the west coast and the central plateau will dry somewhat. What's the projection as Hydro understands that? We talked about the next 12 months. What about the next 12 years and the next 40 years or 50 years?

Ms WATSON - We are expecting a small negative reduction in inflows also taking into account evaporation of around 17GW hours per year, and that's about 2 per cent per decade on 2020 levels. That's not huge in the scheme of things. We do expect to see that level off over the longer term, particularly as global emissions stabilise.

Ms O'CONNOR - Well, hopefully they will, but there's no actual certainty that they will, and in fact they're increasing. Despite the reality of the situation, global emissions are sharply increasing. How does Hydro Tasmania mitigate against us not working it out and not bringing emissions down, and that worst case scenario which is projected by the IPCC?

Ms WATSON - I think everything we're doing is designed around building long-term energy security for the state. Part of that is Marinus Link having that greater level of interconnection with the mainland. Part of it is, as the minister already touched on and Richard also mentioned, getting more variable renewable energy on island. So having a greater diversity of renewable energy available to us is one of the things that will help protect us against those dry years. We will be able to use our water just to fill in the peaks to play that firming role and it will be very, very - it should be valuable to us in those moments.

As I said, we've really put a lot of effort into working with the experts from UTAS as well as CSIRO and the Bureau of Meteorology on this. We've done a lot of modelling around storage and how that interacts with the market as well. All these things that we're doing, it's really business as usual for us to take that very long-term view and plan for those sorts of outlier events that you're talking about. Our core view remains that we will be suffering a small loss of yield over the coming years.

Ms O'CONNOR - Okay. Did you want to add something, Richard?

Mr BOLT - Could I add to that? Getting access to additional wind and solar on the mainland through Marinus will also assist in that diversification that Rachel was talking about. The pumped hydro facility, if it passes all the hurdles and a value testing that we're going to do, may also help us protect the storages that are rainfall-dependent, which pumped hydro is not.

Ms O'CONNOR - Would it be fair to say, given the events of the past few years, that climate is already having an impact on Hydro's bottom line?

Mr DUIGAN - I would say we shouldn't be surprised that there is variability in our inflows. There always has been, there will continue to be. We can take the last two years in isolation -

Ms O'CONNOR - You can look at the science about the trend.

Mr DUIGAN - Of course we are. I think that is to say it will only go one way. I think what we do know is that there will be an increasing level of variability. As Rachel has said, the long term data would tell us there will be a small diminishment over time.

Ms O'CONNOR - Small. Is that the assessment that it's actually?

Mr DUIGAN - That's my word. I will leave the scientific description of that -

Ms WATSON - Seventeen GW hours a year is what we're forecasting. In a low-yield year like FY25 I think, correct me if I'm wrong, Tim, but our yield was around 6700, something like that in the high six thousands. In a more normal year, we expect 9000 GW hours. So, we're losing 17 out of 9000. In the past 15 years, we've had eight years that were above that budget of 9000, and seven years that were below. That speaks to the variability that the minister is talking about.

Ms O'CONNOR - Through the minister, is Hydro across at least some of the detail of the state and national climate risk assessments, the projections of risk to Tasmania, which is identified in the National Climate Risk Assessment report as the most risk-exposed state in the country? There's a whole lot of detail here about how tier 1 risks and infrastructure, presumably hydroelectric infrastructure and associated connective infrastructure, will be impacted by climate. Is that national and state climate risk work being incorporated into Hydro's modelling and financial projections?

Mr BOLT - The short answer is yes. There are various impacts which perhaps Rachel could go into in more detail. But whether it's impact on dam safety, for example, of different flow regimes, yes, we're looking at. When it comes to the variability, leaving aside the very modest long-term decline in yield, the variability: yes, we're asking ourselves what will that mean, how do we actually manage for the extremes there? That will be particularly important input to our final advice, our final assessment of whether we should proceed with one or both major projects on our slate. Part of that will be determined by our assessment of how this variability can best be managed.

Ms O'CONNOR - Which of these two projects, again the -

Mr BOLT - The Tarraleah redevelopment project and the Cethana pumped hydro project.

Ms O'CONNOR - And Cethana? Okay.

Mr BOLT - I should emphasise neither of those are commitments of the board, much less of government; but we're looking at them in part through the lens of what value they would provide in a world of increased variability of yields.

Ms O'CONNOR - Thank you. Does the CEO - do you have more to add to that, in terms of that incorporation of identified risk into your modelling and financial projections?

Ms WATSON - No, just to reiterate that we are working with the best experts we can find through the Bureau of Meteorology, CSIRO and University of Tasmania. They've been doing a very deep dive into all of this.

Ms O'CONNOR - In 2019, Hydro Tasmania - I think it was 2019 - but there was a paper that was put out on green hydrogen. Obviously, one of the issues with green hydrogen is water use and availability. Have you got an update on your modelling on water use and whether or not it's sustainable to sustain a green hydrogen industry?

Mr DUIGAN - I would be happy to have a swing at that. For example, the hydrogen hub at Bell Bay is forecast to take, I believe, 2 per cent of the throughput of the Trevallyn Power Station. So, instead of hydro-generating for those two days, or whatever it is, 2 per cent that the hydrogen -

Ms O'CONNOR - Of the volume? Two per cent of the volume of the water?

Mr DUIGAN - Two per cent of the volume: so the hydrogen hub would pay Hydro the commercial value of that water and Hydro would forgo the generation opportunity that presented.

Ms O'CONNOR - So, it's still Hydro and government's contention that green hydrogen's water use is sustainable within a climate-constrained future and a whole lot of other projects that are happening as well?

Mr DUIGAN - Don't forget, every litre of oil you don't burn is a win; but yes, in this scenario there is no greater water usage, it is simply moved - 2 per cent is moved from hydro generation to hydrogen production.

Ms O'CONNOR - Thank you. Is that information modelled and publicly available?

Mr BOLT - On water use in hydrogen, sorry?

Ms O'CONNOR - Yes, on water use specifically to the green hydrogen project here in Tasmania.

Mr BOLT - That's a question we would probably take on notice. I'm not aware of it.

Ms O'CONNOR - So, you can't be sure that there's been modelling done on the number that the minister's just put to the committee as the volume that would be required.

Mr DUIGAN - Certainly, as you may recall -

Ms O'CONNOR - Did you just make that number up?

Mr DUIGAN - No.

Ms O'CONNOR - Okay, just checking.

Mr DUIGAN - No, I did not.

Ms O'CONNOR - I wouldn't ascribe that sort of conduct to you, so I just want to check.

Mr DUIGAN - No. I'm sure you were present for the debate around the Tamar irrigation scheme, which has as its goal agricultural water for the Tamar ag-growers and also industrial water for Bell Bay; the quantum of water is pretty well known - I think it's 24 megalitres - anyway, I won't say that. My very strong memory - yes, scratch the bit about the 24 megalitres -

Ms O'CONNOR - Pulling different numbers out of different parts of your body.

Mr DUIGAN - No, 2 per cent of the throughput of the Trevallyn power station.

Ms O'CONNOR - Okay, but to check back before we go to other questions from other people: you're happy to take on notice that question of whether or not there's been any kind of modelling on the water requirements for the green hydrogen project? The chair did say he was happy to take it on notice, and I know it's through you, minister.

Mr DUIGAN - Well, that's exactly right.

Ms O'CONNOR - But I wouldn't have thought that that would be information that would be particularly secret, there's no commercial-in-confidence.

Mr DUIGAN - Well, as I say, there has been a bill pass the parliament that examined all of that particular scheme.

Ms O'CONNOR - But that's not the question. The question is: what's the evidence base behind your claim that only 2 per cent of the water from the Trevallyn through -

Mr DUIGAN - Because that's how much water there will be.

Ms O'CONNOR - But is that how much water the green hydrogen plant operation will require? Is that understood to be, on the basis of some evidence, that that's what it will need?

Mr DUIGAN - My understanding is that that would be - and I'm going to say 9 megalitres of water.

CHAIR - Are you sure you want to commit to the figure?

Mr DUIGAN - Well, that's the number.

Ms O'CONNOR - We've got some new numbers at the table.

Mr DUIGAN - That's the number, which is enough water for two circa 300-megawatt export-scale hydrogen production facilities at Bell Bay.

Ms O'CONNOR - Just checking before we move on: 9 megalitres of water per annum for the two?

Mr DUIGAN - That's my problem. I don't know. I would need to get that.

Ms O'CONNOR - I understand your caution about taking things on notice, but how about it's okay to take that one on notice, just so we can have some clarity about that evidence base.

Mr DUIGAN - Sure, absolutely.

Ms O'CONNOR - Thank you.

CHAIR - I wanted to go back to Basslink. I was looking at the impact on this year's financial performance that we're looking at, but also then to look for the coming year, which, minister, the chair particularly indicates is going to be a challenging year.

Acknowledging that, as I understand it, APA could still decide not to become a regulated asset, so it's not a done deal entirely yet. It would seem like an odd choice in some respects, but they will make their own decisions. Let's presume that Basslink does become regulated in the year - not this financial year, the next. I want to clarify that inter-regional revenues will then accrue to AEMO to benefit the mainland price differential. So Hydro Tasmania will need then to purchase inter-regional revenues at auction, is that correct, if they want the benefit of that revenue?

Ms WATSON - Yes.

CHAIR - Minister, can you or someone more expert in this, with all due respect to you, explain how this fundamentally changes the revenue model compared to the current arrangements?

Mr DUIGAN - The current previous arrangement, the services agreement?

CHAIR - Yes, the current arrangements in this financial year. Obviously, this is a bit of an outlier, this year we're in.

Mr DUIGAN - Yes. What's different between the future -

CHAIR - Yes, assuming it's regulated, how will that work, and what revenue model will we be seeing from Hydro?

Mr DUIGAN - I think it's probably one for Rachel or Tim, potentially.

Ms WATSON - Yes. Maybe I can start and you can fill in the gaps. So yes, that is how regulated links work. You're absolutely right, Chair, the differential in price between the regions that they connect is then auctioned off as a settlement residue auction, an inter-regional residue. So the party that is most exposed to that change is typically the one that bids for that and acquires it at auction from AEMO. I would absolutely expect that we will be bidding to get those inter-regional residues paid to us.

CHAIR - This is me not knowing how it works: how far in advance do you need to actually start bidding into that?

Ms WATSON - That is an excellent question, which - because AEMO, I can't remember the exact - they bid them so many quarters in advance, but they have not yet opened the bidding for Basslink because it's not yet officially regulated.

CHAIR - It could be a bit of a scramble to get in line potentially, depending on when APA makes a final decision on this.

Ms WATSON - We are very confident we are staying right on top of this. We will not be caught unawares. Yes, we may have to act quickly, but I wouldn't describe it as a scramble.

CHAIR - There might be other people trying to scramble in.

Mr PETERS - I guess there's ongoing conversations with AEMO around the setting up of that process as well, so we're engaged with those conversations.

Ms WATSON - Exactly.

CHAIR - How will it actually happen then? Will AEMO notify everyone in the NEM that it's on, so to speak? If you want to bid for these inter-regional revenues, you need to get on board now?

Mr PETERS - Through the minister: I think most of the things that AEMO do, they will release some documentation around conversations that this process will be commencing at a certain date, and from that date those bids will be valid. That information hasn't come to hand yet. It won't be just from -

CHAIR - We just don't know yet.

Mr BOLT - They do this now, of course, between the existing regions of the NEM, so this is a practice -

CHAIR - Yes. This is a bit of a weird place to be right now from all accounts.

Mr BOLT - Yes, there will be some learning to do, no doubt, but as Rachel indicated, we're on top of it.

CHAIR - With our partial economic outage anyway.

Ms WATSON - Might I add: this is fundamental to what AEMO does to make sure the market functions effectively. I'm pretty confident that they will be planning to get this done in a way that means there's no gaps in operation, there's no quarter ahead where we don't have a settlement option having already been run.

CHAIR - But Hydro, the company thing, minister - is that Hydro is all over it, they tell me.

Mr DUIGAN - I have no doubt.

CHAIR - The \$400 million annual revenue figure cited during the whole-of-state business case discussion for Marinus, is that gross inter-regional revenues, or net after Hydro purchases them at auction, assuming that they will be successful in that auction?

Mr DUIGAN - My understanding is that the \$400 million - and it's very important to caveat that with, average, there will be high years, there will be lower years.

CHAIR - I did say average, didn't I?

Mr DUIGAN - Well, I'm not sure.

CHAIR - Sorry, I don't think I did.

Mr DUIGAN - My understanding is that that is returns to government.

CHAIR - That's correct, yes, but the question was that figure - the average \$400 million per annum, is this gross of inter-regional revenues or net after Hydro purchases inter-regional revenues? How was that figure arrived at?

Mr DUIGAN - Noting that's in the whole-of-state business case, that's Treasury modelling, I suspect, but I'd be happy for Hydro -

CHAIR - Did Hydro have some input into that, to suggest what the figure could be? I imagine you would.

Mr PETERS - Yes, so Hydro contributed to the whole-of-state business case. The revenue assumption will be around that there's 1250 megawatts available across Basslink and across Marinus, so that revenue figure will be inclusive of linked costs and your inter-regional costs.

CHAIR - Okay.

Mr DUIGAN - Net.

Mr PETERS - Net, yes.

Ms WATSON - Yes.

Mr BOLT - It's all revenue sources, yes.

CHAIR - Given the inter-regional revenue auction model and the demonstrated reliance on imports during drought, isn't Marinus primarily then - rather than a revenue-raising thing for the state, \$400 million average per annum - isn't it primarily a drought-mitigation strategy, rather than a revenue-raising strategy?

Mr DUGAN - It's both. I think depending on the circumstance will depend on the outcome, but one of the good things about it is it does both of those things. I think that's why we would pursue something like it, because it has a number of strings to its bow. In terms of what Hydro would have to say about that question, I'm happy for them to -

Ms WATSON - May I? Thank you, minister. Yes, I was quoted in an article in a way that made it sound like profit was unimportant, and that's not the case. The context of that question was me responding to continued or severe instances of drought. In those moments, then energy security becomes very, very important because it becomes closer to being at risk. Obviously, we will be using Marinus Link as a mechanism to trade. What is underpinning the forecast in uplift in profit for Hydro and returns to government, is that access to greater ability to trade, but it does both those things as the minister said. It's really important to understand it's going to be very, very useful for energy security purposes, as we touched on earlier, but day-to-day we will be trading over it.

CHAIR - Yes, one would expect you would, otherwise there wouldn't be much point in building it. So is then a \$400 million per annum average return to government, which is a lot of profit to be made, a realistic net revenue projection, noting the climate impacts we've talked about and the two very dry years recently; when that figure was arrived at, over what time period was it being looked at?

Mr DUGAN - It's out to 2050 in whole-of-state, but - and I think this is a key piece of the understanding. The Marinus base case relies on 800 megawatts of new renewables, VRE being built on island as well. It really is about how we think about how we use our water and storage, at what point do we dispatch that water. Tarraleah is all about making that storage more dispatchable, you can turn it on. This is a market that works on five-minute increments and you need to be able to get to market. When the price goes like that, we send our Hydro energy, our very valuable Hydro energy into the market, but we only send it, or by and large, we only send it when the price is here, not here. And you know, Tasmanian customers -

CHAIR - Which hasn't been so possible, and it won't be possible this year necessarily.

Mr DUGAN - No. Tasmanian customers who have the regulated price are shielded from those impacts. But the spot price on the mainland is available to Hydro Tas, and there is fluctuation through the course of every day in the market.

CHAIR - It is fair to say, minister, because APA holds all the power at the minute -

Mr DUGAN - To date.

CHAIR - Well, until it's regulated, they hold all the power - or the market power, should I say. Perhaps we should think about our terminology in this setting.

Mr DUGAN - Sure.

CHAIR - Isn't it a fact, though, that will have to be a fairly significant price difference to make - like if we are able to sell into a high-price market, there will need to be a fairly high price on the other side, because the APA would, one would expect, because they're running a business too, ramp up the price?

Mr DUGAN - That's what we're saying at the moment, and that's why it's not flowing. In my mind, come 1 July, Basslink will be unregulated -

Mr BOLT - Regulated.

Mr DUGAN - Regulated, I beg your pardon - and then subsequent to that Marinus will come online as a regulated asset, and that's where this that we're talking about starts to make really good sense.

CHAIR - I'm just conscious of the time. We will have a break in a minute. We might -

Mr DUGAN - I beg your pardon, I should have given the chair -

Mr BOLT - I was just going to reinforce the point. You are talking about post this financial year, Chair? About the -

CHAIR - The one we're in or this one?

Mr BOLT - When you were talking about APA ramping up its price.

CHAIR - That's this year, the year we are in, which is going to make it extraordinarily difficult if it remains dry and we need to import.

Mr DUGAN - Well, we've got plenty of -

Mr BOLT - We've got significant water now, sorry.

Mr DUGAN - I will defer to the expert.

Mr BOLT - I think we're about to say the same thing, so I apologise for interrupting you. We've got plenty of water in storage right now; that is fortunate, as a result of the rains that have occurred. But yes, APA has substantial power, but it also means that if they overprice, they constrain the link almost to zero flow. That of course means they don't earn while that's occurring.

CHAIR - Be careful not to cut off your nose to spite your face.

Mr BOLT - I think the figure at the moment is that over this financial year is it has flowed - while we've got the number - 2 per cent of the time, compared to 44 per cent last year. That's also a question for them - there are two sources of bidding power here, ours and theirs. It's a very uncomfortable and inefficient situation that we're very glad should be over by the end of the year. In the meantime, there are risks to them in pricing too high, but clearly, there are risks to us and we're feeling that.

Ms WATSON - Can I just slightly alter something you just said?

Mr BOLT - Sure.

CHAIR - Did he get it wrong, did he?

Ms WATSON - It's not that it's not flowing at 2 per cent of the time; it's sat at no flow 44 per cent of the time.

Mr BOLT - Sorry, I have it wrong, I completely reversed it. I beg your pardon. Forty-four per cent -

Ms WATSON - Yes. Whereas in the previous financial year it didn't flow 2 per cent of the time.

CHAIR - Only 2 per cent of the time.

Ms BOLT - Yes. Right numbers, wrong order. Sorry.

CHAIR - When there was the agreement in place with Hydro?

Mr BOLT - Correct.

Ms WATSON - Correct. So when it when it was unrestricted in flow, it sat at zero flow only 2 per cent of the time. Now, under the economic restriction that Richard referred to, that's gone up to not flowing 44 per cent of the time.

CHAIR - We need a break; I don't know about you.

Mr DUIGAN - I don't doubt it.

CHAIR - We will take a break. I want to come back and ask some questions about what the additional VRE coming into the market means for Hydro. We will pick up when we come back. We will take an hour. Let me just check - 45 minutes, sorry.

The committee suspended from 1 p.m. to 1.45 p.m.

CHAIR - Thanks for coming back, minister, not that there was a lot of choice in that.

I have a few things I wanted to go back to, but I wanted to start off with asking about the expectation with Marinus that I think it was 800 GW -

Mr DUIGAN - Megawatts.

CHAIR - Megawatts, sorry - of new renewable energy. I did see in the newspaper today that Hydro's looking at going out to enter into power purchase agreements. If you can talk from Hydro's perspective, what their expectations are around that because bearing in mind that we are at a point where you might be able to save the water, but it might also mean the run-of-river systems have much more competition. Not right on that? The chair's face did funny things then.

Mr DUIGAN - I will speak from the government's perspective, in terms of a pretty unambiguous goal that is the TREAP which requires us to lean heavily into our new generation

space. The Marinus whole-of-state business case I think highlights it clearly, but it's always been the case where it stacks up with there being more VRE in the state. We have very good resource in that space and it's incumbent on us to seize the opportunity that's before us. In terms of Hydro's perspective, I will let Hydro speak for itself.

Mr BOLT - I think the question is, Chair, what happens when we get a conjunction of run-of-river and high wind and solar output.

CHAIR - Solar, yes, or whatever else.

Mr BOLT - I guess there are opportunities to store some of that; storage is expected to build around - and obviously we want to build storage - the NEM and an increase to connection will make that storage accessible -

CHAIR - The run-of-river you can't store?

Mr BOLT - No, if it's generated you can export it and have it stored, or you can put it into a [inaudible] storage. If you have a surplus, you can do that. Many times, possibly the reverse could be true: you could have low wind and high run-of-river output, in which case you have a natural hedge between the two of those. I think the system will have to be pretty capable and flexible in dealing with that. There will be times where some prices will be temporarily low while you do get both happening at once with low demand.

I think the basic point is for developing a system that is capable of optimising and balancing those various either combinations of surplus or periods of plenty of one and less of the other. The purpose of lots of storage and interconnection flexibility is to be able to deal with these various -

CHAIR - As more and more comes in, minister, particularly to get to the target, surely there will be less periods of high prices, because the wind is unlikely to be completely absent when the sun's completely absent and run-of-river's not flowing; that will push the price up, obviously, if those things happen simultaneously. Isn't that less likely to occur very often if there's more variable renewable energy in the system?

Mr DUIGAN - Which circumstance - the circumstance of having too much?

CHAIR - No, what Hydro's business model appears to be predicated on to some degree is selling into a high-price market. But if there's more wind, solar, as well as the run-of-river and the storage. I'm not talking about using storages here, I'm talking about the other variable renewables here. If there's more of that in the system, it will be unusual that we're going to see everything not available like wind, solar and run-of-river such that we see the prices spike to enable storages to be used to generate at high prices.

Mr DUIGAN - One of the key things, if I may, that is missing from that scenario is either the intermittent outage in coal generation in the NEM on the mainland, which is becoming ever more a present factor and that drives some of those very high prices, but -

CHAIR - Until they're retired.

Mr DUGAN - That's right and then they will be retired. Then there will be the need for all this generation, but more than that, the firming that will need to go along with VRE. If you retire a coal plant, you need a lot of variable renewable energy (VRE) and you need something to firm it with, so as we build our storages, that's our opportunity.

Mr BOLT - Can I add to that?

Mr DUGAN - Yes, please.

Mr BOLT - Think about a winter night in particular. You will obviously have no sun and even during winter days, there will be less of it than typical. You will end up with a winter peaking demand as well across the entire system because electrification means that what is now a summer peak on the mainland will become a winter peak, and accessible for us via interconnection.

It just means that there are times when you will have quite a scarcity and higher prices will prevail over that winter period as a result of modest sun, possibly decent wind, but often with whole weeks or even periods of fortnights of it being quite low. It means that there will be price spikes. I think most of the modelling would suggest that the higher prices will be available over that winter period.

CHAIR - What modelling have you got on that? Particularly over the longer term like after the coal has been retired from the system?

Mr BOLT - We model prices to do the commercial evaluations of our potential investments and to value our assets and so forth. I think it essentially shows what I've just said, but it's probably better I leave that to Rachel and to Tim to explain in detail.

Ms WATSON - In terms of modelling what generation is going to be in the system, then I think it's probably fair to say we rely a bit on what comes from the Australian Energy Market Operator (AEMO). Am I right saying that, Tim?

Mr PETERS - We do our own internal modelling, but we compare that to things that come from AEMO and another external providers to make sure that what we're modelling is in the realms of what other people are saying.

CHAIR - What is the modelling show about the price spikes? How far out are we talking?

Mr PETERS - The modelling goes - we take into account what we could see from the market for the first three years and then after that, we've got modelling, I think it's out to 2050. Basically there are spikes where we see coal leaving the market and depending whether there's enough VRE coming in or if there's gas or other hydro that's able to come in behind it to see it. Where those closures happen, you do see a price spike. Unless there's that VRE that's built prior to it, they will exist in the market.

CHAIR - Well, isn't that the intention? This is the point I was making, that the intention is to build all this additional VRE before that. Before the retirement of some of them, not all of them perhaps cause some getting pretty old and starting to fail more often. Isn't that the intention though to try to get - not just in Tasmania but on the other side as well?

Mr DUGAN - Well, I will have to let the other side speak for the other side. I would note there has been some level of vagary around energy policy in Victoria, for example. There have been some wrinkles in all of that and some changes that have been made. For us, it's pretty clear that we would expect to see volatility into the long term.

CHAIR - Because we haven't built enough?

Mr DUGAN - Well, we have enough. We will have more than that and we will seek to obviously attract load onto the island because that's the other very important part of this equation. New load, new industry, new jobs as we have seen previously.

CHAIR - But you just said we need 800 new megawatts of VRE? So we need that?

Mr DUGAN - Yes, by 2034. If you look at the pipeline, particularly since the FID decision on Marinus, there has been a very obvious change in the constructability, the bankability of some of the projects in Tasmania. Hydro's in the market as we speak now and that has an impact on the bankability of projects. If you've got a PPO with Hydro, you have a much more bankable project. We've made a commitment through the election that Hydro will participate in delivering another 500 MW. We're already getting very close to our 800 that's required by 2034.

In terms of the Northern Midland solar farm, there's 288, another 500 through the course of this election commitment - Hydro is in market at the moment. SIS is working for us now where it previously wasn't. There is a number of pull-through mechanisms in Tassie that would see us I think get there.

CHAIR - In terms of Hydro's intentions here to enter into power purchase agreements, is that just with companies or businesses or renewable energy on-island or are we looking to do it on the mainland as well?

Ms WATSON - We haven't looked beyond Tasmania. We want to do it on-island.

Mr DUGAN - Certainly, the government commitment is around on-island generation.

CHAIR - There's no intention to look for entering into power purchase agreements with an industry on the mainland.

Ms WATSON - Do you mean to buy power from a new renewable energy generator or supply power to?

CHAIR - Or provide power to major industry on the mainland.

Ms WATSON - Certainly not as Hydro Tasmania, but Momentum obviously has a bit of a commercial and industrial customer base and that's part of their usual customer makeup. Every retailer has residential customers, multimedia enterprises and CNI commercial industrial. Momentum is just the same. But that all just blends into the sort of electricity book that we then help Momentum to supply to its customers.

CHAIR - So, it will only be Momentum that operates on the mainland in terms of these sorts of agreements? Hydro will stick to its backyard?

Ms WATSON - Yes.

Ms LOVELL - Minister and chair, this question is for both of you. I understand that Hydro is on record repeatedly advising Boyer and the public that there's not enough power in grid for their boiler conversion project.

Ms O'CONNOR - We were told this is not true the other day.

Ms LOVELL - Well, that is my question. The minister has said repeatedly that there is, including as recently as Estimates last week. Is there or is there not enough power for that conversion project?

Mr DUIGAN - I'm happy enough to say it again now: there is. I will leave Hydro to say something.

Mr BOLT - I will say the same thing. There is. There's always going to be negotiation about price, but there's the power.

Ms LOVELL - There's been statements in previously from Hydro that there is not enough spare energy in the Tasmania grid. Are you saying that's only related to price?

Mr BOLT - I will probably say that's a historical statement made before the minister and his colleagues amended our charter, where the sense that we did it [inaudible], gave way to the idea that we can actually go out and contract for new wind and solar.

Ms LOVELL - When was that amendment?

Mr BOLT - That charter was an amended - I haven't got the date in my head.

Mr DUIGAN - 2024.

Ms LOVELL - In 2024. There are statements reported this year that there is not enough power. On the ABC, 30 June, there is a report - 'Australia's last paper mill, Boyer told of insufficient local power for electric conversion'.

Mr BOLT - That was their statement, not our statement.

Ms LOVELL - So this reporting is incorrect. It says:

Hydro Tasmania has advised the new owner of the Boyer Mill that there is not enough spare energy in the Tasmanian grid for crucial upgrades.

Mr BOLT - Correct, that statement was incorrect.

Ms LOVELL - Okay. What was Boyer advised about that?

Mr BOLT - Exactly what we've just been doing, which was that there is power. We would have to negotiate on price and obviously we're in the market seeking to make sure there's enough power to back that with.

Ms LOVELL - Okay.

CHAIR - Is it fair to say that there is plenty of power if they are willing to pay the price for their needs?

Mr BOLT - The price that will bring new power into the system is what all Tasmanians need to be paid by the industries here. Obviously, we are looking to provide a price that is facilitated, as you might say, by industrial investment. That's what the government wishes us to do. That's what we're in the market doing.

Mr DUIGAN - And that's what the charter clearly sets.

Mr BOLT - It clearly requires us to, but there still has to be a price agreement of some kind even then, because we don't have the ability to simply name any price. We need to make sure it's commercially responsible. At the same time, it is an interest for Tasmania by way of job creation and industry investment.

Ms LOVELL - It's a transformative project for Tasmania, so it is in everyone's interest. Thank you.

Ms O'CONNOR - It relates to this. Earlier, minister, you said in order, I guess, to soak up the extra capacity that the government wants to attract load. What sort of load?

Mr DUIGAN - Well, I think, in the first instance, as it was considered, that was very much seen as hydrogen and alternate fuels. We continue to be obviously active in that space and have a hydrogen action plan. I think you'd see data as an emerging load. There's an opportunity there. Tasmania is well-situated, obviously, with its green grid and with climate - it's cold, which is helpful for data and that sort of stuff. So, I think those are things, but I won't say I'm agnostic to load because I think we want good load, we want job-creating load, but we are interested to speak to all industries about setting up shop here in Tasmania.

Ms O'CONNOR - Do you think there's any risk in embarking on a data centre program, given what we are seeing happening overseas, where vast data centres are being built in places like Mississippi and the Midwest. There's a fair bit of community resistance to that there because, as a consequence of those data centres being put in, the power prices for consumers are just ratcheting right up. Has Hydro had a look at whether big data centres here soaking up large amounts of our power would have the necessary - I mean, I don't like the term, but - social licence or social acceptability, and does the government recognise or does it foresee a risk with a big data centre like this, that could impact on the prices Tasmanians pay for their power?

Mr DUIGAN - As the question was for Hydro, I'm happy for Hydro to answer it, noting that Hydro is not our principal mechanism of dealing with the matter of -

Ms O'CONNOR - Oh, I know. I know that.

Mr DUIGAN - So, it's somewhat outside Hydro's key remit, but there may be some thinking that has been done.

Ms O'CONNOR - But it would become a cog in the system?

Mr DUIGAN - Sure, no doubt.

Mr BOLT - As the minister says, we don't see ourselves as the ones that determine the acceptability or otherwise to Tasmanians of particular kinds of load. If it's a load that is desired, seen as part of the state's economic future, then we will, of course, discuss possible terms of power supply to them. That is happening with data centre proposals now. But, if for social or other environmental reasons, the government decided that it didn't wish to have that develop, that would be the end of that conversation, I guess you'd say. But no, we're not here to determine industry policy.

Ms O'CONNOR - Yes, I understand that. I'm curious to understand if it has crossed your minds.

What kind of lens does Hydro examine potential applications or bids into Tasmania's energy system from interstate or overseas companies? I ask this question because Hydro has had, occasionally, a checkered history in partnering. For example, there was the Karuma Dam, human rights abuses. I'm wondering is it any comers is invited to enter into an agreement with government, it doesn't matter if they have a checkered history, or if they're a foreign state-owned company for example? What's the matrix when a company, a renewables company, comes in and says, we want to put a wind farm here? Is there any kind of assessment or is it just, great, yes, let's sign you up?

Mr DUIGAN - It is a relatively new circumstance, albeit Hydro has participated in the market previously, but it's relatively new for Hydro to be doing PPOs with new developers into Tasmania. I'm sure there is a framework by which the company engages with the market and takes account of those sorts of things. I will pass -

Ms O'CONNOR - It's an ethics and governance and, potentially, even a national security question, depending on who's interested.

Mr BOLT - We do, obviously, have a high regard to the need to contract with environmentally and socially responsible counterparties, no question about that. Maybe that's something that Rachel could add some colour and movement to?

Ms WATSON - Yes, certainly. For example, with the expression of interest we have in market at the moment - which is probably similar to the one that was successful in getting Northern Midlands signed up last year - we're looking at the whole viability of their project. So, that's across all their permitting requirements - their environmental permits, their development applications. We really want to contract with suppliers that are going to have successful projects and to be successful, they need all those things you were talking about. They need social licence, they need environmental conditions that they can comply with that maintain the integrity of where they're being constructed.

We're not in the business of trying to discriminate inappropriately between all comers -

Ms O'CONNOR - I'm not suggesting that Hydro would. I'm asking whether, when companies come to Hydro - I mean there's concern about foreign ownership, for example, of energy generation capacity; concern about state-owned companies potentially from authoritarian regimes who own a chunk of our energy infrastructure. I'm interested to know, at

a board level, what kind of assessment happens when a company comes to you and says we can do this there?

Ms WATSON - I've had a little bit of insight from having worked for a state-owned enterprise myself in the energy sector of the amount of scrutiny that they're under from all the appropriate federal agencies.

Ms O'CONNOR - You mean a foreign state-owned company?

Ms WATSON - A foreign state-owned company. We as Hydro absolutely don't have the same resource intelligence capability that all those agencies have. We actually are in dialogue with those agencies, as they are with every kind of energy provider.

Ms O'CONNOR - Agencies such as?

Ms WATSON - Federal agencies interested in the sorts of issues you're talking about.

Ms O'CONNOR - National security, so ASIO, for example, the Foreign Investment Review Board?

Ms WATSON - Our job is not to assess, as those entities would, any risk associated with those. Because that's not the role that we're playing in the energy system.

Ms O'CONNOR - No, I understand that, but who does the assessment? Is an assessment done?

Mr BOLT - In the case of foreign investment, the Foreign Investment Review Board will do the assessment. Obviously, we'd have regard to the likelihood of a counterpart being able to pass that. We're not going to sit there and simply not assess the risk.

Ms O'CONNOR - Yes, that's good.

Mr BOLT - But we don't make the primary assessment.

Ms O'CONNOR - No.

Mr BOLT - As Ms Watson says, we don't have all the sources of information. We don't have operatives on the ground in different countries, et cetera, that allows that assessment to be made well.

Ms O'CONNOR - But the assessment of the board, presumably, would be based on the advice of national agencies that are there to protect the national interest or information provided. Maybe not advice to Hydro, but information that you've been able to obtain.

Mr BOLT - We take into account what information we can get into the risk of either reputational damage or actual substantial misdeeds being done by certain counterparties and their likelihood of getting clearance to investigate. That primarily would be our assessment because wiser heads would be making that judgment and we would not want to spend a lot of time on negotiations with a counterpart that had a very small chance.

Ms O'CONNOR - How does it work if a foreign state-owned company wants to invest in Tasmania's energy infrastructure? Does FIRB, Foreign Investment Review Board, pick it up at the front end, so they're making an assessment at the time of the expression of interest? How does the process work to the point where the Hydro board or Hydro is making a decision about whether or not to partner with a foreign state-owned company?

Mr BOLT - My guess is - I'm looking at Rachel here because she may have more experience than I do on that very question, it's a while since I had to deal with that in a live case. I suspect they don't say yes or no until they get an application and various preconditions have to be reached before an application can be lodged. But, I suspect they would also have informal dialogue with proponents who would then assess their risk of getting through the FIRB. If it got to the point that they did lodge an application, we ourselves would want to assess that, too.

How we would go about it may be uncharted territory for us. I don't think we've done it in the recent past. I'm not sure there's much experience around the table. It's a question we'd have to say, we don't really know exactly how to handle it, but we'd have regard to it, we'd make our assessments. Maybe Rachel, you could either correct or confirm that?

Ms WATSON - No, I would agree with what you've said, Richard. I mean in my experience, just talking very practically, in order to get a renewable energy project up, you either buy the interest from someone and that transaction, if you're a foreign-owned entity will trigger the need for further approval, or you're signing up an interest in land. If you sign up an interest in land, you also need further approval, so either of those two things are probably going to happen quite early on in your project development.

As Richard said, if we were dealing with a proponent who had to go through that process, we would take a view on, if they didn't have it yet, whether we thought they were at risk of getting it or not. Just as we would take a view on if they haven't already got their development approval or environmental approvals.

Ms O'CONNOR - Thank you. Do you have a picture of how much of the renewables infrastructure outside what Hydro owns is foreign owned?

Mr BOLT - Across the?

Ms O'CONNOR - Across the island.

Mr BOLT - On the island. Well, I guess that's where we have to say that a long time before any of us were involved, Hydro did enter into a joint venture with Shenhua - I forgot the full name of the company.

Ms O'CONNOR - That's right.

CHAIR - China Light and Power at the time.

Mr BOLT - Yes, they are 75 per cent owners of their joint venture that has an interest in our three wind farms that we are 25 per cent invested in, so to speak. Apart from the others though, Capital Hill -

Ms O'CONNOR - Just to confirm, Hydro is a 25 per cent co-owner with a Chinese state-owned company owned by an authoritarian, human rights abusing regime in Tasmania?

Mr BOLT - I would simply say yes. We have an interest along with the Chinese-owned company in those three wind farms.

Ms O'CONNOR - Okay, and that's probably the most substantial extent of a single state-owned company owning parts of our energy infrastructure?

Ms WATSON - No, I wouldn't say so.

Ms O'CONNOR - What's the other one or two or three or four?

Ms WATSON - Well, there are a few. In terms of state-owned enterprises - Pacific Blue, where I used to work, is also owned by a Chinese state-owned enterprise. Their installed capacity, I think, would be a bit higher than the Woolnorth joint venture.

Ms O'CONNOR - So, Pacific Blue, China Light and Power. What are the other big ones?

Mr BOLT - In Australia, generally?

Ms O'CONNOR - No, Tasmania.

Ms WATSON - Pacific Blue's not operating in Tasmania.

Ms O'CONNOR - No, that's right.

Ms WATSON - Sorry, I thought you were talking about the wider market.

Ms O'CONNOR - Seriously, I mean, you know -

Mr BOLT - No, no-one that I know of.

Ms O'CONNOR - Beyond Bass Strait, I know that you have limited investmental powers. We're just talking about on-island.

Ms WATSON - Okay.

Mr BOLT - To the best of my knowledge, no, but if I need to correct that, I will, subsequent to advice we get. Just to be clear, we are talking Shenhua Clean Energy Holdings is the 75 per cent owner of the Woolnorth venture and that transaction occurred in 2012.

Ms O'CONNOR - I remember.

Mr BOLT - It was a very different time.

Ms O'CONNOR - It certainly was.

Can I just backtrack a bit? As Tasmanians, we used to have such great pride in being able to turn on the lights, knowing that the energy that powered the home was clean. Over the past three dry years, what proportion of our energy has been imported, noting that a lot of that is coal power from Victoria? Because it was 80 per cent a few years ago in the really dry year and I'm wondering where are we at over the three years. How much has been produced domestically and how much imported for Tasmanian power uses?

Mr BOLT - We can give you those numbers.

Ms WATSON - Can we come back to that?

CHAIR - The last year was 2458 gigawatt-hours import.

Mr BOLT - Yes.

Ms O'CONNOR - What's the proportion - 80:20, 50:50?

Mr BOLT - In rough terms we're talking about a third was imported, or less, maybe a quarter was imported, but please don't hold me to that.

Ms O'CONNOR - If there's more detail you will bring it back.

Mr DUIGAN - Well, let's not have the rough numbers. I think the other important thing to consider about our imports, and you make the point about coal, typically, we import through the course of the day when there is abundant solar energy. I don't think we're able to account for the actuals, which is a bit of a shame.

Ms O'CONNOR - I think we used to be able to, to some extent.

Mr DUIGAN - Well, I know in the industry we can't.

CHAIR - Where the electrons come from?

Mr DUIGAN - Yes, you know, tracking electrons and that sort of thing, but I'm happy to be corrected.

Ms WATSON - No, you're right.

Mr DUIGAN - We get a blanket Victorian energy makeup, but I think, for us, it's a reasonable point of difference or a contextual point that we come in through the middle of the day. That's when the solar is flooding in and that cheap, abundant energy is in the system, but it doesn't necessarily show up like that.

Mr BOLT - If I could, minister. In some cases that would simply mean that solar could be curtailed or wind could be curtailed, too, because coal has to run at a certain level. Now, I'm not suggesting that's true in all cases, but it could be true in some cases. So, it's not as straightforward as to simply say when we are importing, that means there's more coal being produced, more coal being burned. It may be, in some cases, there's more solar and wind being curtailed.

Ms O'CONNOR - Okay. I know you have some figures in the annual report on revenue from gas generation. Is there information available on your gas purchase costs for generation over the past couple of years, and some idea of - obviously, it would be a fair bit higher in the drier years than it would in other times?

Mr BOLT - While it's being looked at, to make the point that the amount of gas relative to our total portfolio of output is quite small and it's very much a last resort, all else being equal.

Ms O'CONNOR - Yes, I know, and we are, at one level, glad it's there, of course, but we would like to retire it. So I'm curious to know what we are spending on gas.

Ms WATSON - The cost we're paying is actually commercially sensitive information, so we're not going to share that in this forum.

Ms O'CONNOR - So, you can't share the total gas budget? Purchase of gas? I mean, we can't tell the volume of what you've purchased, but the total budget for it?

CHAIR - How much was spent, is that what you're asking?

Ms O'CONNOR - How much was spent on gas?

Mr DUGAN - We can provide how much is generated by gas, but I don't think we have a report on how much we spend on purchasing the gas.

Ms O'CONNOR - Right. Why is that commercially sensitive? Commercially sensitive to who?

Mr PETERS - Through the minister, gas is either bought at spot or at contract through the market. So, disclosing those figures in the annual report, we choose not to do it on the basis of what price - that may make people work out what we're paying for gas.

Ms O'CONNOR - What would be the problem if people worked out what Hydro, a public entity, was paying for gas? Sorry, I might sound a bit thick, but I can't work out what the problem is.

Mr BOLT - It doesn't mean that our suppliers get - if we are looking at contracting versus spot buying, then we don't want to be in a position where our commercial tactics can be second-guessed by those who might make more out of us if they had better insights into what our drivers are.

Ms O'CONNOR - Okay.

Mr BOLT - We are not trying to be opaque.

CHAIR - That's on contract?

Mr BOLT - I think what we are saying is -

Mr PETERS - It depends.

Mr BOLT - It depends, is the point.

Ms O'CONNOR - Are we mostly buying from Victoria? I don't know who to ask here.

Mr BOLT - That's all we can buy, as best I know.

Ms O'CONNOR - Right.

Mr BOLT - I mean, physically speaking, there are obviously ways of buying gas through contractor arrangements that extend interstate. I'm not sure that we do that.

Ms O'CONNOR - Do we have gas in the bank here? Do we buy gas and hold it? So, we might not use all the gas we bought at a particular time, but we are holding gas?

Mr DUIGAN - Gas pipeline holds gas.

Mr PETERS - Through the minister. I think the question is, we can buy gas and they will bank it on the mainland for us and then we will import it when we need it. Do we actually store it physically here from a hydro facility? No.

Ms O'CONNOR - How does the gas arrive in Tasmania? Which vessel?

Mr PETERS - Through the pipeline.

Ms O'CONNOR - Through the pipe. Okay, it goes under Bass Strait. Alright, okay. So, there's no capacity really to get a line of sight to expenditure on gas as a total? Even though some is banked and some may not be used for a while, we can't have a picture?

Mr DUIGAN - I think we can do a very rough calculation on the generation output, which is reported, what it costs per unit of energy produced.

Ms O'CONNOR - It would be fair to say it's probably our most expensive power generation source, isn't it?

Mr DUIGAN - It would be fair to say; I believe that's fair to say.

Mr BOLT - Yes, the only exception would probably be diesel generation on the Bass Strait islands, but that's splitting hairs.

Ms O'CONNOR - Yes. Is it all going well on Flinders, with the renewables - the project on Flinders, which was some time ago, to replace diesel, was really going very well.

Mr DUIGAN - I'm happy to take swing at that. Yes, very good battery solar, wind.

Ms O'CONNOR - It was amazing. We went there a few years ago. It was fantastic.

Mr DUIGAN - There has been more recent work done on King, I think, to bring that into alignment.

CHAIR - Yes, solar panels are what we have there.

Mr DUGAN - It's good, and that's part of the service obligation of Hydro Tas. It comes at no small cost to provide good reliable energy. As I say, every time you don't burn a litre of diesel, that's a good result.

Ms O'CONNOR - Yes. Thank you.

Mr PETERS - Through the minister. I guess we do still have diesel on Flinders and on King Island. There are obviously wind and batteries and solar on King Island, but when it's not blowing or it's not shining, we do have to rely on those diesel backups to kick in.

CHAIR - It's continuing to increase according to your information here. The intention Cassy was alluding to was to use less and less diesel. But, on page 29, it clearly shows that over the last four years on King Island, for example, diesel and costs may have a factor here as well. It says the megawatt hours was 6.7, up to 10.9; not as much on Flinders, it was 2.2 or 2.3 to 2.7 with solar and we're increasing slightly, except not on King though. Have we replaced the solar panels over there yet?

Mr BOLT - There's a new solar farm that we set up on King Island a couple of years ago.

CHAIR - It's not making much of a difference, then.

Mr BOLT - It depends on when the wind's blowing and when the sun's shining. The diesel is only used as a backup. We don't use it as a primary source.

CHAIR - The point is that in 2025, last year, wind and solar combined generated 3970 megawatt hours, whereas diesel still was required to generate 10,900 megawatt hours. Still a fair gap there.

Mr BOLT - There is a fair gap there but a lot of progress has been made to your point.

CHAIR - Does solar and wind - solar particularly in this case, because not many people have wind farms on their roof, but a lot of them have solar on their roof. Is that generation included in the 3970 megawatt hours?

Mr PETERS - No, it won't include the rooftop solar. I think the thing with King Island in particular is there is an upgrade program happening with the wind towers. They are old towers. They're probably some of the oldest in the country. There is a program that we're going through at the moment to revamp them.

CHAIR - Some of them weren't working.

Mr BOLT - There was also one that did have blade damage. One of the [inaudible] turbines. Upgrade work is due to commence early next year. There is a period right now where, because of that, there's more diesel than I think would ordinarily be required when everything is in service. That's a temporary issue.

The question about then going further than that and even further reducing the diesel share would simply as best I understand require more investment. Currently that's not scheduled.

CHAIR - The battery storage over there, is that not helping much? They would be getting old now.

MS WATSON - Yes. We've got a battery that's scheduled for a placement in 2027.

CHAIR - On King Island?

Ms WATSON - Yes.

CHAIR - Sorry, Cassy, I interrupted you there.

Ms O'CONNOR - No, that's okay. I've got some other questions on the slightly different subject of environmental reviews. If there are associated questions anyone wants to ask on this, I'm happy for you to do so. In the absence of that, I will power on.

Minister, in previous years Hydro undertook a series of valuable catchment environmental reviews for their major catchments. When will these reviews recommence or will they? For the purposes of *Hansard*, there are mystified looks across the table.

Mr DUGAN - I wouldn't say that. In terms of exactly - what are these catchment reports? Do you know what they're called.

Ms O'CONNOR - Catchment environmental reviews.

Mr DUGAN - Catchment environmental reviews, righto.

Mr BOLT - I'm going to try, minister, if I could and then pass it to others. We have done hydrological modelling that obviously has some catchment consequences and that was done particularly to anticipate the entry of, or the commencement of, Basslink and how that might change flows, and what environmental consequences might arise from that. Could that be what you're referring to?

Ms O'CONNOR - That was 20-odd years ago, the hydrological work for Basslink.

Mr BOLT - I'd have to defer to my colleague. Yes, quite some time ago.

Ms O'CONNOR - Has there been no further hydrological work since Basslink on the system in this way?

Ms WATSON - We have done a few, but could we come back to you to confirm what we've done in the plan for the next one?

Ms O'CONNOR - Has Hydro released flows from the Gordon scheme on an as-needed basis to improve conditions for fish farming operations in Macquarie Harbour?

Mr PETERS - When there was a number of issues around the Maugean skate, Hydro had agreed that they would do voluntary releases until there was some studies done to see what the effect would be.

Ms O'CONNOR - To get some oxygen in the water to give that poor fish a chance?

Mr BOLT - To the benefit of the skate, that's right.

Ms O'CONNOR - That's right. So was that a one-off?

Mr PETERS - It happened during that particular period where - I think it was over a prolonged period. I can find out the exact period, but it wasn't just a one-off release.

Ms O'CONNOR - Right. So, it was a period of time where a number of releases have been made in order to bring more oxygen basically into the water?

Mr PETERS - Well, until they had got the information around the study. So, we were cooperating with the different authorities around what may be beneficial at that stage. It was beneficial for Hydro to release, for that to continue.

Ms O'CONNOR - Okay, and was there any cost? I mean, there must have been a cost to Hydro, obviously, of doing that. We're not going to begrudge the skate some fresh water but was that made at the request of government, Parks for example? Or was it made at the request of the companies operating in Macquarie Harbour?

Mr DUIGAN - My memory, as Environment minister at the time, is that there were a number of actions, there were a number of parties involved in - I will use the term - Maugean skate recovery task force, and Hydro being one of those entities that was engaged. There was a number of actions requested from a number of bodies involved in that area. That would be my broad level understanding and memory of it.

Mr BOLT - I think, consistent to that, we can give more detailed information. I don't know if you wish to do that at all, just step through this?

Ms O'CONNOR - Sure.

Mr BOLT - So, if I can go back to the very beginning because it actually does go to the question of catchment modelling and I will read it:

Dissolved oxygen dynamics in Macquarie Harbour are complex, river flows are only one factor that contributes to this. Other factors include local and offshore weather conditions, ocean currents, tide cycles, climate change, aquaculture, biomass and feeding regimes -

Stop me if this is too much information.

Ms O'CONNOR - No, no, I'm fine, I'm interested. But aquaculture is so far down the layering, but yes.

Mr BOLT - I wouldn't take that to be a prioritisation aspect, it's just a list of them.

Ms O'CONNOR - I'm noting it.

Mr BOLT -

The Gordon and King rivers, as you would all know, flow into the Macquarie Harbour. The operation of Gordon and John Butters power stations contribute naturally to flows in those rivers.

So do other sources, of course.

The impact of Hydro Tasmania's operations to harbour dynamics is currently being worked through in collaboration with the CSIRO. Hydro completed the developing - we completed the development of catchment models with forecasting for the King and Gordon Rivers in May 24, last year.

These have been incorporated into CSIRO's hydrodynamic modelling of the harbour and that, together with CSIRO's oxygen process modelling, will help us to better understand this complex environment and enable appropriate management planning and we're also assisting the Institute for Marine and Antarctic Studies in UTAS, of course, sharing our knowledge experience using adaptive resolution imaging sonar technology to support the population surveys for the skate in Macquarie Harbour.

We provided them with an ARIS unit, that's the adaptive resolution imaging sonar unit, on a long-term loan to support their monitoring program.

So, our cooperation is being driven based on our relationship with CSIRO and our relationship with UTAS. To the best of my knowledge, I've never heard it said that it's being done at the instigation of the aquaculture companies, the salmon farming companies. I'm not suggesting, therefore, that we wouldn't do something that was to the benefit of the health of the harbour at their instigation, but that's not what this is saying.

Ms O'CONNOR - Can I ask about - and this is on the Greater Southeast Irrigation Scheme which will impact on Hydro storages and water systems to some extent - what studies or reports are underway or are available to understand the implications of the additional irrigation take on freshwater systems upstream, downstream and/or for Lake Malbena itself - not Lake Malbena, sorry - Meadowbank?

Mr DUIGAN - I was wondering.

Ms O'CONNOR - I know yes, that's a stretch, isn't it? Sorry, it's been a long couple of weeks.

Mr BOLT - I was about to show some profound ignorance of geography.

Ms O'CONNOR - Yes, Meadowbank.

Mr BOLT - That's a question I certainly don't have an answer to. Does anyone here?

Ms WATSON - I don't think so.

Mr BOLT - The team will have a look and see what they can do to answer that. Can we take that on notice?

Ms O'CONNOR - Sure. The question is: what kind of studies or understanding does Hydro have on the impact of this extra irrigation take on upstream, downstream and Meadowbank? Or is it just a given that it has to operate and so Hydro will work around it?

Mr DUGAN - Where is the off-take? I would need to - I'm not sure where the off-take is - and even if it is -

Ms O'CONNOR - Does that matter so much?

Mr DUGAN - Well, it would depend on if the off-take was in the Hydro system or downstream of the Hydro system, then it would be a matter for TI that would know what the impact to flow would be. If it was in the Hydro system, presumably Hydro would have some visibility of it.

Ms WATSON - Yes, my understanding is that Greater South East Irrigation Scheme will take water from above Meadowbank Dam. We have a large storage capacity in Lake Meadowbank, so we think we're well positioned to support Tas Irrigation to create opportunities for more efficient and effective use of water.

We don't think it will have an impact on our ability to meet our existing downstream-flow commitments which we have made, obviously.

Ms O'CONNOR - Including environmental flows?

Ms WATSON - Including environmental flows. So, Tas Irrigation is seeking about 1.4 per cent of current total outflows for the Greater South East Irrigation Scheme.

Ms O'CONNOR - Okay. Previously you said you that Hydro doesn't think that the extra irrigation draw on the system will impact on Hydro's capacity to provide energy downstream, but there doesn't seem to have been much work done on the question. Or is it that Hydro is assessed on the proportion that Tas Irrigation will require that that is not sufficient to have a significant impact on Hydro's operations? That it's a small proportion -

Ms WATSON - It's a small proportion; we think no impact on our ability to meet our downstream-flow commitments which will include environmental flows.

Ms O'CONNOR - Okay. Can I ask, do we have an update on blue-green algal blooms in Hydro storages? Have there been any algal blooms that Hydro is aware of in your storages over the past three years, and how are these trending? We're interested in an update on Woods Lake, in particular.

Mr BOLT - As you're alluding to, we had a significant blue-green algal bloom that commenced in February 2023. The bloom levels peaked in autumn/winter of that year and then summer/winter period 2024. Cells were last detected in bloom concentrations in July last year, 2024. They're still present in the lake, the algae is still present in the lake, but well below bloom levels. We're continuing to monitor the lake as part of our catchment management program and, where possible, we maintain Woods Lake levels as per the water level memorandum of understanding.

Ms O'CONNOR - Thank you. So, there's some monitoring underway on blue-green algae blooms presumably across the Hydro system to places that may be more susceptible or have experienced them already.

Mr BOLT - I am aware of this one personally that might not be accurate in the history of Hydro. Since I've been involved with Hydro, this is the one I'm aware of.

Ms O'CONNOR - Okay. What steps does Hydro take to mitigate to either prevent blue-green algae blooms, which we know can be worse as a result of global heating, but also to mitigate the impact of blue-green algae, which presumably makes a mess of some of your operations to some extent?

Mr BOLT - In this instance, what I'm reading here, to be really honest with you, it's a water level that is our main means. But I presume that there may be questions of flow -

Ms O'CONNOR - Flushing.

Mr BOLT - Or flushing, exactly. I don't know though. I would be guessing. So, I won't guess. I will simply say to the best of my knowledge, it's worth maintaining the right water level and we're not experiencing more blooms at this stage. We appear to have it under control.

CHAIR - We might cover another area -

Ms O'CONNOR - I want to finish this line of questioning. While Hydro Tasmania is in principle a non-consumptive water user, the majority of Tranche 3 irrigation schemes are to be supplied by Hydro Tasmania, the water is supplied by Hydro Tasmania. Does Hydro have an understanding of how much water is going to irrigation schemes and other consumptive uses?

Mr BOLT - Other than we supply, is that your question?

Ms O'CONNOR - No. How much of Hydro's water is going to irrigation schemes? Is there a proportion that's understood? A volume that's understood? Noting that it will fluctuate.

Mr BOLT - It varies by scheme. There are some schemes that are not well suited to irrigation, others that are, clearly. So, there's quite a spread, in fact, between different schemes. Beyond that, we could either provide - let me check what numbers we can provide, unless the team has already processed that.

Ms O'CONNOR - Do you have a picture of what Tasmania Irrigation pays Hydro for that water?

Mr PETERS - I guess, in regard to - Hydro's agreed to make approximately 200,000 megalitres of water per annum available to the following schemes: Sassafras, Midlands, Whitemore, Kindred, Greater Meander, Southern Highlands, Lower South Esk, Don, Cressy, Macquarie, and Mersey. There is a number of different schemes that we provide water for.

Ms O'CONNOR - 200,000 across all those schemes.

Mr PETERS - 200,000 megalitres.

Ms O'CONNOR - Megalitres per annum. Okay. Is there an understanding and is it publicly available what price Hydro receives for that water?

Mr PETERS - Depending on where the irrigators are, the price of the water varies. Depending on how they're able to take the water, the price of the water varies. If there's flooding periods, they take it above those levels, they will get a different price versus if it's low inflows. So, it's variable across the state.

Ms O'CONNOR - Does it frustrate Hydro that some water users are on meters and some are not, and there's a capacity for some of your precious water to be taken without measurement or payment? Has it come up?

Ms WATSON - I think we've done quite a lot of work with the irrigation community in recent years to get better visibility into water usage. My understanding is that the board's been paying attention to this, so there is greater understanding now about what's been taken, better reporting levels. It's a work in progress, but improvement.

Ms O'CONNOR - Thank you.

Ms LOVELL - I want to move on to another topic altogether and talk about the workforce in some regard.

Looking at page 16 of that and the annual report. I note that you have reported your gender pay gap, which I think is excellent. That's been reported. I know there are some others who don't even really know what that is. The fact that you're reporting it is a great step. There's a couple of different ways it can be measured, though. If I can clarify how you measure your gender pay gap and, in particular, does it include allowances and other, or is it base salary only?

Ms WATSON - That's a good question. That Bureau of Statistics tends to look at only base salary, but there's the other agencies that look at including overtime and allowances and other things on top. We do include overtime and allowances; we don't just look at base.

Ms LOVELL - Excellent, okay. There's quite a disparity between the public and private sector in terms of gender pay gap. When you're looking at where you sit as an organisation, do you compare yourselves to public or private sector?

Ms WATSON - I may get corrected on this, but my understanding is we benchmark ourselves to comparable industry organisations, so energy infrastructure kind of -

Ms LOVELL - So that would largely be private sector, then, I suppose?

Ms WATSON - I guess so, yes.

Ms LOVELL - Okay. So 20.4 per cent, which has come down a little since last year, comparable with private sectors, not too bad, but still quite high; what steps are you taking to address that and bring it down further?

Ms WATSON - We have a gender equality policy. That is one of the board-approved policies that we are working towards. As you've mentioned, not everybody measures this or reports on it, so in measuring and reporting on it, we're also holding ourselves accountable in

it. The vigilance around making sure that we are paying people fairly, so we're seeking to halve our organisation-wide gender pay gap from that 20-odd per cent to 10.5 per cent by 2030. Again, there's a range of initiatives that are going on behind the scenes for us to promote gender equality in the organisation.

Ms LOVELL - The gender equality policy, is that publicly available or would you be willing to table it, just out of interest?

Ms WATSON - I don't know whether it's on the website or not actually.

Mr BOLT - I don't know either. We will see what the advice is on that.

Ms LOVELL - You'd be happy to provide a copy? Just more curiosity than anything. Thank you.

CHAIR - So put it on notice?

Ms WATSON - Yes. Put it on notice.

Ms LOVELL - Did you have anything on the gender pay gap before I move on or anyone else?

CHAIR - No, I've got some other things.

Ms LOVELL - You talk here as of 30 June as total employee numbers 1462 across Hydro, Entura and Momentum; is there a breakdown of those staff numbers across the three? Momentum has - I have on page 20 - 325 employees, but I couldn't find the others.

Ms WATSON - I've got 326.

Ms LOVELL - Might be a typo or could have changed.

Ms WATSON - It could have changed as this is at the end of 2025. Entura has 248 and Hydro 876.

Ms LOVELL - When was the last time - or how regularly do you measure employee satisfaction?

Ms WATSON - Through the minister, we survey employees twice a year. We do a major engagement survey in March each year and then we do a pulse survey around six months after that in October.

Ms LOVELL - What are those surveys showing you?

Ms WATSON - We're pleased with the level of engagement we have. They're showing us that we are meeting our targets in terms of - the two things we're really sort of focused on are an engagement score and an inclusion score. The engagement score - how involved are they, committed are they to working at Hydro, and then how well do they feel they fit in and that they're included. Both of those scores move around a little bit from survey to survey, but we're on track with our expectations with both of those.

We haven't publicly released our gender equality strategy, but we would be happy to provide a copy.

Ms LOVELL - Okay, thank you. In terms of those scores and the targets, what targets have you set for engagement and inclusion and where are you sitting at the moment?

Ms WATSON - You're testing my memory for those.

Mr PETERS - Through the minister, for the pulse survey or the half-year survey, we had targets of 70 per cent for engagement and 70 per cent for inclusion. The latest result was we came in at 70 per cent for engagement and we were 72 per cent for inclusion.

Ms LOVELL - That was October just recently?

Mr PETERS - Yes, just gone.

Ms LOVELL - Okay, excellent. Thank you. Workers compensation: how many claims for workers compensation have you had in the financial year?

Mr PETERS - I think we would have to take that on notice, if that's okay.

Ms LOVELL - Okay, yes, of course. Would you also be able to provide a breakdown of the types of claims, including a breakdown of psychosocial claims?

CHAIR - Will you take that on notice?

Ms WATSON - I can tell you about the financial year that we're talking about.

Ms LOVELL - Great.

Ms WATSON - We had eight claims in that 12-month period.

CHAIR - But you don't have the breakdown?

Ms WATSON - Not between psychosocial and physical; no, I don't have that.

Ms LOVELL - Eight claims seems very good actually, it's very low. Were they claims that were able to be resolved and have people back at work quite quickly, or what were the sort of length of -

Ms WATSON - We might have to come back to you on that one.

Ms LOVELL - That's fine. Thank you.

Mr DUIGAN - Just for clarity, so we know what we're actually taking on notice?

Ms LOVELL - Taking on notice the breakdown of the type of injury including psychosocial for the claims of the eight and then length of time which, if there's only eight, you probably -

Ms WATSON - Length of time to return to work?

Ms LOVELL - Yes.

Mr DUIGAN - That doesn't cut across anybody's privacy or any of those things?

Ms WATSON - If it does, we may have to aggregate numbers or average them.

Ms LOVELL - That's fine.

CHAIR - If I can go back to the things we talked about earlier. We talked about the statement of financial performance - it was on page 34, wasn't it - where you talk about the actual figures, direct expenses and company revenue. You gave us a breakdown of what some of those things are, that they cover. Is it possible to get a breakdown that includes the amount against each component of the parent company revenue?

Mr PETERS - I think it's information that we haven't provided in the past. Usually the amounts that we disclose per the accounting standards - I guess there's a lot of different line items that make up those summary numbers.

Mr BOLT - Let's look at whether we can provide a breakdown to an appropriate level.

Mr DUIGAN - I think if they are provided to the accounting standards, that's probably the level of detail we would -

CHAIR - Well, I disagree, minister. We have talked about the inter-regional revenues, those generation certificates, the frequency control and ancillary services, the high-level things. I'm not asking for right down to the pens and paper, that sort of thing.

Mr DUIGAN - Yes, I'm just conscious of there being potentially reasons that are not immediately obvious to us all here.

CHAIR - Can we put it on notice?

Mr DUIGAN - To look at that? Yes, we can put that on notice.

CHAIR - And the same with the direct expenses?

Mr BOLT - Sorry, I thought you were talking about direct expenses.

CHAIR - And the revenues to the company.

Mr DUIGAN - Expenses and revenues.

CHAIR - Direct expenses was one question I had. Then we were talking about the revenues in terms of the inter-regional revenues and those other sort of big-ticket items, if you like, like the LGCs and other large -

Mr BOLT - So, under the side of products and services, you mean?

CHAIR - Yes.

Mr DUIGAN - Tim, anything from you?

Mr PETERS - I think the information that we provide in the annual accounts is per the standards and it is per the auditor's requirements.

Mr DUIGAN - That would be my view; it's per the standards. There are reasons and other things that we're not necessarily cognisant of here. I'm happy to provide to this level, but I think going further than that obviously comes with some challenges.

CHAIR - So the answer is no, you won't provide any further breakdown of any of those items?

Mr DUIGAN - Look, I am happy for the business to take it away and have a look, but -

CHAIR - So, you're happy for us to write to you and see what can be provided?

Mr DUIGAN - I'm not happy to take it as a commitment to provide that.

CHAIR - No, no. I'm happy to take the commitment to see what can be provided.

Mr DUIGAN - Okay.

CHAIR - Yes?

Mr DUIGAN - Righto.

CHAIR - Has Hydro already participated in the inter-regional revenue auctions or has there not been a need to up until what will be a regulated link possibly, most likely, hopefully?

Mr DUIGAN - I don't believe they've held -

Mr BOLT - There's been no number that we could have taken part in.

CHAIR - No, that's what I thought, I'm just checking. Do you have any average cost of inter-regional revenues, the actual auction prices? Do you have any vision of that?

Mr BOLT - In other jurisdictions, you mean?

CHAIR - Yes. Wouldn't it be similar across the link?

Mr BOLT - I can't imagine it would be similar; it would be risk based, and the risks all vary from region to region, but that's something -

Mr DUIGAN - Are you talking about historical Basslink IRs?

CHAIR - No, because Basslink don't go into the auction; it's in the other jurisdiction. I'm just looking at what sort of prices are likely to be.

Mr DUIGAN - Whether AEMO report it, that sort of stuff, I don't know.

Mr BOLT - We will have to check that.

Mr DUIGAN - No, we're not taking that on notice. If AEMO report it that's where you'd find it, but if we don't have it, we don't have it, other jurisdictions -

Mr PETERS - No, we don't have it and I'm not sure it's any kind of a guide to what would happen here.

CHAIR - Right. If I could go to large generation certificates and onerous contracts. Note 17 shows additional onerous contracts of \$60 million in the parent company accounts. Note 31 records a \$49 million fair value loss likely related to large generation certificate write downs in Woolnorth Wind Farm, correct me if I'm wrong. Please explain the additional onerous contract in the parent company's accounts and what is driving those losses? It's by the current LGC market conditions. Does it relate to Granville Wind Farm as well as Woolnorth?

Mr PETERS - I think so. On page 76, there's a little bit of a breakdown of the onerous contracts as to what's being additionally recognised, or a reduction, and also movements from the remeasurement. We can probably pull out what's in relation to wind farms, but not specific wind farms.

CHAIR - Not specific wind farms?

Mr PETERS - Depending on what a contract is with the different wind farms, that would be commercial-in-confidence.

CHAIR - It talks about Granville back - hang on, I will find the reference to Granville.

Mr PETERS - Granville Harbour will be a CSO, though.

CHAIR - It tells me here, it's \$1.9 million.

Mr PETERS - For Granville Harbour?

CHAIR - Yes. Does the \$60 million in the parent company accounts include the Granville Harbour contract?

Mr PETERS - If Granville Harbour was onerous during that year, it would include that number.

CHAIR - I'm talking about this last year that it was reported in.

Mr PETERS - Yes.

CHAIR - Is it included then?

Mr PETERS - Yes, if there's \$1.9 million in that CSO note, then that will be included in the onerous contract note as well.

CHAIR - So it does include that?

Mr PETERS - Yes.

CHAIR - Okay. Going to the renewable energy guarantees of origin strategy to try to figure out where the electrons are coming from, as I understand it, REGOs - I will call them that - will operate in a voluntary market unlike the compliance-driven LGCs. So will Hydro Tasmania's approach be limited to its own generation, or will it enter into PPAs, as it did with the LGCTs?

Mr DUIGAN - Sorry?

CHAIR - Will Hydro Tasmania's approach be limited to its own generation in the REGOs, or will it enter into PPAs as it did with large generation certificates?

Mr DUIGAN - That's one for Hydro.

Ms WATSON - I guess one of the reasons we would have done entering into LGC contracts is to surrender them for our retail obligations through Momentum. I'm pretty confident we would have been buying LGCs from others in addition to what we've generated in order to meet those obligations and to supply them to customers that are buying green power through Momentum. Tell me if I'm wrong.

Mr PETERS - That's correct.

Ms WATSON - I don't think there's a plan for us to acquire REGOs under the same kind of logic?

Mr PETERS - Not at this point in time, no. Our market is, if we can find a market to sell them into, that's what we will do, but we don't have any immediate plans to enter into medium-to-longer-term arrangements to supply them. That may change in the future, if there's an obligation that Momentum may have a requirement, but at the moment, no.

Mr DUIGAN - You're happy with that?

CHAIR - Yes. Minister, how do you believe REGOs will incentivise renewable investment in Tasmania? Hydro sort of indicated that they're not looking at engaging in that space at this time. It's voluntary. How do you think it's going to work? How is it going to work, and will it incentivise renewable investment?

Mr DUIGAN - Well, that's what it's designed to do. Yes. I would see it having a role there, I certainly would.

Ms WATSON - May I add one aspect, minister?

Mr DUIGAN - Yes, please.

Ms WATSON - Just as LGCs give renewable energy generators a second source of revenue for all their megawatt hours of generation, REGOs will do the same. That's how it supports investment in renewable energy generators, because they can get another income

stream over and above what a non-renewable generator would be able to earn for their megawatt-hour of electricity. Richard, you're good on this, this is your -

Mr BOLT - Yes, in short. Is your question going towards if we enter into a PPA?

CHAIR - Yes, So Hydro, I don't appear - yes that's right.

Mr BOLT - So would we kind of enter into contracts for REGOs from wind and solar providers and then onsell it?

CHAIR - Yes.

Mr BOLT - I would have thought hypothetically, yes.

CHAIR - But that's not what's being considered at the moment?

Ms WATSON - I would have thought as part of buying the energy from that - so if we enter into a PPA with a new renewable energy developer, I would expect we would buy all their output, the energy and the REGOs that attach to it. Sorry, I should have made that clear.

CHAIR - That will be part of it? That will be part of the agreement?

Ms WATSON - Yes.

Mr PETERS - I think there's probably a timing issue as well. When the large-scale generation certificates - when they finish in 2030, the REGOs may take their place, but in the immediate future, most of the REGOs are aimed at high-intensity emission projects until 2030.

CHAIR - But after 2030?

Mr PETERS - After 2030, that's meant to be scaled back, then it could be open to other market providers as well.

CHAIR - Yes, okay.

Mr PETERS - At the moment we sell some LGCs to some of those other market providers, and depending on what happens with the renewable energy target, if LGCs disappear altogether, that may well be replaced by REGOs.

CHAIR - That hadn't quite crossed my mind. You do actually sell LGCs to Momentum, or do you just give them to them?

Mr PETERS - We pass them through to Momentum at a pass-through cost, so they do pay for them.

CHAIR - So it appears on your financial reports as well as theirs?

Mr PETERS - Yes, absolutely.

CHAIR - Yes, sure. So the REGOs would be the same if you were doing that, surely.

Mr PETERS - If that same mechanism existed, yes.

CHAIR - Yes. Do we know exactly what the mechanism is?

Mr PETERS - At the moment with the REGOs, though, it would be more for our major industrial customers in Tasmania until 2030 or other major industrials across Australia.

CHAIR - Yes, but beyond that, beyond the 2030 when it -

Mr PETERS - It depends what they do with the legislation, to be honest.

CHAIR - Right. So there will need to be legislation changed to broaden it out, if you like?

Mr PETERS - At the moment they're saying it's for large industrial customers, so subject to how they decide to legislate that into the future.

CHAIR - Okay. Could I ask a question about the revaluation of your assets. I noticed that the company revalued the Hydro generation assets upward by \$380 million during this last year, when operational profit was \$7.5 million against finance expenses of only \$2.5 million. The revaluation was based on assumed annual generation of 8689 gigawatt hours, yet inflows were 6200 gigawatt hours in 2023-24 and 6700 gigawatt hours in 2024-25. For years the valuation was based on inflows of 8900 gigawatt hours, I think you said around 9000 previously. That's the figure I've got. It's only a minor reduction. Can you provide the valuation report and methodology that sits behind that revaluation?

Mr PETERS - Through the minister, I can talk through the valuation. We have a number of what we call a long-term price model that feeds through into our asset revaluation model. That long-term price model, as I said before, is - we tested against other models in the market to see - against the ISP, et cetera, to see whether we're on track. That model then feeds through into the asset revaluations. The asset revaluations are a look-forward model, so they are things that we think are going to happen into the future, effectively moving forward, not looking back.

Even though we may have had a poor result or there may have been lower generation, we have a number of assumptions that play into that model around generation and inflows, what we think the price curve is going to do, that forms the basis of how those assets are valued. So, when we talked about the upflow of revenue from Marinus Link, as an example, what the revaluation of those assets does is a reflection of those increases in revenue into the future as well.

CHAIR - What electricity price assumptions were used?

Mr PETERS - The first three years are based on market and after that it's based on our long-term price model. That long-term price model we vet against other models.

CHAIR - Long-term being?

Mr PETERS - Up to 2050, I think.

CHAIR - So, there's still a lot of unknowns in that, obviously. Is it likely we will see another revaluation in the future, if there's more clarity around what prices are going to do,

particularly as coal-fired power stations are withdrawn and additional renewable energy enters the market?

Mr PETERS - Under the accounting standards, we have to look at the valuation of those assets every year. We will test the value of those assets up and down, depending on what the models tell us. So, every year, when we roll that model forward, we have new information around - whether it's coal closures, new VRE coming into the market or any other things. So, those other assumptions go into that model and are stress tested.

CHAIR - So, even though, essentially, last year the profit was very minimal, the assets were still valued considerably higher. Can you explain how that comes about?

Mr PETERS - The valuation of the assets looks forward. It's what we think the values of those assets are going to be in the future.

CHAIR - In the future, you have to revalue every year?

Mr PETERS - Yes.

CHAIR - So, you did a revaluation for 2025-26?

Mr PETERS - So, we take a valuation of the assets, but that valuation is based on the long-term value we think we're going to get out of the assets, not looking backwards. So, it's looking forwards.

CHAIR - Acknowledging that the year we're in now is going to have some particular challenges, they could see a change in this valuation?

Mr PETERS - The valuation's only done once a year per the accounting standards. So, depending on how this year goes, that may impact it, but again, it's a forward-looking model for the valuations.

CHAIR - Okay, so what you think the prices are going to do, et cetera?

Mr PETERS - Exactly.

Mr BOLT - Through the minister, it's a difference between a very short-term excursion and a much longer-term view - and one that's been disadvantageous. Overall, we have a positive output of our prices, but there will be ebbs and flows in that period.

Mr DUGAN - Chair, I have some additional information regarding the Tamar scheme to provide, where I was talking about my memory and things that I remembered. For a bit of context, the business case for the Tamar water scheme was received from Tasmanian Irrigation late October. The departments of NRE and Environment Tasmania, Treasury, and ReCFIT are still reviewing it and preparing advice and we want to -

Ms O'CONNOR - Advice to Hydro or advice to you?

Mr DUGAN - Advice to me, yes. We want to see the most efficient and appropriate solution for Bell Bay green hydrogen hub at the same time as helping secure the prospects of

the proposed Tamar irrigation scheme for agriculture. This is why amendments were made to the legislation to allow for Tasmanian Irrigation to supply water for irrigation and industrial production. The planning is for 9 gigalitres, that is 9000 megalitres, of industrial water for hydrogen production. The scheme is also being planned for 8500 megalitres of summer irrigation water with an expectation of 3000 megalitres in winter.

By comparison, Hydro Tasmania discharges an average of 1400 gigalitres of water annually from the Trevallyn power station into the Tamar River and Hydro has advised me it can sustainably supply this through natural inflows from Great Lake releases. As I said earlier, the volume of water for the whole scheme, including hydrogen production, represents less than 2 per cent of the total water volume that would normally flow through the Trevallyn power station annually.

Ms O'CONNOR - Thank you.

Mr WATSON - Chair, might I also add some clarification on the earlier questions on catchment and algal bloom? We have previously undertaken catchment-wide environmental reports for South Esk, Great Lake and the King-Yolande, Mersey-Forth, Derwent and Anthony Pieman. Gordon's the only catchment that has not had a review as it was comprehensively examined through the Basslink Approval Process.

We have updated our approach on catchment-wide environmental reviews. We now engage with the community across a range of methods on an ongoing basis and we have baseline monitoring programs to monitor the ongoing health of our environment.

Ms O'CONNOR - Can I just check, chair, and through you minister, just to clarify, is Hydro Tasmania updating those catchment environmental reviews? Is it a rolling process of monitoring and assessment or is it something that was a set and forget?

Ms WATSON - I think it's the middle option. I wouldn't say it was a set and forget. What I understand is that we took baseline and now we're monitoring from that on an ongoing basis. Richard, is that your understanding?

Mr BOLT - There has to be a review -

Ms O'CONNOR - Can I just double check what was the baseline? Sorry, Richard, but what was the baseline? When was the baseline?

Ms WATSON - I don't know when exactly each of these catchment-wide reports were done. I imagine they were done over a series of time.

Mr BOLT - Let's get some clarification on this point. I'm reading this to mean that we've done reviews subsequent to the Basslink event that I mentioned earlier where there was a baseline done with all catchments other than Gordon. I will get a clarification of that.

Ms O'CONNOR - Can I check on the Gordon process. Was it said that there's not been an environmental review done of that catchment?

Mr BOLT - Since the Basslink examination.

Ms O'CONNOR - So, 25 years.

Mr BOLT - But, as you heard earlier, we've certainly done work in relation to the impact of flows on Macquarie Harbour's oxygen levels and, therefore, on the skate. How we reconcile these points, I think I need a little more clarification back from the team. That was done in 2024 from the memory of that earlier answer. I can have a look at that now.

Ms O'CONNOR - Yes, thanks. That would be good. If you do have any more information to provide to us that would be helpful because, when did Basslink come online 2000, was it roughly?

Mr DUIGAN - 2005.

Ms O'CONNOR - It's a 20-year-old cable and it sounds like a reasonable amount of the environmental review work that Hydro has done on catchments, notwithstanding the single catchment that was assessed for the Basslink project, is not necessarily up to date.

Mr DUIGAN - My understanding, and I would stand to be corrected, was that there was a whole-of-catchment, a whole-of-state work done ahead of Basslink.

Ms O'CONNOR - For all those catchments.

Mr DUIGAN - That would be my understanding. As I say, I stand to be corrected.

Ms O'CONNOR - Related to that, of course, is what kind of environmental reviews have been undertaken of catchments ahead of Marinus?

Ms WATSON - The catchment work that was done ahead of Basslink was because we were entering into a new market, effectively, and operational controls were then put on several of our major power stations as a result of that work to make sure we could operate within the demands of the new market we were entering.

All the modelling that's been done for Marinus Link that we provided to underpin the whole-of-state business case assumes we continue within that same operating regime. So, we are not assuming a change to the way that we operate the major power stations as a result of Marinus coming on.

Ms O'CONNOR - Okay. Through you, minister, can we take from that the hydrological modelling that Hydro is relying on to underpin Basslink is not dissimilar from the hydrological modelling that was undertaken, sorry - so, the modelling that's being relied on for Marinus is not dissimilar and probably the same modelling in some ways that Hydro relied on for Basslink; 20-year-old modelling?

Ms WATSON - Could I make a distinction, if I may, minister, between the modelling and the operating regime that we put in place in response to that, which then determines how the hydrology will work going forward? So, yes, modelling was done prior to Basslink and that resulted in new operating regimes being put in place. For example, we actually did a re-regulation pond below Poatina power station to manage the change in flows.

Ms O'CONNOR - This is 20 years ago?

Ms WATSON - Yes.

Ms O'CONNOR - Okay.

Ms WATSON - And Gordon, we put in place environmental flow controls as the power station ramps up and down. The difference is that we're not changing any of that in a Marinus world. We're assuming we are still going to run according to the same operational controls and they still remain valid today.

Ms O'CONNOR - Isn't the capacity of Marinus significantly larger than Basslink? How can you assume that the operational system will be the same if we're potentially exporting more at any given time?

Ms WATSON - If I may, minister. So, Marinus doesn't actually change the physical system on our side. It doesn't change our capacity or our capabilities. The hydropower system itself remains the same and we plan to operate it within the same operational parameters that we put in place 20 years ago. So, adding another interconnector doesn't change our storages, it doesn't change the rate of flow. The system itself remains constrained by how much runoff we get into our system. So, we're still going to operate according to those parameters that have been put in place.

Ms O'CONNOR - Okay. Through you, minister, when you talked earlier about updated work on the environmental catchment reviews, can you confirm that that's a rolling body of work on Hydro's part? So, original information that was available to Hydro on its environmental catchment reviews is living information, it's being updated or - I didn't quite establish that it wasn't a set and forget?

Ms WATSON - Yes, my understanding is that we've got ongoing environmental monitoring programs. I don't actually know the detail of them. If we can get some more detail -

Ms O'CONNOR - Could I add, through you, minister, that is a reasonable question to take on notice, information about ongoing environmental catchment monitoring.

Mr DUIGAN - No problem.

Ms O'CONNOR - Thank you.

Ms WATSON - Could I quickly go back to the algal bloom point as well? We have been reminded there was a further algal bloom in 2024, which was in Lake Trevallyn in early February. That triggered an alert mode, which triggered additional sampling, which then showed the concentrations had returned to what we call surveillance mode. So, the bloom was non-toxic.

Ms O'CONNOR - Okay, and that's the last blue-green algal bloom that Hydro's been aware of, or confirmed the existence of?

Ms WATSON - Early February, Lake Trevallyn, yes.

Ms O'CONNOR - Early February 2024.

Ms WATSON - Yes.

Ms O'CONNOR - Okay. Have there been blue-green algal blooms in the Derwent catchment that you know of?

Ms WATSON - I'm not aware.

Mr BOLT - Again, I don't recall.

Mr DUIGAN - I can't think of one at Meadowbank.

Mr BOLT - But if there are, we will correct that advice.

Ms O'CONNOR - Okay, thank you.

CHAIR - Can I go to some questions about the ministerial charter? The principal purpose of Hydro Tasmania performing its functions is to support the lowest possible power price of Tasmanians, and enable economic growth and job creation in Tasmania. Can Hydro Tasmania demonstrate how they've met these objectives when making commercial offers and what would be the revenue impact for Hydro Tasmania, say, if 50 per cent of its MI revenue was lost in the period before Marinus Link is commissioned?

Mr DUIGAN - Sorry, can I hear the last bit of the question again?

CHAIR - Yes. How is Hydro meeting requirements or the expectations? What would be the revenue impact for Hydro Tasmania if 50 per cent of its major industry revenue was lost in the period before Marinus Link is commissioned?

Mr DUIGAN - Okay. In terms of meeting its obligations around lowest power prices for Tasmanians, I think we would point to the fact that Tasmania has the lowest regulated power price of any state in the country. Hydro plays no small part in that, obviously, as the generator of the very large part of our power. I regularly ask Hydro to look at its operating budget, to spend the money it spends prudently. We make no apologies for that and I think Hydro is a well-run business. It's a big business and it has lots of very capital-intensive assets and we're seeing a period now where some of those assets require substantial investments. There's some tension in that piece. In short answer, I would point to the fact that we have the lowest power prices.

In terms of supporting jobs and industry in the state, we've seen Hydro engaged with for example, Bell Bay Aluminium for the last six years, and very intensively for the last 18 months, in order to try to get a contract there that serves the interests of both parties. That's challenging and we're seeing that not just in Tasmania, but more broadly across the country.

Also, Hydro out in the market looking to partner with new generation in the state and we know that having - we expect to see our economy grow. We expect to see electricity demand grow and we need to be able to meet that demand.

CHAIR - Could I go back to my question?

Mr DUIGAN - Yes, no, well, that's supporting - in very real terms, that's supporting jobs and economic development in the state in very real and measurable ways.

CHAIR - So the question?

Mr DUIGAN - The question was?

CHAIR - What would be the revenue impact for Hydro Tasmania if you lost 50 per cent?

Mr DUIGAN - I would need to defer to Hydro who potentially contemplate such matters. I would say, from the government's perspective, we are very wed to our major industrials and we see a future for them here in the state.

Mr PETERS - The question is what would Hydro do from a revenue perspective?

CHAIR - Yes, if it lost 50 per cent of the major industries.

Mr PETERS - I think there's a number of things. One is it would create an opportunity for more energy and storage, but it'd also create an opportunity for what we can do with exports over Basslink. Then, from a government point of view, there's an opportunity of what other new load could come into the state.

CHAIR - So it wouldn't be the end of the world as we know it then?

Mr PETERS - From a Hydro point of view, there are different opportunities.

CHAIR - Yes, that's only from a Hydro point of view.

Mr DUIGAN - It's a broader conversation than that.

CHAIR - Minister, can Hydro Tasmania demonstrate their cost of production is comparable to other similar hydro operations from other jurisdictions? Alternatively, how can Hydro Tasmania remove doubt that MIs and consumers are paying higher prices to make up for inefficiencies?

Mr DUIGAN - Again, as I say, we do focus heavily on the cost of running the business and it's something we talk about often. In terms of how Hydro would benchmark against other such entities, I suspect we would go well in like economies - we might be somewhat more than lower cost economies, if you put it that way. Happy for the chair or Rachel to speak to that.

CHAIR - How can you demonstrate your cost of production is similar to other hydro operations?

Mr BOLT - Benchmarking is always fraught, but back to the minister's point, we're constantly seeking to be efficient operationally, the investments we make. We're also somewhat blessed, and Tasmania's blessed, by the fact that we don't have the very large investment program to replace what's already there, which is of course a mainland state challenge that Hydro will actually benefit from, as distinct from having to pay the price of. That, I think, will continue to make our costs competitive in the environment that we're actually trading in.

Whether we have any more that we can say about comparable jurisdictions - it's a difficult one to get. I've asked the question, but it's a difficult benchmark to obtain, as I said before. I'm not sure whether we can add much to what I've just said. Tim, anything you can add?

Mr PETERS - Not specifically, chair. I think there are different benchmarks, but it's a little bit harder to compare, given the spread of our workforce across the state and some of the different locations that they work in.

Mt BOLT - Things like the sheer spread of our assets is one example. I'm not here trying to say it's all very hard because it's actually done very well. But, we have an asset age, profile, size, location and all those things, which simply aren't comparable to anybody else. Take Snowy Hydro as an example, has a far smaller number of assets. Therefore, while they're some things you could compare, there are many that you can't so readily do.

CHAIR - Do you believe you're being efficient - you're utilising every efficiency measure you can to reduce the price to the -

Mr BOLT - How we do that - we can speak to that endlessly, is constantly review - go through that gate and at a certain point the question will arise, is there enough value to proceed to the point of construction? We have not reached that point yet, but to do that requires further work on costs and on the revenues that would arise and other benefits as the ministers outlined before.

That of course, ultimately, has to pass the test of this parliament. You have to be satisfied of that as well. We are well aware we're operating under scrutiny; we welcome that. It's good discipline on decision-making if we want to proceed then it's got to pass the judgment of many wise people who we've got to convince, if we're convinced, that it's worth doing, and we're not at that point yet.

So far, all the evidence would say that there is substantial value in both projects, but that's only at a point in time. There's more to be done. Ultimately, the government has to consider the other financial consequences for it, judged across everything else it has to spend on and its other sources of revenue. Is it worth it's while, endorsing that we proceed on that basis? I don't know if that answers your question adequately, but we're very - I just want to make it very clear we're watching this like a hawk.

CHAIR - There's other people besides me who are very interested in this, obviously.

Mr BOLT - Naturally.

Mr DUIGAN - Hydro assets have always been big investments for Tasmania. They were big investments back in the day and they remain that now. They have served us well and I think broadly, as a government, we would say we suspect they will into the future.

CHAIR - In light of the gauging assets of the dam infrastructure, et cetera, the challenging year you've just had, the challenging year you're in, and the need for ongoing capital expenditure or upgrades to some of these really critical assets, will there be enough money to do it or are you likely to need additional support from government moving forward? That's really a matter for the board, not you minister, because he will be asking you if he needs it.

Mr DUIGAN - Far be it from me to stand in the way of the board, chair.

Mr BOLT - Thank you, minister. As I said earlier, we're in a phase now where the period in which the assets that were put together, in what is one of the world's extraordinary hydro systems, are getting to the need for substantial refurbishment. We're doing that. That's a major project of itself.

If we proceed with one or both of the major projects that are now also being developed and have considerable merit at this stage, that would necessarily require additional investment and would incur substantial further debt. Government would need to be comfortable without having been done. Taking the very long view though, that debt will pay its way or else we wouldn't be proposing to do it.

CHAIR - You will be going to TASCORP, though, for additional debt? Or would you go to the government first for some financial assistance? Would focus on increasing your debt?

Mr BOLT - Well, the financing of this is something we'd clearly reach a position with government on. I'm not foreshadowing what that position is at this point. We haven't got to the point of, is it worth doing such that. That would be part of any decision to proceed. Were there a decision to proceed, it would clearly come with a financing strategy and the mix of equity and debt that would fund that would obviously be in play at that stage.

Mr PETERS - If I may, minister, there's a number of questions that we'd like to follow up on, if that's okay.

Mr DUIGAN - Yes, great.

Mr PETERS - The algal bloom: there were no algal blooms in the Derwent. In response to the workers compensation claims, there was one vehicle related to soft tissue body stress, three falls, two hands, one mental health, and one dental injury.

Ms WATSON - And because that adds to more than eight, there were eight in Tasmania, plus two in Victoria, just to clarify.

Mr PETERS - I don't know if I can do maths.

CHAIR - Aren't you the CFO?

Mr PETERS - I have a lot of people who can help me.

Mr BOLT - I can vouch for our CFO's capacity to count shares.

CHAIR - I can't add up in my head either.

Mr PETERS - In regard to the catchment reviews, all the environmental reviews are on the Hydro Tasmania website with the dates that they were completed. Hydro's work with the Scientific Reference Committee to refine the controls based on the monitoring results.

Ms O'CONNOR - Can I check on that? So that's when the environmental reviews were completed, but the question was about whether they're set-and-forget and what work is being undertaken to update those catchment reviews. I'm not sure there is much -

CHAIR - Can we let him finish his answer, please, because we're running out of time.

Mr PETERS - We have an ongoing aquatic monitoring program that happens yearly, so that will move between the different catchments.

Ms O'CONNOR - Does that attach to the environmental review work, or is it another separate body of work? Do they speak to each other?

Mr PETERS - I will need to get that information.

Ms O'CONNOR - Sorry.

Mr PETERS - That's alright.

Ms O'CONNOR - Sorry, not sorry.

CHAIR - Is there anything else that you wanted to provide?

Ms WATSON - Yes. The proportion of imports versus generated on-island - there was a question earlier about that. You wanted to know the last three years. For FY23, we generated 84 per cent and imported 16 per cent; for FY24 we generated 79 per cent and imported 21 per cent; and for FY25 we generated 73 per cent and imported 27 per cent. That's just the three-year snapshot. The 10-year average was we generate 86 per cent and import - it says here 16, but if my maths is correct that should say 14 per cent - one of those two numbers might need to be adjusted.

Mr PETERS - That wasn't my team.

Ms O'CONNOR - Thank you for that. Is it possible to have some clarity on the question about environmental catchment monitoring? I still haven't really got to the bottom of whether there's any revised work?

CHAIR - Put it on notice and see what they can provide. We do need to wrap up. We've got another one -

Ms O'CONNOR - I understand that - can I just finish the sentence? There's no clarity yet on whether there's ongoing work on environmental catchment management and it would be a good question to have answered.

CHAIR - Are you happy to follow up with that, minister?

Mr DUIGAN - Sure.

Ms WATSON - I think we will find the right way to provide that information, yes.

Ms O'CONNOR - Thank you.

Mr DUIGAN - Anything further? No? All done.

CHAIR - We will write to you on those couple of outstanding matters. I appreciate that you will provide what you can, that's the situation.

We thank you for your time today and look forward to seeing you back in 15 minutes. The rest of the Hydro team can go.

The committee suspended from 3.32 p.m. to 3.45 p.m.



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE A

TasNetworks Pty Ltd

Monday 24 November 2025

MEMBERS

Hon Ruth Forrest MLC (Chair)
Hon Sarah Lovell MLC (Deputy Chair)
Hon Dean Harriss MLC
Hon Cassy O'Connor MLC; and
Hon Bec Thomas MLC

OTHER PARTICIPATING MEMBERS

WITNESSES IN ATTENDANCE

Hon Nick Duigan MLC, Minister for Energy and Renewables

Tasmanian Networks Pty Ltd

Seán McGoldrick
CEO, Tasmanian Networks Pty Ltd

Roger Gill
Chair, Tasmanian Networks Pty Ltd

Chantal Hopwood
Executive Governance

Michael Westerberg
Executive Finance and Regulation

Renee Anderson
Executive People and Stakeholder

TasNetworks

CHAIR - Thanks, minister, for your reappearance in your responsibilities for TasNetworks with our government business scrutiny. If you'd like to introduce all the people at the table. Then I invite you to make an opening statement should you wish, and if the chair wants to as well, I will allow that. Then we will go to questions.

Mr DUIGAN - Thank you very much, appreciate that. From your right to my left, we have Chantal Hopwood, Executive Governance, and Michael Westenberg, Exec Finance and Regulation, and my Chief of Staff, Amanda Lovell. To my right, we have Roger Gill, Chairman of the Board, Dr Seán McGoldrick, the CEO, and at the end, Renée Anderson, Exec People and Stakeholder.

Again, good to be back and to continue to talk energy following on from Hydro to talk about our transmission and delivery sector owned and managed by TasNetworks. I thank the board and the executive and employees of TasNetworks for the work that they do day in, day out so that Tasmanians can be confident that they will have the power they need and when they need it.

This has been no more obvious than this past year, responding to a storm event having an unprecedented impact on the network. An enormous effort went into getting the network repaired and household power back online. It's worth noting a couple of those key figures; 47,000 customers lost power during the highest peak of outages and overall 200,000 connections were restored. We also thank first responders and their tireless efforts through the time, including TasNetwork staff working round the clock to reconnect Tasmanians' power. With another storm again in October this year, I am sure TasNetworks will be able to outline today what has been done to implement the learnings of its response and recovery approach.

With Project Marinus now proceeding to construction, TasNetworks has a significant role in Tasmania's energy future. In particular, the North West Transmission Developments (NWT) are of strategic importance to Tasmania's energy future as a contingent project to Marinus Link. The North West Transmission Developments will complement Marinus Link by enabling electricity from existing and new renewable generation projects in the state to be transferred to energy users and the board of TasNetworks is responsible for overseeing delivery of the NWT. There will be strong reporting and assurance obligations to keep government informed. I'm working closely with the board of TasNetworks to ensure that strong governance.

Members would have seen funding of \$191 million included in the 2025-26 Budget for the government's expected equity contribution towards stage one of the NWT. This project will be funded by an estimated 84 per cent concessional debt from the Clean Energy Finance Corporation, with those benefits passed on to consumers and negotiation during the final stages of the bid for Project Marinus has seen a commitment of \$346 million to TasNetworks from the Australian Government, further lowering transmission cost to customers.

We've also committed to ensuring direct transmission connected customers, including major industrials, will not bear higher transmission costs from Project Marinus. As our energy generation increases to support our growing economy, our network will also need to expand to move more electricity from generators to customers. Project Marinus and its on-island

transmission upgrades will fall in the backbone of our energy future and there are, of course, economic benefits and many, many jobs entailed with that.

I would now pass to the chair to make some opening statements.

Mr GILL - Thank you, minister, and it's a very great pleasure to be back in front of this committee again this year. We are, of course, very pleased to be the ones that operate the distribution and transmission business in Tasmania. Critically, we understand that we operate that business to serve Tasmanians and we think, in 2025, we believe we're giving Tasmanians the support they need in these challenging times.

Particularly, we are giving them more say to how we operate this business. We have set up a new customer advisory group and a stakeholder advisory group, in which I personally participated. These groups have independent leaders, and they convene to give us direct feedback; feedback we can get directly to the board as to what we think the customer's expectations and needs are. As ever, affordability is the biggest concern of our customers, especially amid the inflationary pressures that we've seen over recent years. We understand that 40 per cent of our costs go straight through to a typical residential, small customer's power bill.

We've had a good record in the past of reducing our network charges. But, in recent times, inflation has been part of our environment, in particular, rising costs for insurance for storm, bushfire damage, cybersecurity costs, in particular increasing interest rates and these are all currently weighing on power costs for our customers. We're working very hard to efficiently deliver what customers need and want, and not what they don't want, while we at the same time prepare for a very changing energy future as the country transitions away from coal.

In operating a business, nothing is more important than safety. You see a lot of ads on the television for safety. We take safety very, very seriously in this business. I'm pleased that over the time I've been director and recently chair of TasNetworks, we've significantly improved both the safety results and the way that we attach safety. I think if you talk to contractors around the state, they would see TasNetworks electrical capabilities as lifting the bar for the way we expect people to handle electrical safety on this island.

We had some unprecedented storms, as the minister said, back in August and September last year. We're interested in telling you a bit more during this session about how we've learned from that event. We had a storm some months ago that disrupted some 20,000 Tasmanian customers. We restored that power to the vast majority quite quickly. We had everyone back within a couple of days, which we think was an outstanding effort from our people.

No incident response is perfect, but we think the improvements that we took from the government's Edward's Network Outage Review, as well as our own incident review of the outage last year were in strong display in October. In particular, customer communications, restoration time was much better than the year before. In fact, we surveyed a number of customers after that recent event and we got much better feedback from our customers in the way that we performed, particularly the communications that we have with them about how long it's going to be out, and when it's going to be restored. We think we're making progress on that.

As you know, we're going to be starting to build the North West Transmission Developments early next year. This is part of the statement of expectations that the government has set for our business. It's our role to get that done on time and on budget. We know it's a project that underpins the Marinus Link and this is going to be an important project, and we will no doubt talk about that development as we go along.

In 2024-25, we continued our focus on customers and network reliability. Our satisfaction rating nudged up to about 7.5 out of 10, which wasn't quite where we wanted it to be in 2024-25. I'm pleased to say that we're improving as the 2025-26 financial year unfolds. We're certainly investing solidly in our network, and I know that we will be talking about that during the session.

We're investing in new technology. We're investing in improving the existing assets and, from our point of view, we believe we're running a sustainable operation, and we look forward to talking about that with you.

The reason we return year-on-year with such a large team on our side is to make sure that we can answer the questions that you have in detail, so you will see us perhaps move them along the chain to make sure that you are comfortable that you're getting what you need from us. Thank you, minister.

CHAIR - Thanks, minister. We will come to the storms later. I'd like to start with the workforce matters, so I will go to Sarah first. I want to come in after you've done this bit on workforce stuff.

Ms LOVELL - Thank you, Chair. Minister, as we talked about last week in Estimates hearings as well - so those questions are really probably more for the chair - TasNetworks was the primary focus of the Auditor-General's commentary on termination payments for key management personnel. Your annual report shows a payout of \$843,723 to Mr Burridge and him finishing on 1 July - the first day of the financial year. I understand from page 129 there's a bit of a breakdown there. So, accrued annual long service leave entitlements of \$132,807; a lump sum payment of \$75,164 and a termination payment in accordance with the terms of his contract of \$635,752.

Two questions to start. One, the lump sum payment of \$75,164. What was that for?

Mr GILL - Perhaps a bit of reference to these large payouts. I'm unfortunately long enough involved in the Tasmanian Power Scheme to realise that back in the pre-2000 era when the hydroelectric division was disaggregated, there was a number of ongoing contractual arrangements that we would describe today as legacy arrangements that have continued right through until today. These two are part of that. We're seeing these things now being extinguished in our business. They no longer continue on.

What I might do is pass to our Executive People and Stakeholders so that she can give a very specific answer in relation to those. Unless Seán you would like to make a comment in beforehand.

Dr McGOLDRICK - I will pass to Renée.

Ms ANDERSON - Sure. In terms of the split up of the payment for Mr Burridge, essentially it was comprised of part of his notice payment, and also a redundancy payment.

Ms LOVELL - Which part was which and how? What's the breakdown of that?

Ms ANDERSON - I believe the 75 was related to notice, but I'm just getting a confirmation on that. The larger number was related to his redundancy entitlement.

Ms LOVELL - Are they contract arrangements in his contract from many years ago?

Ms ANDERSON - Yes. When TasNetworks was formed, there was a number of people who transferred across from either Hydro or some of the predecessor energy businesses, and these are people who had 40-plus years' service in the industry. They had preserved entitlements when they came to TasNetworks, which were, as I said, preserved in their contract. When an employee like Mr Burridge was made redundant, that was the obligation on us in terms of his redundancy payment. It is worth noting that we don't have any of those legacy entitlements left.

Ms LOVELL - That was my next question, are there any of them left? Okay. And so, it was \$75,000 was the notice period.

Ms ANDERSON - I'm just getting that confirmed.

Ms LOVELL - Do you know how many weeks that was?

Ms ANDERSON - I'm just getting that confirmed. I think its 12 but I am getting that specific bit of detail.

Dr McGOLDRICK - Thirteen.

Ms ANDERSON - Thirteen, thank you.

Ms LOVELL - Then the redundancy payment was based on a number of weeks for years of service. I'm assuming you know what that was?

Ms ANDERSON - Yes, I think it was about 90. That was accrued over the 40 years. It accrued, accrued and then it was, I guess, frozen and capped when they joined TasNetworks. It didn't go any higher once they joined us, but we were obligated.

CHAIR - Why was he paid the redundancy if his position was replaced?

Dr McGOLDRICK - I could take that one first of all. When I initially joined as Chief Executive, I had eight direct reports, eight executives reporting to me. I determined to rearrange the business and reduce the number of executives. We reconfigured the business. We don't make people redundant; we make roles redundant. So, the roles were changed, and I now have five executives reporting to me. That's reduced the number and Mr Burridge's exit after 40 years of incredible service was as a result of that.

The business case is such that, as you know, a smaller number of executives gives better value and the business case, you know, in a couple of years that pays back. So we reconfigured

business. His role was redundant, and we have now only five executives reporting to me as chief executive.

CHAIR - What was his actual role that was made redundant?

Dr McGOLDRICK - We took different parts of roles, and we put them together into different executive portfolios so that each executive had a wider portfolio. Rather than having eight doing rather narrow things, we put people together.

For example, Renée is executive not just of people, but also stakeholder. Michael is an executive not just of finance, but also regulation and supply chain. There was a number of different roles that were changed.

CHAIR - Did Mr Burridge hold one of those five positions after the restructure, or did he leave at that point?

Dr McGOLDRICK - He'd left at that point.

CHAIR - Sorry, Sarah.

Ms LOVELL - That's okay. There are no more legacy contracts with entitlements to that level any longer?

Mr GILL - I think this is a really important point. Those entitlements are contractual arrangements. We're obligated to pay them. We recognise that they are large numbers. However, when you're here for 40 years, that's where it gets to. Going forward, clearly we need to make sure that the terms and conditions that we have going forward are more contemporary and that's where we stand with the contracts going forward. The people sitting at this table do not have those entitlements.

Ms THOMAS - Can I follow on from that particular point? Thank you. You've mentioned the role was made redundant, but you don't have any of those legacy contracts left. If the role had not been made redundant, if the employee had retired, would that same payout provision have applied in the contract? It sounds to me that there's contractual provisions, but then there's also redundancies which are two different things, so -

Mr GILL - Well, the redundancy arrangements are within the contractual arrangements that were continued on, otherwise people could have - for example, during the various transformations we've had here over the last, let's say, 30 years said 'Well, I'm not going to continue on working. I will take a redundancy early'. Whereas actually having the benefit of some of these people right through the last 30 years has been very beneficial to operating the Tasmanian power system.

Ms THOMAS - So had he just retired, would that same payout have been provided?

Dr McGOLDRICK - I could say, through the minister, that we don't have a mandatory retirement age in TasNetworks - I think I'm correct in saying. It's a matter again, not on focusing on individuals, but on the structure and the roles. You have a certain time when you need to change your business and to do different things or do things differently. So that was part and

parcel of what we went through in terms of restructuring and changing the business. We had a number of executive redundancies over these years.

As I said, the overall organisation now functions differently, has different direct reports to me, a smaller number of direct reports, so it's a more efficient organisation.

Ms THOMAS - Yes, I appreciate that, but it still didn't really answer my question.

Ms LOVELL - I think the question is, if Mr Burridge had retired, would he have been entitled to those same payouts, those same entitlements that he was paid out? Probably the one in question would be the redundancy payment.

Ms ANDERSON - So, no. That's specific to an organisational restructure. If he had chosen to retire, which we had no indication he had any indication of doing in the near future, he wouldn't have got the redundancy element, he would have got the other elements.

Ms THOMAS - To follow on from that, then, was that something that was considered as part of the restructure given the significant liability that would place on the business? As to the effectiveness of that, if part of it is about scaling back the executive and recouping - but from what I heard you say efficiencies through doing that, clearly there's a time period over which - like that's a significant amount to recoup back.

Dr McGOLDRICK - Again, if I could through the minister. When you're restructuring a business, you have to take many different things into account. We particularly wanted to set up the organisation structure in a more efficient and effective way. We certainly took account of the provisions in each of the contracts of executives I'd made redundant and the impact that has on the business financially, relative to the savings associated with not having to pay annual salaries for a period of time, because you've reduced numbers.

The payback period in Mr Burridge's case was about two-and-a-bit years, in terms of from the point when he was made redundant, if you take all these payments into account, less the efficiency of not having to pay his annual salary pay back in, in just over two years.

CHAIR - If the work he was doing was picked up by one of those five or two of those five, so it wasn't like the work disappeared. The work was still required to be done, just done by less people.

Dr McGOLDRICK - Done by less people and slightly different work.

CHAIR - Less people overall, sorry.

Dr McGOLDRICK - Yes.

CHAIR - So the position - him holding that position was redundant?

Dr McGOLDRICK - Correct, the role was redundant.

CHAIR - But he could have elected to take on one of the other five positions, potentially, if it was offered?

Dr McGOLDRICK - We have a process by which we go through a redundancy. Again, we do not focus on the individuals, we focus on the roles. In terms of the process we went through in TasNetworks, we made sure to restructure it and then, without fear or favour - and then we allowed people to apply, should they wish to apply, I think is correct process. I hand to you, Renée, to explain what the actual process was.

Ms ANDERSON - Yes, these redundancies at the exec level happened over a course of about three years. So we had a process by which we continued to look at the structure of the executive to see if it was the right size for the business, and we were doing organisational restructure through the business as well. So as we reduced other parts of the business, it became apparent that we also needed to look at the executive and the numbers of executive in the portfolio splits.

The redundancy is triggered either by the role totally being abolished or materially changing in that the functions of the role are no longer like they were; and the person in the role, because of that change, perhaps doesn't have the qualifications or experience to continue in that role. Those were really the key factors and that's the same approach for any level of the organisation. So if anyone's role changes to that impact, then we have to consider a redundancy. We do look for redeployment opportunities for people; obviously it's much harder at the executive level because there's so few roles.

Ms LOVELL - Is this the transformation project, that's where these redundancies come from?

Mr GILL - Yes, and in fact, I was going to pick that up. We've been making some very significant transformation arrangements. When we engaged our new chief executive, we stepped back and had a good look at the business. There was a number of things that we wanted to improve over time. We then began a very significant transformation project which went over a number of years. We've been tracking very carefully some 20 different projects with significant benefits to our business over time. I might get Seán to make a comment because it was his strong initiative that the board supported.

Dr McGOLDRICK - For sure. So we did run a transformation project for a number of years. The organisation restructuring, including the executive level, was one of those elements of the transformation project. As I recall, we had 17 different elements and we worked hard over a number of years to change things, including the organisation structure, but also things like our supply chain, the way we procure things, making sure that we were delivering things as efficiently as we could for the people of Tasmania. It was a wide project, part of it was organisation restructuring.

Ms LOVELL - I understand the project's now complete; is that right?

Dr McGOLDRICK - Yes.

Ms LOVELL - Can you outline how many redundancies occurred through that project? How many of those were forced redundancies and how many were voluntary?

Dr McGOLDRICK - I will hand in a minute to Renée so that she can give a complete answer, but just to assure you, there were no forced redundancies. We went through an entirely voluntary redundancy program. We determined to do this in that voluntary way, offering

opportunities where they were for redeployment when roles were no longer available, and it was at all levels of the organisation, from the exec table down to the field. We stopped at the field because the assessment that we did prior to initiating that part of the transformation project for redundancies determined that our problem in efficiency terms, in benchmarking terms, was from the executive table down to the field interface but that the field itself, relative to other utilities, was correctly having low numbers.

Ms LOVELL - So, by field, you mean the staff who are out in the field working on poles and wires?

Dr McGOLDRICK - Correct, and their immediate supervisors.

Ms LOVELL - Okay. That's an interesting summary.

Dr McGOLDRICK - Well no, that's something we did share and quite broadly. We worked hard over a number of years to reorganise those levels and we did quite successfully change the business in that regard. I would be happy if you could share some of the details.

Ms ANDERSON - So, through transformation, we had 151 people leave the business through redundancy and, as Séan mentioned, those were all voluntary. Anyone whose role was made redundant, if they wanted to stay in the business, we actively worked to find them a redeployment or a suitable role. We had a lot of success in that. But, yes, the total number of exits was 151.

Ms LOVELL - That was since - was it 2023?

Ms ANDERSON - Start of 2022: sort of mid-2022.

Ms LOVELL - Do you have a total figure of the amount spent on redundancies through that project?

Ms ANDERSON - I think the total amount over the life of transformation was around \$22 million. That included all entitlements as well: so leave entitlements plus any redundancy provisions and notice provisions.

Ms LOVELL - So \$22 million just paid out in entitlements to employees?

Ms ANDERSON - Yes, across that 151 who exited.

Ms LOVELL - Okay, thank you. There is another termination payment in the annual report for this last financial year, for a Mr Stuckey, who was paid, I understand, \$102,255 which was accrued annual and long service leave entitlements plus a payment in lieu of notice of \$79,429. How long was Mr Stuckey in the role for? I know Mr Burridge was 40-something years.

Dr McGOLDRICK - Just for clarity, before Renée gives a detailed answer, that was a payment in lieu of notice, the \$79,000 you're talking about. It was not a matter of a redundancy per se. Mr Burridge was a role-reduction redundancy. Mr Stuckey joined our business, was with us for just two years but unfortunately his family didn't settle on the island, so he determined to leave and go back to -

Ms LOVELL - So, he chose to leave?

Dr McGOLDRICK - Yes.

Ms LOVELL - And was paid out - he was paid in lieu of notice when he voluntarily left? He resigned, I'm assuming?

Dr McGOLDRICK - Yes.

Ms LOVELL - But he was paid in lieu of -

Dr McGOLDRICK - Yes.

Ms LOVELL - Doesn't that normally work the other way around? Normally when an employee is terminated, sure, they get paid out in lieu of notice, if they're not able to work their notice period, but when somebody chooses to leave, I didn't think normally you get paid out in lieu of your notice.

Dr McGOLDRICK - Mr Stuckey was not terminated, so I want to be clear about that. That was a family situation. With respect to the payment in lieu of notice, I believe that was his entitlement.

Ms ANDERSON - Just to clarify: Mr Stuckey had wanted to stay with the business. His family, as Seán said, was residing in Melbourne; he'd intended to move them down. He wanted to continue trying to see if there was a way that we could work in having him partway in Melbourne, partway here. We agreed that that really wasn't feasible for the business, so it was more of an agreed exit. We essentially came to an agreement that he couldn't continue doing the role, it wasn't feasible -

Ms LOVELL - Sorry to interrupt: the circumstances of why he - his personal circumstances are his business; I have no issue with any of that. My question is really around is it usual practice, I guess in this instance, but more broadly, for other TasNetworks employees to have a contract provision that entitles them to a payment in lieu of notice when they've made the decision to leave the company, which is, in my experience, very unusual?

Ms ANDERSON - Through you, minister: it's not unusual if it's an agreed exit between both parties, particularly at the executive level and not just in TasNetworks.

CHAIR - How many others since the end of the financial year has this applied to, people who have left, maybe at short notice or of their own volition, not sacked or terminated, who have had payouts along these lines?

Ms LOVELL - How many others have that in their contracts that are still employees? There's a potential liability there.

CHAIR - Well, not just those who have it in their contracts, but have been provided this sort of payment even if it's outside their contract. I'm interested in the number of how many employees who have left have, or are, getting or whatever, payouts beyond what would be a payment you would get when you leave, just your leave entitlements - of your own volition.

Dr McGOLDRICK - Our turnover rate has dropped significantly over the last couple of years. We're at just over 10 per cent turnover, that will give you an idea of the general -

CHAIR - That's across the business or at an executive level?

Dr McGOLDRICK - No, that's across the business. No other executives have left in the time period we're talking about; we've listed those there. Turnover is just over 10 per cent; we'd like it to be lower, and we hope to get it down to about - 7 per cent or 8 per cent would be more usual. We're working hard on that. But each of those -

CHAIR - Can I rephrase the question then, Seán, if I might, minister. Obviously field staff where you didn't - I mean obviously we need those people. So anywhere above the field staff, okay, including the senior executives and middle management, however classified above field staff, how many of those people have left or are leaving that will be paid out more than just their leave entitlements?

Dr McGOLDRICK - We will work to get you the number here today.

Mr DUIGAN - Sorry, in terms of what period of time are you seeking that information?

CHAIR - Since the end of the financial year.

Mr DUIGAN - End of 2024-25?

CHAIR - Yes, the year we're in.

Mr DUIGAN - Have there been other instances.

CHAIR - But if there are others we need to have identified in this, that may not appear in your annual report, because they're below whatever line it is you cut off in your annual reporting of key management personnel: those numbers, and a break down of how much that is costing the business.

Dr McGOLDRICK - Yes, these are normal costs of business. Of course, we will get those numbers for you, but it's a normal cost of business in terms of turnover. People will have built-up entitlements and we will pay.

CHAIR - Yes, but if they're leaving of their own volition and getting additional payouts, that's what I'm talking about, beyond their entitlement.

Ms LOVELL - I guess my question is also, for key management personnel, how many people would have that sort of entitlement in their contract that are still with the business, but should they choose to resign for whatever reason at any stage might be looking at a payout in lieu of notice of tens of thousands of dollars when they've made the decision to leave?

Dr McGOLDRICK - It depends on the circumstances in each case. It may very well be the case that it's sensible for us to pay out in lieu of notice, if people have access to certain information or if - so it works both ways. Sometimes we would ask people to stay for an additional period of time; sometimes we ask people to go immediately. It can depend on the

work you're doing and in particular what they're actually doing at that point in time. That's a judgment we have to make, particularly at the more senior levels.

Ms LOVELL - So, for Mr Stuckey, do you know how many weeks that was?

Ms ANDERSON - That would have been 12, we've got a standard 12 week -

Ms LOVELL - So 12 is the standard now? Yes, okay. Just a last question on the transformation project: you talked about efficiencies. Certainly, when the project was announced there was an expectation around staff being one of those things that would be reviewed. I know that you've spoken about field staff, and I'm pleased that there were no redundancies amongst the field staff, because I know they work very hard. How many TasNetworks employees were there globally, like a global figure - so how many were there at the start of the project compared to now?

Dr McGOLDRICK - In terms of now, at the moment, we have - let me get the right figure - we have a workforce of around 1100 people, 60 per cent of those are field based. That gives you -

Ms LOVELL - Sorry, 60 per cent?

Dr McGOLDRICK - Sixty per cent of them are field based. In terms of at the start of the transformation project, I believe the number - I will hand over to Renée to give you the exact number.

Ms ANDERSON - Thank you. At the commencement of transformation, we had around 1250 roles in the business.

Ms LOVELL - Do you have a rough percentage of how many of those were field staff?

Ms ANDERSON - It probably was a smaller percentage then, because one of the key focuses of transformation was to make the ratio of field to corporate - but we can follow that up.

Ms LOVELL - Yes, thank you.

Ms THOMAS - To be clear in my mind, minister, through you, perhaps, to the chair: the board is satisfied that that is a standard clause in current contracts that, if someone chooses to resign, there's a 12-week payout?

Mr GILL - I think there's a difference between chooses to resign and there's a mutual agreement to exit.

CHAIR - So someone managed out -

Mr GILL - There was a mutual agreement to exit in relation to the case that you've just raised. No one can put the hand up and say, 'Well, I want the money, I'm about to leave'. That's not how it works. Mutual agreements to exit in any business - I'm involved in a lot of businesses - that's not an unusual way for things to change in your business. I think that's probably enough said in relation to this particular matter.

CHAIR - Just on that point, if I might, Bec: does the board actually then have written guidelines or thresholds for entering into these agreements and for approval of these agreements?

Mr GILL - This particular agreement was discussed with me.

CHAIR - That wasn't the question. The question was: are there written guidelines or thresholds? Does the board have, or the organisation have, written guidelines and thresholds on this?

Ms ANDERSON - Through you, minister, in terms of the contractual entitlements, particularly for our non-EA employees and our executives, the current contracts are all done through an external legal adviser and our people and remuneration committee had final approval for those contracts and the standardisation of what's in those contracts. Any change to an executive's employment goes through the people and rem committee as well for approval. We also get external legal advice on any of these individual matters because of the complexity, particularly at that executive level.

CHAIR - I appreciate that. The question is: are there written guidelines related to this?

Dr McGOLDRICK - Could I just clarify, if I could: in terms of the format of the contracts, is that what you're asking?

CHAIR - The contracts may be part of this; one would think that if there's been different - I will say mechanisms for want of a better word - adopted to determine exiting staffs' payment beyond their leave entitlements, is there a standard format or a written guideline how to assess that?

Ms ANDERSON - Through you, minister, we don't have a specific separate policy, but the contracts are quite explicit in terms of the circumstances that trigger any potential payment or consideration of a potential payment. So they -

CHAIR - Are they consistent?

Ms ANDERSON - Yes, they are. Now, all those contracts are consistent and that's the advice that we get through our legal providers, just to make sure we've interpreted the contract correctly for each particular circumstance.

CHAIR - If these are standard contracts, minister, they have now been standardised to cover these provisions, can you provide to the committee a non-filled-out, standard contract so we can look at what the provisions are?

Mr GILL - Sure.

CHAIR - Sure?

Mr GILL - I was going to say, at the very top of this we start with the company's remuneration policy, standard arrangement; that folds down to ensuring that there are standard contractual arrangements; that then folds down to the detail in which we're very happy for you to look at.

CHAIR - Is it fair to say, then, some of those standard contracts are further populated with other provisions related to an individual employee, or do we stick with the standard provision?

Mr GILL - Obviously, you stick with the standard provisions as much as possible, whether there is a requirement to get an individual who is really mission critical to running a business in, and there is a negotiation at the very boundaries of that, it is certainly a possibility.

Dr McGOLDRICK - In broad terms they're very similar. Each individual contract has different clauses that might pertain. Obviously, if somebody's being relocated on the island there is a different set of clauses; certain things are enacted.

CHAIR - In relation to exit payments, whether they're termination or paying out your leave entitlements or whatever, that's included in the standard?

Dr McGOLDRICK - Yes, it is.

CHAIR - Yes, sure.

Ms LOVELL - One more question on this: have there been any staff who have exited the company through redundancy through this project that have returned to the business following that at a later stage?

Dr McGOLDRICK - This is an area of employment law that we have to be very careful about. One of the things that we said at the start of the transformation project is we know that roles are going to be made redundant. People who left the business or chose to leave the business, that is, not redeployed inside the business, I put a time out on it. I said that in a minimum they couldn't return within two years. That was as much as I could do from a legal point of view.

In a small number of cases, some people after those two years have come back either for short term or slightly longer-term assignments, as I recall. In the vast majority, people have not returned to the business, nor would we like that, because we like - even though it's roles, it's not something that we would encourage. On a small island in a highly-technical business, occasionally there are skillsets that we need, but they are the exception, other than in the vast majority of the exception.

Ms LOVELL - Nobody's come back as a permanent employee?

Ms ANDERSON - I can answer that. We have had a small number, but it's where they've come back in an entirely different role. The best examples we have which - I'm getting the numbers, I think it's only one or two - is if we had someone who had a line worker qualification but they were working in a project role for example, that was made redundant as part of transformation, then within 12 months - we have kept to at least a 12-month moratorium on return - if they then applied for a line worker role -

Ms LOVELL - After 12 months?

Ms ANDERSON - After 12 months, and we get the CEO approval for that circumstance because those are roles we need. It's qualifications we need from people on the island, and it's not the role that was made redundant.

Ms O'CONNOR - That's not unreasonable.

Ms ANDERSON - No.

CHAIR - I have another question before we move onto other areas. Last time you were here - were you the minister then? You might've been, can't remember two years ago - you had undertaken a psychosocial safety survey and it was pretty disturbing, the results. I understand from your annual report that a subsequent one has been done and showed some improvement. Is it possible to breakdown the feedback on that between the lines people down and the people above?

Mr DUIGAN - First of all, I will make a few comments around psychosocial safety in TasNetworks and the level to which it has been elevated in meetings with me and as I understand it, throughout the business. I know this has been a job of work for management and others at TasNetworks. To give you the level of breakdown, obviously that will come from Renée or Seán, but I simply make the point that this has been an area where a lot of work has been done.

Mr GILL - I'd like to reiterate that this has been something the board's been particularly concerned about. When we embarked on this, we were pretty much one of the leading organisations heading into this. We were very concerned about the results that we found the first time, and you recall, Seán, it came out only just before one of these committee hearings and both the board and Seán and the team were trying to digest what all this meant for us. That's enabled us to spend the last couple of years really working hard on this; it's part of the culture question that you have.

I made a point when I was in this committee that part of these issues of a broader societal nature which when you have 1000 people in your business you're confronting, the good thing is that we've been able to start having conversations in our business that we hadn't had before. These are good conversations; they're healthy conversations; they help the wellbeing not only of the staff, but those who perhaps see the world in a different frame. I contend that the effort that we've put in over these last couple of years with 1000 strong Tasmanians who really have a ripple effect within our community has been a very valuable, if not a confronting process to go through.

I'm very pleased that you've asked this question because it's a strong story that I think we are starting to come out with. We would be very pleased to provide whatever breakdowns we can. I will let the team tell you about this, because it's been a really important matter for us.

CHAIR - I acknowledge too that over the last 12 months you've had these issues with the storm last year and pay dispute that was happening at the time, so there was a whole heap of added complexity. I do acknowledge that.

Dr McGOLDRICK - The best advice that we had was that we should do a survey, we should come up with a program of work to implement changes and that we should - following a period of time - then do another survey, and the recommendation was 18 months. We did

conceive a program of work. We worked very hard over the last few years, as the chairman has said. We did have a survey in October; this is a complex survey with a lot of questions. The full results of the survey are going to be made available to us in early December. We do have some initial results which I ask Renée to share with the committee. The first and only number I would give you is that the participation rate was a very significant change. It went up from 55 per cent in the first survey in 2023 to 70 per cent in 2025. That, in itself, is a healthy sign because we know the feedback we're getting is from a significant majority of people. I ask Renée to share some of the summary results, the early results that we've had.

Ms ANDERSON - The early results, as Seán said, there's deep analysis that's been undertaken by the external firm who ran the survey for us. Pleasingly, so far, the high-level observations are that we haven't had any instances in the survey of the illegal or the concerning behaviours that were in the last survey. That's been one of the first observations.

The second is that we've seen across the hazards, positive uptick or improvement in terms of how those hazards are perceived in the workplace. In some cases, people have said they've seen up to a 28 per cent improvement. That's across things like general psychological safety, the safety climate within the business, disclosure of mental health problems, managing stress. They are just a subset of seeing a positive improvement across all of those, so far.

Last survey, we didn't break the results down via level or team because it was the first time that we've done it. We just wanted to make sure we could have an enterprise view. This time we will have the ability to look at least business unit level, but we haven't got that information yet from the independent consultants.

CHAIR - When do you expect to have that?

Ms ANDERSON - Mid-December, they think that we should have it or by latest mid-December.

CHAIR - Have you seen the comments that have been provided?

Ms ANDERSON - Not yet. That will all come as part of that detailed report.

Mr GILL - We would like to be in a position to share it with our staff as it comes out. They are really kind of sensitive discussions; we want to honour the feedback that we're getting when you get 75 per cent of your team telling you. So, yes, this general nature is encouraging from our point of view.

CHAIR - I want to finish off the people.

Ms THOMAS - I've got some more on people.

Ms O'CONNOR - Climate relates to people, too. Minister, we've had ongoing conversations about climate risk in areas of your portfolio. We've learned at the table this morning that insurance costs are up for TasNetworks. You have faced devastating storms and the clean up after that. We've had going back to 2016, in June 2016, I think it was devastating floods. There will be heat and fire events. What is TasNetwork's understanding of the climate risk to its operations?

Mr DUGAN - Thanks for the question. One of the simple facts of the matter is that TasNetworks is out there every day. The infrastructure gets tested regularly and there are a few people who know it better and know where the vulnerabilities lie. The last couple of years have given us good insight into where our sensitivities and our vulnerabilities lie. Tasmania is pretty disparate. We have people who live up the end of the road sort of thing and there are challenges in getting distribution there.

To answer your question with more specifics than that, it's probably up to the team. I know there is a lot of work and there is a lot of information coming in to feed that work.

Mr GILL - Perhaps putting an envelope around it from a board's point of view, we have a dedicated audit and risk committee looking at that risk envelope, you would see climate risk as a pretty high issue for us. Bushfire risk is obviously a very large one. So, managing that, managing dryness, wetness, but dryness and heat, are a huge issue for us.

We have 15,000 kilometres of distribution lines, 3,500 kilometres of transmission lines. We actually have the spiders web all over this island and, within that spider's web, we have people crawling all over that. We have a digital twin of this island so that we can look at it in 3D. So we are really conscious of what the impact of it would be every year. Preparing for bushfire risk is a major program inside our organisation. Design of fuses on the top of power poles, managing all that. The amount of money we put into trimming trees. You could argue that we're perhaps a large vegetation-management business as opposed to a transmission business. That's how much effort goes into managing the environment in which we avoid bushfire issues.

The storm issue - of course we're at the frontline of that, preparing our staff to be able to manage storm issues. I think of the time that I've been with the business, the pride we have in being safe during storms, being able to get things back in time, having the spares available to get that done is a huge issue.

Storm preparedness, bushfire preparedness, recognition of the footprint we have is a significant ongoing issue for us. I think of any organisation - I guess you could think about in Tasmania, our exposure to this is high. As the minister says, the data coming in is strong. In our risk matrix you would see these matters are high in the agenda.

Ms O'CONNOR - Thank you. In that audit and risk committee inside the organisation, will they, for example - so the state government belatedly produced Tasmania's Risk Assessment for Climate Change 2024 which makes it clear that threats to damage to the kind of infrastructure that TasNetworks is responsible for will only intensify. Then the Australian Climate Risk assessment has come out and again sounded the alarm. That audit and risk committee within TasNetworks, are they aware of those climate risk assessments? Are they engaging with local scientists that we have here at IMAS, the CSIRO, Antarctic Division, you name it. Is that work happening?

Mr GILL - I can simply talk for the board that people we have on the board operate in the Northern Territory, Queensland, Victoria, New South Wales, and in Tasmania. I work up and down the eastern seaboard of Australia in the energy game and on everybody's lips is how you manage this stuff: being able to connect as well as we can with reports that come out from time to time with people who were in the business. I'd say that's our bread and butter.

Ms O'CONNOR - Thank you. We will go to Seán in a minute. Just quickly, this is not reports that come out from time to time. This one, particularly the national risk assessment, is a seminal report that the Australian Government sat on for almost a year. Page 51 of this report says that Tasmania, of all the states and territories, is the most exposed to climate risk with the exception of far north Queensland and the far Northern Territory. I draw that to your attention - that the level of risk here - we might seem like we're buffered from it, but we're not.

Dr McGOLDRICK - Through the minister. We're certainly not buffered from it, nor are we taking a relaxed posture in this at all. I think we have three levels to our response that are incredibly important to realise. Before I go to those, to answer your question, we do cooperate heavily with local scientists, particularly UTAS, on issues such as vegetation management, bushfire and climate modelling, including flora and fauna. We do a lot of work cooperatively. I'm very grateful for our scientific compatriots in UTAS. They bring great knowledge and expertise.

Our three aspects of this is - first of all, the most significant impact that we can have on climate change in a positive sense is by accelerating the move towards the Tasmanian renewable energy target and connecting as much renewable energy as we possibly can on this island, allowing the replacement of coal with far more climate-friendly generation cohort. That's a huge thing and that's one of our primary roles to get, as efficiently as possible, new generation connected. We have an abundance of wind - and some solar - on the island and making sure we're doing our best in our role to facilitate the connection of renewable energy is the biggest impact that we can have on climate.

With respect to network resilience, if I could say or - we run a power system -

Ms O'CONNOR - That's the adaptation imperative.

Dr McGOLDRICK - Yes. So we have to make sure that our network is resilient to climate change in the coming years. We have a range of different things that we've done to tackle these physical risks that we're facing. We've trialled installations of high-voltage covered conductors for bushfire resilience; we have installations of fire protection wrapped around wooden poles; we use fire-resistant fibre-reinforced concrete poles for critical structures; and we use fibre-reinforced polymer cross arms. All those bring fire resilience and greater strength. We're working on the network resilience aspects continually from an engineering point of view.

There's also our own emissions and we report through the NGER's framework on our emissions. But there's a step up in the reporting coming this given year, so we're ready and capable and armed for that. It's very important for us. When we look at our emissions and what we're doing about them, first of all we've gone through a program of minimising our use of electricity and putting solar panels on the roofs of most of our buildings that we can. This is a good contribution. We have invested in electric vehicles in terms of our fleet; we're looking at more electric vehicles for our field force. That, again, is a positive impact on climate.

Probably the most material thing from an emissions point of view that we do is we're looking to minimise and transition away from SF6, which is an insulating gas we use in some of our pressurised equipment in substations. That's something that we've been looking at, at the commercial possibilities and what we can do in terms of minimising the fleets and containing the SF6 that we have in our fleet. But then, as it becomes more commercially available, moving

away from SF6 as well, which is a significant thing we can do as an industry and we can do as a company.

Ms O'CONNOR - Thank you. Is TasNetworks now building infrastructure in response to extreme event risk that is more robust and resilient to those effects? You described before some of the things that you're doing in some places, but if, for example, new transmission line infrastructure or whatever is being built, is it built to a higher standard in order to withstand extreme wind events, potentially to withstand a fire or a flood event?

Dr McGOLDRICK - Yes, new build, but also when we're out doing our maintenance on the network we're replacing our assets, be they conductor, be they cross arm, be they poles with different classes of assets that are more climate resilient, be that bushfire or wind or typically wind-blown vegetation which caused our problems.

When we've had two significant outages in the last couple of weeks, one in Queenstown and one in Waterhouse Road in the north-east, on both of those, we took the opportunity to retrofit better solutions, in terms of reliability, cost, but also climate. So different types of poles, different types of cross arm, different types of conductor, and different types of configuration to make it less prone for bird strikes. So that's something else we've been doing. That's part and parcel of our approach not just for new assets, but when we're carrying out significant work on our existing assets as well.

Ms O'CONNOR - Thank you. There was talk of key vulnerabilities in the system, minister; key vulnerabilities to climate, I think it was in the context of. What has TasNetworks identified as its key vulnerabilities?

Dr McGOLDRICK - It's bushfire and it's flood; those are the key things that we see, and it's wind-blown vegetation and it is extremely wind events. These are the things that we've suffered. We're working hard to make sure (a) our assets in the first instance are more resilient; (b) that we have a response that's more fit for purpose when an event happens to restore power quickly; and (c) to make our community more aware of what they can do to be more resilient in the face of such events. It's a three-level response again, that we're working very hard on. You can't just concentrate on one thing; you have to have an asset approach, you have to have a people approach and, dare I say it, we have to have an insurance approach as well, which we have.

Ms O'CONNOR - That was going to be one of my questions because there's an issue here - through you, minister - with entities and households increasingly struggling to get insurance. We heard earlier that insurance costs for TasNetworks are up, then there's the cost to the organisation, I think it's \$20 million as a result of the storms of August and September this year. Has the future insurability of the network been examined, for example, by the board or the audit and risk committee? Through you, minister.

Mr GILL - I guess, with any of these long-life assets, high-exposure assets, when you go to the insurance broker, it's too late to go on the day you want to replace the insurance.

Ms O'CONNOR - That's right.

Mr GILL - What we've done is we've spent years fostering relationships with the insurance industry, particularly brokers, so they are aware of the risk management programs

we put in place because it's the risk that they are actually insuring. So, if we prove ourselves to the insurance industry as good stewards of these thousands of kilometres of asset that will help bring our premium down lower than it would have otherwise been, given that they're in a market for it -

Ms O'CONNOR - Sorry to cut you off. Do you think, given the way the world is moving, that there's any chance that your insurance premiums would actually come down rather than go up?

Mr GILL - Well, of years gone by, perhaps some comments of our ability to, year-on-year, reduce premiums from what we thought they would have been, given that we have been able to speak to the brokers in various parts of the world.

Dr McGOLDRICK - Before I hand to Michael to talk about the actual costs, just to elaborate a little bit on the process. The struggle is, we self-insure for a lot of our assets. That's appropriate for a network to do, but it's the impact that it may have on the wider community we get insurance for, I think that's an important thing to realise.

The struggle in recent years, given - not so much events here in Tasmania or even indeed in Australia, but more in Europe and North America - has been to even get coverage. So, the struggle is to identify coverage and get coverage and because of the deep relationships that the chair has spoken to, developed over many decades, we've been able to maintain an acceptable level of coverage. This year we've been able to improve our level of coverage, to get more coverage. We've managed to get some very good value for money in that regard.

It is important from a community point of view that we do carry insurance because the impact can be significant, of course. We've also joined efforts with the insurance industry to better understand the actual nature of risk, by sharing information on our geospatial mapping and our digital twin of the island, a wide-area digital twin where we can map vegetation. The insurance industry is now using this at a household level to understand bushfire risk for individual properties and how that impacts insurance and insurability. That's something that we're sharing an interest in.

To give you some of the exact numbers, I'm going to hand over to Michael to talk about the insurance levels we carry.

Mr WESTENBERG - Thank you, and through the minister. In relation to the cost of the insurance, you can see from the annual report that last year we spent just over \$6.1 million on insurance. As the CEO said, the main part of that is our insurance component in relation to fire or bushfire starts. We have, in our last regulatory proposal, seen, and been approved for, a step change in our costs associated with insurance. However, again, with the work that we've been doing, we probably have been able to manage and secure some of the best rates around our industry for insurance rates. That's to do with the work that we have done, the amount of information we provide, and the relationship we have with the insurance.

You're absolutely correct, though. It is a risk and something that we continue to look at. This year, when it's available and when possible, if we can take additional insurance within that cost, we do and we step up our insurance levels to cater for increases in costs, should an event happen.

Ms O'CONNOR - Thank you.

Ms THOMAS - I want to go back to the transformation program. You mentioned before that there's been 151 people leave via voluntary redundancy since 2022, at a cost of \$22 million. It's been suggested to me that a review of the last four years' financial statements suggest that termination payments total closer to \$36 million over the last four years. I'm wondering if you can confirm whether that is redundancies plus other termination allowances, or what the actual figure is per year over the last four years in terms of termination payments?

Dr McGOLDRICK - Termination payments, of course, are made up of, not simply redundancy payments, but leave entitlements and so on and so forth. We'll try to get that figure during this session for you. In terms of the actual payments, it's important to realise that we have reduced the number of roles in the business and, as a consequence, we're operating more efficiently. I will hand over to Michael to give you some more detail on the numbers.

Mr WESTENBERG - Certainly we can check that number for you. Just one component, to put some context in relation to the transformation program. Obviously, any costs associated with redundancies or termination payments need to be factored into the returns on the transformation program. So far, over the last three years, we've reduced our cost by \$88 million as part of the transformation program.

Ms THOMAS - Over the three-year period?

Mr WESTENBERG - Over the three-year program. We still have ongoing cost savings factored into our business, related with changes that we've made that will see those reductions continue through. That is not all in operating costs, though. That is in, what I would call, a total cost. So, that could be components of capex or capital expenditure, where we've saved money on capital as well as operating costs. We will clarify that number for you, but I wanted to reinforce that out of the 17 initiatives that came through transformation, they've now been completed and those savings are ongoing and something that's helped us cushion the impact of some of the financial changes we had this year, such as the storm.

Ms THOMAS - Okay. Are you able to provide how much has been saved in operating costs of that \$88 million?

Mr WESTENBERG - I can check that for you, yes.

Ms THOMAS - Thank you. You mentioned there were 17 initiatives through the transformation program. Perhaps, through you, minister - or minister, are you aware whether there's been any evaluation of the effectiveness of the transformation to date, both operationally and financially?

Mr DUIGAN - Transformation was something we were talking about a lot two years ago and I think the 17 actions were probably - and I'm relying on my memory - completed some time ago. I suspect there has been plenty of evaluation of the process. To speak to that more pointedly -

Mr WESTENBERG - We might let the CEO just pull that one together.

Dr McGOLDRICK - For sure, we formally drew the program to a close several months ago and we did carry out a post-implementation review of the transformation process, as we normally do. All through the number of years of the program we had rigorous reporting on the outcomes. I'm happy to report that it was successful on a number of different levels: making us more efficient, saving money, and reshaping us as a more modern business. Doing everything from: supply chain, which has been remodelled completely and is still ongoing; true modernisation of our fleet; and true organisation restructuring like we talked about.

Yes, it was a big effort, but we're fortunate that we've come out the other side of that and we are now moving forward into a more continuous improvement phase rather than a formal transformation program. Now we've closed that and we're moving forward, incrementally, with different efficiencies. We're always in the game of trying to do things better and save money where we can. That's now part of our normal mode of business. Michael, do you want to share anything else?

Mr WESTENBERG - No, I think that covers it.

Ms THOMAS - Do you have any specific highlights you're able to share of what some of those successes have been, in general terms? You spoke about that it's been successful, but what were the measures, like the -

CHAIR - How did you measure success?

Ms THOMAS - How did you measure success? Thank you.

Mr WESTENBERG - Through the minister. Off the top of my head, I think the first one would be the supply chain optimisation. Previously, before transformation, the supply chain was segregated across the business. Bringing that together and re-engineering that from the top down has provided a large proportion of those savings. That's everything from considering what the market's doing - particularly given what we've seen during COVID. We've seen a swing towards suppliers probably having more negotiating power than they have in the past. So, working closer with our suppliers, understanding what the market is, having a look at what our key saving potentials are and then working through those. Some of the key attributes were our transformers, which we spoke about, I think a year ago, where we moved from one brand of transformer to another, how we did that and the savings that were generated through that piece of work and we're doing that with other programs, obviously.

The fleet that Seán mentioned previously as well, was a little bit different in relation to understanding the context of our fleet, what sort of vehicles we had, what sort of utilisation we had. In that case, we actually invested more capital in some types of vehicles to ensure that the team in the field had the appropriate vehicle. Again, done through a time where it was very, very difficult to get any sort of utility vehicles and what we call our elevated work platforms through COVID and out of that, the supply chain was quite difficult to secure.

That's a couple of the examples, but we measured all transformation in relation to all our measures such as the savings that we'd anticipated and how they went compared with the transformation program. The board were provided with a monthly update.

Ms THOMAS - There was a target for each of those 17 initiatives?

Mr WESTENBERG - Yes, in some cases. In other cases, there wasn't a target, but it may have been to initiate a review of some of the initiatives and understand whether the initiative is worthwhile undertaking. I think there was one or two initially that we had a look at, did a little bit of investigative work and said it's not worth the work driving that through, given everything else that the business had on.

Ms THOMAS - So, you will come back to me or take on notice - you said that the costs have reduced by \$88 million over three years and you will come back to me with the operating savings?

Mr WESTENBERG - Yes, we're getting that for you now.

Ms THOMAS - Okay. In terms of staff, something that came up before as we were talking a while back now, was about people relocating to the island to take up new roles. I wonder if you can tell us how many people have been relocated to the island, coming into new roles and at what cost in recent years?

Mr DUIGAN - Recent years?

Ms THOMAS - Since this started in 2022.

Mr DUIGAN - Relocation packages?

Ms THOMAS - Yes.

Dr McGOLDRICK - We will endeavour to get that very detailed number for you. Let me just say that, for the bulk of staff, we are very keen to work on the island and to recruit from the island. In some specialist areas that's not possible, but in our apprentice program and our lines and field staff, for example, we are focusing on the island here. We have, in recent years, had significant success in recruiting into the field force for replacing our ageing field force from the island. We have a very significant apprentice program that we recruit on the island. Every year we have a small number of apprentices - double digits. This year we have 16 new apprentices starting, but we advertised on the island and we had almost 2300 applicants. We're very keen to use local skills and also to grow local skills.

We are a registered training organisation; we invest heavily in training our staff. So, where we feel we have the capability, but not necessarily the experience or the skills, we invest in people, and we think that's a far better return.

There are certain specialist skills that we need to recruit, and, in some instances, they will be short term, for others they're more permanent. If they are off the island, we would offer people a relocation package, but it's nothing unusual in terms of what's available in the industry more broadly. We'll endeavour to get you some more detailed figures on that.

Ms THOMAS - Thank you. You mentioned earlier, with one of the termination payments, that there was some conversation about effectively flying in, flying out or working remotely. Do you have any staff now who fly-in fly-out? If so, who pays the travel and accommodation cost?

Dr McGOLDRICK - I cannot recall that we have at the senior level, obviously, I don't, know everybody intimately in the whole business - I know a fair few people. I would say that, in some instances, where we have a technical skill for commissioning or under or repairing a particular piece of kit, we may pay consultants or contractors to come onto the island. They may have arrangements with their own firm where they are accommodated on the island. In terms of permanent TasNetwork staff, other than for people who are just starting and have come down initially, it's not a substantial number at all.

Ms THOMAS - Do you have any then, or are you not sure under the senior level?

Dr McGOLDRICK - We will try to find out. If anybody else can -

Ms THOMAS - I think as you alluded to, it would be unusual for under senior level people to perhaps be doing that.

Dr McGOLDRICK - In some instances it can happen. There would have to be very good circumstances - a very good reason for that, but it's by no means usual. We will find out.

Ms THOMAS - Thank you.

CHAIR - Can I go back to the cost of the storm events? The storm was classified as natural disaster pass through event. I understand that the AER provided \$4.19 million for recovery. So, there was a \$20 million cost - correct me if I am wrong with these figures - and the \$4.19 million for recovery. Does that presume then, that the rest is unrecoverable, or is that funded through some other mechanism?

Mr GILL - I will let the team talk a bit about how you manage within our regulatory framework for these. In the broad, when we put a revenue request going forward, we do not include contingency allowances for those events. Even though we know that they're going to come, we don't say to all the customers, please pay a little more so we can put a bit out the back in case an event once in 25 years doesn't turn up. That is the regulatory framework for doing this. I might pass to Michael or Chantal in relation to that.

CHAIR - On the answer if you could include, if possible, the specific costs that were disallowed by the AER and why they were judged in official outside the rules?

Mr GILL - Essentially, we deal with one of these large events when they come. In our case, we've gone back to the regulator and said, 'We really can't carry \$20 million off our own back. We will have to spread that across our customer base for the years going ahead'. We think that's the most prudent way of managing lowest possible prices for customers. I will let Michael and potentially Chantal give you the exact details.

Mr WESTENBERG - Through the minister. There's a regulatory mechanism to recover costs that are above and beyond our normal operating costs, such as a storm event that was declared as a natural disaster. We've put it through the cost pass through application, which is the first time TasNetworks has done that in the history of the business.

Just so we are clear, any storm events that do happen that's less than 1 per cent of our maximum allowable revenue, which is about I think about \$3 million, \$3.3 million, we do have to wear. We do need to do that. Above that, we go through the cost pass through. We only had

a very small amount of dollars taken out - and I will go through that in a second. I think the difference is, when they talked about the \$4 million that was allowed in our regulatory transmission, that is for this regulatory period going through to 2029. After that, the remainder of it goes through into our standard regulatory asset base. So, all the costs that we've put forward that were provided for will be put through either the \$4 million for this period and then the remainder of it would go through into our route.

CHAIR - Close to \$16 million will go into the next regulatory period, is that right?

Mr WESTENBERG - Sorry, how much did you say?

CHAIR - Roughly \$16 million because \$4.1 -

Mr WESTENBERG - No. Out of the \$21 million, we only submitted approximately \$10 million for the storm cost pass through. Again, if I could, there was a couple of decisions that we needed to make as a business and, to the points that the minister and the chair have made around what is the lowest cost that we can provide to the Tasmanian community, one of the key items we took out of that was the \$10 million that we paid for guaranteed service levy payments to the Tasmanian community. We did that for an -

CHAIR - That's how much it cost, was it? \$10 million?

Mr WESTENBERG - \$10 million, which was -

CHAIR - Some of it went to my back account, yes.

Mr WESTENBERG - A portion of that, potentially \$80 or \$160 or whatever it was to - so, that was done on a risk-based assessment of, whilst it was a major impact, (1) should we be trying to claim that back; and (2) do we think, based on our assessment and our allowance with the AER, we manage through the rest of our regulatory determination with our allowance? That decision was made but we didn't apply for that. We basically applied for \$10 million and, I think, it was only in the vicinity of a few hundred thousand dollars that was deemed not efficient. The reason for that is the scrutiny that AER go through goes right down to timesheet levels and there was a couple of questions around certain team members, whether their costs were associated with normal work or with storm work.

We have to justify that every cost we made was incremental to the revenue we already received. As an example, if we lost 10 poles in a line and we went to replace those, if one of those poles was part of our regulatory determination to ensure that we were going to replace that pole anyway, we need to be able to provide the AER with the factual evidence that we have not charged for that one pole.

CHAIR - What is the amount then that goes forward into the next regulatory period then, to be clear?

Mr WESTENBERG - Our determination to approve \$4.19 million nominal to be recovered in the last three years of our regulatory control period, so that's within this period and then the rest rolls into -

CHAIR - The rest being \$5.5 million, or something like that?

Mr DUIGAN - Yes, something like that.

Ms HOPWOOD - I think there's a slight difference between capex cost, which is what we incurred as authorities pass through, and what Michael's talking to you about, which is revenue recovery. The pass through will form part of our regulatory asset base and we will recover that incrementally over the life of the asset. So, it's a little bit different.

CHAIR - There was a significant component of the customer service level, we said that was twenty -

Mr WESTENBERG - Just over \$10 million of the \$20 million.

CHAIR - Out of \$20 million, yes, and that was for that one storm event?

Mr WESTENBERG - The one event which consisted of, I think, eight major event days during that period.

CHAIR - How much has been paid over the whole financial year? I've had more than those events paid into my bank account. TasNetworks paid a lot of my bill this year.

Dr McGOLDRICK - That's true, and through the minister, while the team is finding the exact number for this entire year to date, I'd like to remind the committee that the guaranteed service level payments are a local regulatory provision through OTTER here and it's -

CHAIR - Yes, I understand that, but you've still got to find the money.

Mr McGOLDRICK - Yes, you've got to find the money. That's where we have to work with the AER to make these submissions or live within our allowance. Mostly, when there's a minor storm, we live within our allowance. But this was of such major consequence, as you've said, declared an actual disaster, with eight major event days, six in a row, that we had a very strong case to make to recover.

We thought long and hard about that and we checked that we couldn't live within our allowance and what we were allowed to reclaim. We felt we could live within the entire allowance over the period for the guaranteed service level payments. We did not claim that because there are some years still to go in this period, but the capital expenditure and operational expenditure associated with almost 30 per cent of our network being damaged was sufficient grounds and sufficiently material that we had to make an application. That application stood up very well with a very high percentage being approved, which is quite unusual in these situations. Michael, I don't know -

CHAIR - The total amount for the last financial year?

Mr WESTENBERG - I believe it's around \$12.8 million total.

CHAIR - What provision do you make in your budget for this? Acknowledging the increasing storm activity - and certain lines like the one I live on and all the people around me and further up the hill.

Dr McGOLDRICK - We have an agreed regulatory - we've an amount in our existing regulatory provision per annum. Michael, I've forgotten the number exactly -

Ms HOPWOOD - It's about \$3.3 million.

Mr WESTENBERG - Yes, about \$3.3 million.

CHAIR - What would be your average spend on this then?

Mr WESTENBERG - That's been around that in the past.

CHAIR - That is the average over the last few years?

Ms HOPWOOD - It's been derived from our historic average, the allowance.

Mr GILL - Part of the challenge is - picking up the comment we had earlier in relation to when we put our regulatory submission in for five years going forward, all these issues are exactly what we have to try to estimate. You're hearing the sort of numbers that we have - as we go in for our 29 through 35, we will have to go back and start asking the question, 'What will that nominal storm impact be?'

CHAIR - So you're doing climate modelling around that then?

Ms O'CONNOR - It will be higher.

Mr GILL - That's exactly the sort of question that we're going to have to try to face up to. And 29 we're just starting to get our mind around now, in nearly 2026 of what it will be for that first five years of the next decade.

CHAIR - Have you got the skills in-house to do this climate modelling to look at what the likely cost to the business is of the impacts of climate change?

Mr GILL - I guess we wouldn't keep those particular skills in-house. We will use the sorts of reports and capability that the country is starting to develop, hence the comment of the CEO of a relationship with the university. We've been gathering this data all the time. I'm drawing the loops together of what this business has got to try to assess so that we can last for five years with an appropriate regulatory arrangement.

This particular one, we got to the point where that once-in-25-year hit was outside what we had estimated and hence we went back to the regulator and said look, we're going to have to put this to you.

Dr McGOLDRICK - Of course, in coming up with our reporting, both our injuries reporting and our step up for our new reporting regime, we've had external advice. We're lucky to have a number of parties around Australia that are becoming more expert in this. We also work with peak bodies across the industry like the Electricity Networks Association and CIGRE, both of which themselves have developed cross-utility working experience and working groups that we are part of.

We're growing that capability to understand how to model from a utility economic point of view, how to model the impact of climate both in terms of network resilience and how we need to provide for our impact on climate, too. There is a lot of detailed work going on around the industry. We're well plugged into that and we also make judicious use of key expertise. Highly specialist in this area, but we don't keep it.

CHAIR - You buy that in, yes.

Dr McGOLDRICK - We buy that in, yes.

CHAIR - So the Australian Energy Regulator also provided around \$34 million for tax in their allowable considerations - sorry, I'm getting a bit tired in the day.

Mr DUIGAN - Price determination?

CHAIR - Yes, that's it. That's the words. This year, you only paid \$8 million in tax and didn't pay any dividends because that's an indication of the lack of profitability for the business. What happens to the difference there, \$34 million allowable, but only \$8 million paid.

Dr McGOLDRICK - If I could have an initial answer to that and then perhaps Michael and Chantal will be able to provide some more detail. The general principle of the regulatory regime we work in is you get the allowance. You lay out your scorecard at the start of your regulatory determination period ahead of that. The AER makes a decision and it gives you an allowance for those years, for all the years, and you're expected to work within that allowance. At the end of the period, if you've kept winning the allowance, that's recognised as being good. If you've expanded over the allowance, you have to justify why you do it, but all your expenditure has to be deemed prudent and efficient. They don't look if you've kept within your allowance. They will not dive down, in my experience, into the very detail of whether you spent to the dollar on every category. You must keep within the overall allowance -

CHAIR - The \$34 million allowance is a little bit different from \$8 million paid. Is the allowance \$34 million per annum over the regulatory period?

Mr Mc GOLDRICK - As part of that, Michael will give you an answer to that. As I said, it's important to realise it's ups and downs on every category and every year, but once you keep to it in total, they're usually quite comfortable. All they're looking for is for you to show that you're being prudent and efficient, and for something like taxation where it's a directly calculable amount that's deemed prudent and efficient, but Michael will give you the specifics.

Mr WESTENBERG - Yes, I might ask Chantal Hopwood also for some assistance on this one. I think that for the tax, the AER uses a benchmark for the tax component, rather than a specifics for TasNetworks.

Ms HOPWOOD - Our total revenue is made up of a number of different building block components. We have capex return on, return off, which includes a depreciation in the opex component and then the tax equivalent component, and the calculation of the tax amount in our allowance relates to what you would pay as a tax equivalent for that revenue component -

CHAIR - Yes, I understand how it works.

Ms HOPWOOD - So it's not linked to our actual situation.

CHAIR - So, the AER make an allowance for it?

Ms HOPWOOD - A provision based on their calculated revenue, and what they would deem a benchmark firm would pay based on that revenue amount. It doesn't take into account our tax equivalent arrangement.

Mr WESTENBERG - In other words, you're not getting funding for your tax. Regardless of whether we, for the tax component -

CHAIR - So, they don't give you the money?

Mr WESTENBERG - Yes, they don't give you the money. They make a benchmark in relation to how that would work through and flow through to other companies, particularly commercial companies. That would be something they would be very focused on.

CHAIR - The reason I'm asking is it's pretty relevant in the next few years, minister, because TasNetworks is not going to make a lot of money. They will be spending lots of money but not making a lot. The fact that they've made that allowance for tax doesn't mean anything to what's passed through to customers or not.

Ms HOPWOOD - It's a component of our revenue, but it's assessed based on a standard tax rate rather than our specific situation as such.

Ms O'CONNOR - The Auditor-General's report on public financial corporations and public non-financial corporation of 10 November 2025 states that Tasmanian Networks Pty Ltd has the highest amount of loans at \$2.28 billion as at 30 June 2025, as well as having the highest debt-to-equity ratio of 152.7 per cent. Clearly, the Auditor-General has looked at TasNetworks' finances and has raised a little flag.

What reassurance can you provide to the committee that that's a manageable or sustainable level of debt, particularly given what the chair acknowledged a short time ago about how little money the organisation is going to be able to make, relative to the past, over the next few years, at least?

Mr DUIGAN - Thank you, and again, I will make some very broad opening comments and then pass to the team. What needs to be acknowledged is that these are long-run assets and it is certainly not outside the bounds of where you would expect companies such as TasNetworks to be. In actual fact, the level of leverage, as I'm advised, for private holders of such assets is typically much, much higher. This is a public-owned asset, and the debt-equity ratio is where it is, as you say, 60:40. In terms of where that sits and whether that's a comfortable place for us to be, I'm advised that that is a good place to be and the business well situated -

Ms O'CONNOR - I wouldn't say good place, as such.

Mr DUIGAN - I think we must acknowledge that debt, in a circumstance such as this, against long-run assets, is absolutely what you would expect.

Ms O'CONNOR - But this level of debt?

Mr DUIGAN - Let me pass to people who are more expert in this space than me to give you their feelings. Chair.

Mr GILL - Thank you and thank you for the question. Certainly, when the regulator looks at us, one of the things that they are very interested in is to understand our level of indebtedness and hence our exposure to interest payments. We would sit pretty well in the typical level of a government-owned transmission distribution utility across the country. We are not an outstander in relation to our industry. The important point is that this is investment that is productive for an island and a community.

From the board's point of view, we think that the level of independence is well-placed. Clearly, the challenge that occurs during periods of inflation is that you do see kick-ups in interest rate, and we have had that in the last few years. But the level of indebtedness, I would say, was pretty well where a typical businessperson would see themselves positioning this business. Seán, I will let you comment on the comparison.

Dr McGOLDRICK - The first thing I would say is that the economic regulator, all along the national electricity market on the east coast here of Australia, has an optimal model. It sets an optimal model which you as a utility to try to achieve across a range of different things, including your capital structure. They like to see indebtedness, a gearing ratio of 60 per cent, with respect to debt, 40 per cent equity. That's the optimal that they like to see because that actually is closer to minimising impact on customers, making the utility strong for external shocks such as a pandemic or a big storm.

That's what they like to see and that's pretty much the worldwide standard. Many utilities, particularly private-owned ones, like to see higher gearing ratios 70, 80 - in some cases and other jurisdictions, 90 per cent - because that's more economically efficient from an investor point of view, not from a consumer point of view. The regulator strikes a balance at 60:40. We're very, very close to that and -

Ms O'CONNOR - What is very close? Sorry.

Mr Mc GOLDRICK - We are 60.4 per cent. Our gearing ratio is 60.4 per cent. In many of the fellow utilities I engage with here in the national electricity market, it would be in the low 70s. So, we're very well-positioned. We are a robust organisation in terms of our indebtedness level. It causes me no concern, nor should it cause the minister and the shareholders or, indeed, the people of Tasmania any concern whatsoever. We're well set up and, as the chairman has said, these are long-term assets. We have a spectrum of assets, ages range from brand new to 60, 70 years old, and that's appropriate for us as a utility. Different levels of indebtedness are associated with those but, across the totality, we are at 60.4 per cent gearing ratio.

While it's a large number, we are a highly-capitalised business as a utility and we recover the cost of those assets over a long period of time. Our cash-flow position is extremely strong. I will hand to Michael now to give you some figures on the cash flow. But we are in a very good position financially and I have no concern whatsoever with respect to the level of debt that we're carrying, especially giving the good service we are getting from TASCORP, who looks after our debt portfolio for us. Every year, we replace one tenth of our debt on average; we refinance it. It's a very efficient and appropriate process and, indeed, we give some fees to the state as a result of that process that is very well-run by TASCORP. So, we have a very good

banker in TASCORP. We are introducing a new banker with our new asset, the North West Transmission Developments. The Clean Energy Finance Corporation is also a very significant financial federal entity. We will have two good bankers who are very happy with respect to our position of indebtedness. Michael, if you could give some figures.

Ms O'CONNOR - Before we go to Michael, I understand what you've said. It is complicated, and it is about money, and it is not really much specialty - I heard that there's a kind of a refinancing of debt and we talked about that a bit with Hydro this morning. Will more borrowings be required? For example, how the government would pay for the interest on the stadium by borrowing money to pay its interest costs?

Dr McGOLDRICK - As we go through a process of rebuilding our assets or building new assets, that will necessitate both debt and equity to finance those - fund those assets. For example, the most classic example is the North West Transmission Developments. It will require a financing package that has both debt and equity. That's something we're currently negotiating with the Clean Energy Finance Corporation and indeed with Treasury in Tasmania. That is very normal, that we would borrow money and then we would pay that back to the banker over the long term. In this case, for example, it would be the CEFC.

Ms O'CONNOR - Thank you. So the answer is yes, potentially more borrowings, obviously.

Dr McGOLDRICK - Potentially more borrowings, but well-funded and well able to pay them back.

Ms O'CONNOR - Okay. I will come to the issues raised in the pre-election financial outlook too about the kind of sources of equity that would go into TasNetworks.

Dr McGOLDRICK - Could I ask Michael to comment on the cash flow aspect, which I think is particularly important?

Mr WESTENBERG - I want to provide a clarification: you mentioned comments from TAO, the audit office, around debt to equity at 152 per cent. I wanted to clarify that generally for a business like us, we do use a gearing ratio which the CEO has been talking about, which is a debt to our capital ratio, which is different. I just wanted to clarify that.

I think Seán has covered all the other components in relation to - effectively every year we look to renegotiate one-tenth of our debt portfolio. We currently, as you rightly pointed out, have \$2.284 billion of debt. We currently have a credit limit with TASCORP of \$2.5 billion. We sit with them each year and work through what our general borrowing requirements would be. Do we need more based on our future forecast? Obviously, at this component in time that's very much focused on the north-west, which is being facilitated through 84 per cent through the Clean Energy Finance Corporation.

Ms O'CONNOR - Okay, thank you.

Mr GILL - The thing that I wanted to stress was that debt and equity, to get in that balance, is important. But the most important thing is getting the revenue in the first place to pay back, to pay the interest on that to manage your costs. So, because we are regulated business, we've got the Australian Energy Regulator right over the top of us. We have to

forecast five years and then they look very closely at what we do. Once they sign off on our regulatory determination, that revenue is locked in. So we have a secure revenue outlook, and that's the difference between, let's say, a commercial business which month to month isn't sure whether revenue is going to come in or not. We know our revenue is coming for the next five years. All the discussion you've heard is how we work within those constraints. The level of risk to us is simply -

CHAIR - Not as great.

Mr GILL - Certainly not as great as you would be in a competitive environment. Our challenge is forecasting that and then managing within it. Then you've heard every now and then there's an excursion, the big storm event we had: ouch. We didn't have that in our long-term forecast, so we went and asked for another \$10 million which the regulator said yes, fine, that's an acceptable expenditure. That revenue side covers the cost that's already forecast in that interest payment. So it's the debt, it's the interest payments that have to be covered and we believe that's covered. Not only do we believe it, but the regulator believes it as well and hence he allows this secure revenue stream for next year's -

CHAIR - When the regulator says yes to the additional expenditure, like the storm, customers pay that?

Mr GILL - Yes.

CHAIR - That's right. So it's not like we have to find the money from a hollow log. It's the customers.

Mr GILL - And that's why -

Mr DUIGAN - For context, sorry to interrupt you, chair: we expect the level of impact to be around \$3 per annum per typical residential household.

Ms O'CONNOR - For just the storms?

Mr DUIGAN - For the storm.

Ms O'CONNOR - So, the obvious next question is, given that we're not looking at one-in-25-year events anymore - the scientists who you work with at UTAS will confirm that - the obvious question is: how are you going to mitigate those costs impacts that will inevitably flow onto customers upon the impact of more extreme events on your network? Climate change is going to start really costing Tasmanians, isn't it?

Mr GILL - In this regulatory period which we are operating with, you've seen us talk about transforming our business, trying to keep a really strong handle on our costs in this regulatory cycle, as we move into the 2029 regulatory cycle, or the first part of the next decade. We will take another assessment about what we can afford to spend, what are the level of assets that we have, and how they're going to be maintained, and that cycle will simply continue on. I'm confident that we've got the team and the capability to be able to make those assessments and that will unfold over time.

Ms O'CONNOR - I hope you're right. Can I go to the equity contributions towards Marinus Link and North West Transmission Developments line stage 1; these were raised in the pre-election financial outlook within its risk assessment. Where are we at in terms of the equity contributions and the certainty around them? Is it still that the contribution for Marinus Link cable 1 is currently expected to be \$98.5 million and the equity contribution from the North West Transmission Developments stage 1 is still expected to be \$197.6 million?

Mr DUGAN - No.

Ms O'CONNOR - Gone up, or -

Mr DUGAN - So through the negotiations leading up to the final investment decision for Project Marinus, we were in discussion with the federal government and, through that process, negotiated not only a \$346 million FFA grant to go to TasNetworks, we also capped Tasmania's equity position on Marinus Link, the subsea cable. So our \$103.5 million investment, which had already been made, was recognised and we kept our equity position there. You may remember that Tasmania was holding a 17.5 per cent equity position. We have come up with the position where our equity in Project Marinus will dilute over time, but we won't pay any further equity calls for the link. You will notice that, in the budget, the need for Marinus Link equity is gone, so there is no equity there, and for the North West Transmission, that's come down a bit as well on the basis of that grant and that's now \$191 million.

Ms O'CONNOR - \$191 million from the state?

Mr DUGAN - Yes.

Ms O'CONNOR - Okay.

CHAIR - It's in the budget.

Ms O'CONNOR - A final question on Marinus: the transmission line route has caused significant worry amongst some people all over the island actually, particularly the impact on the natural landscape, native forests, reserves, conservation areas and that sort of thing. I know some work was done by TasNetworks early in the piece to understand how it could mitigate transmission line impacts on carbon-storing forests, for example. Where are we at with that?

Mr DUGAN - It's really important to recognise that Project Marinus, in its initial concept, was two undersea cables and sort of two stages of the North West Transmission Developments: a coastal route, which is what we would call stage 1, and sort of an inland route, which we would call stage 2. It has since come back to one undersea cable and just the coastal route of the transmission, which is 130 kilometres from Burnie to Cressy, essentially, 95 per cent of which already has transmission on it. It's an augmentation of an existing line.

CHAIR - Which does require some widening of the corridor in parts?

Mr DUGAN - It does: widening, realigning, ins and outs. But it is important to recognise, because people do conflate the two - you would remember the discussions in the Loongana Valley and things like that, which is associated with stage 2; this is a much more set corridor that hosts transmission largely. There's work going on at the moment, which Séan, I'm

sure, can speak to about getting people signed up to that. As much as these things ever are not contentious, it's not hugely contentious.

Ms O'CONNOR - As contentious as it could have been: then perhaps we could talk about the likelihood of stage 2 becoming contentious and how to mitigate that?

Mr DUIGAN - I guess at the moment stage 2, so that would be a second undersea cable and the second stage of the North West Transmission Developments you know -

Ms O'CONNOR - How far off in the future?

Mr DUIGAN - Well, to some extent, yes, off in the future and not - the whole-of-state business case did contemplate the second stage, but it is a decision that's not present at the moment.

Ms O'CONNOR - And not imminent?

Mr DUIGAN - We will continue to do work on it and see if it stacks up, but it's not anything that's in front of me at the moment.

Ms O'CONNOR - As a general principle, is TasNetworks more aware of, or incorporates more the need to really minimise the impact of transmission line infrastructure on forests, reserves and places like that?

Mr GILL - We are incredibly aware of the challenges of getting a social licence for the transmission line, the environmental effects of which are critical to our island. This is an issue, of course, across Australia.

When you think about stage 1 of Marinus, which essentially unlocks a very large proportion of the net benefits of Marinus Project stage 1 and stage 2, that really has focused us on stage 1 benefits. As the minister said, it's more of a brownfields operation than it is going through greenfields environments, so at the moment that's where our strong focus resides to get all our approvals, et cetera, sorted out for that. I will let Séan pick up with any more legals I ought to have commented on.

Mr McGOLDRICK - Yes. The art of this is the routing and making sure that you route the transmission line to minimise the impact. It's a very important consideration, not least when you go through your permitting process, but also as you engage with landowners and the general community. We're always minded to use the maximum amount of our existing infrastructure and to minimise the impact on the landscape, because that's simply best practice.

With respect to a 220 kV transmission line, we've done very well, in my view, in terms of minimising that impact. Of the 130 kilometres the vast majority, all but a few kilometres, is what I'd call brownfield, so it exists there using existing assets, existing easements or rearrangements of those, or slight expansions. That's credit to the engineering cohort and the lands people who did the routing initially.

All projects of this nature have some level of controversy, of course, but we've been engaging with the broad community since 2020-21 in some detail and we have, I think, made the best application we can to the Tasmanian Planning Commission and I await their

determination in this regard. I believe that we've done a good job and we are working very hard to minimise that impact, especially on forestry.

Ms O'CONNOR - Forests, not forestry.

Mr McGOLDRICK - I beg your pardon.

CHAIR - Can I pick up on the North West Transmission Developments? Just before I go on to that, minister, what's our equity share now, in Marinus then?

Mr DUIGAN - I think as of today, there has been a subsequent equity call. I would need to take that on notice. I won't guess, but - sorry? 15.4.

CHAIR - And how much was the equity call for?

Mr DUIGAN - \$88 million.

CHAIR - That was total from the feds and Victoria; that's how much they put in according to their percentage split?

Mr DUIGAN - Yes. I was going to say something profound.

CHAIR - Very profound. Gosh, it's a shame you lost that, isn't it? As we reduce our equity share, what does that mean in terms of returns; is that what you were going to say?

Mr DUIGAN - I was simply going to make the point that while we have reduced our equity share and our equity share likely will come down to a very low number, we have been able to retain certain reserve rights over subsequent cables, or how they might be financed, and we've also retained a seat at the board. I think that's very important to have some -

CHAIR - And if we get down to about 1 per cent?

Mr DUIGAN - Yes, those rights remain.

CHAIR - Are there returns back to the federal, Victorian and Tasmanian parliaments, depending on what our percentage split is at the end when there is revenue flowing?

Mr DUIGAN - Yes, Marinus Link will be a regulated asset and its costs will be recovered, and it will pay a return, albeit a relatively low level of return, a concessional -

CHAIR - It would be a low level of return to us.

Mr DUIGAN - Well, it would be a very low level of return to us -

CHAIR - Probably won't help anybody.

Mr DUIGAN - In fact, we might be down to zero and there may not be any return. This is another really important point about Marinus Link, as we are halfway through the effective lifespan of Basslink, which was conceived as a private operation: this is conceived of government, delivered by government at the lowest possible cost to the consumer. If APA is

building another link to replace Basslink, they're not getting access to all the concessional financing, they're not getting access to all the FFA grants, they're not passing through those benefits onto customers, so I think they're all the obvious benefits of Marinus, but the way it's being delivered is another one of the key benefits.

CHAIR - To come back to the North West Transmission Developments, the P50 estimate I believe was \$1.1 billion in 2023-24 dollars.

Mr DUIGAN - Yes.

CHAIR - Have we got a P90 estimate?

Mr DUIGAN - I have \$1.138 billion at 2024, which I think is P50, and that's our most current number, as I'm aware. Any further thoughts there?

Mr GILL - The important thing here is that we're dealing now with the regulator and the regulated returns on this asset, which have been bought off and tackled in two chunks. We've had the early works requirement request to the regulator; that's been now fully supported by the regulator and hence can then go into the rate base. All the design work gets done on that early expenditure. We are now in the process of going to the regulator for the construction component, which will then sum to, as we've just said, \$1.122 billion net capex, net of Australian Government grants, and the \$1.138 number includes those grants. You go to the regulator with the P50, that's the way the regulatory process works.

CHAIR - So when do you expect to have a P90 price?

Mr GILL - What we have to put forward is a P50 in our regulatory framework; that's the number that we work around. We understand the risks that run around it and the risk of us managing within those arrangements. There are arrangements from the regulator's point of view that they can then assess how we go when it's finally constructed, what issues have arisen during that process, and there's an ability to discuss with the regulator the impacts of final cost. I will let the regulatory team explain the complexities of how that's done.

CHAIR - While he's thinking about that, given recent cost escalations in just about every sector of construction around Australia, how confident are you that it won't have a significant price blowout?

Mr GILL - A lot of work has gone in, over quite a period of time now, to get a good handle on these costs, remembering that they then turn into contracts with the suppliers. We already have our contractor locked in. That's the reason we spent just a small proportion of the money to get the design work done, so the design can then give us confidence on the final number. The board spent a lot of time working around the risks of that. We feel comfortable that the P50 number that we've put forward to the regulator, knowing that there's another opportunity to talk to the regulator about the final outcome of the costs, is a comfortable position for the organisation - a level of risk we're prepared to wear. I will let Seán talk about the regulatory process.

Dr McGOLDRICK - In terms of that regulatory process, it's important for the committee to understand that once the determination is made by the regulator on the CPA2, the construction work - we already have it for the early works, which was an excellent out turn, the

first \$151 million granted to us - that allowed us to get much more accurate and to do some detailed work in the field. The number that we've submitted to the regulator, which is a public number, which will be discussed in some detail over these months, is a number that has held up well, in terms of our continued investigations out in the field. As we get more and more - I'm delighted to say that 96 per cent of landowners along the route have allowed us onto their property, so we were able to do detailed investigations and make the necessary fine-tuning. That has all fed into our submission and that number has held up well.

I'm very confident that the project has set up the right structure to deal with it, through the construction phase. There are always risks when you're out there in the construction phase. I don't envisage a blowout, but if there are additional costs, once we can prove that they are prudent and efficient costs and more necessary to discharge the project and they will be considered by the regulator after the project is commissioned. You have an incentive scheme, where if you come in under the price, you get to keep a certain amount of the money and you give a certain amount of it back. On the flip side, if you go over the initial determination by the regulator, once they deem that expenditure prudent and efficient, you get to recover the vast bulk of it.

The project has been well set up and well managed. The estimates that we've had have held up well for the last year. I think we've gotten the major procurement items out of the way in terms of a head contractor, and it's working well in terms of the fieldwork and the investigations. I'm very confident that this has been set up appropriately and we have the comfort of the regulatory regime in order to allow us to recover prudent costs, should they escalate, but I do not see any escalation path in front of me at the moment.

CHAIR - I appreciate the fact that you don't see any cost escalation, but should the AER deem imprudent for whatever reason, it may well be a legitimate reason that the cost of purchasing some items has escalated, they are passed through to the customer. So, ultimately, it's the customer who pays. Whilst you have the incentive, there's still that risk to the customer; we can't deny that, because the AER will make the determination.

Dr McGOLDRICK - The regulatory regime has the strength of an independent determination but, like all power systems everywhere in the world, the customer pays for everything. It pays for our costs, which are typically 38 per cent to 40 per cent of the overall costs of the power system; they will pay for any new expansions that are deemed prudent. Again, it's important for the committee to remember that there's quite a process, in terms of benefits and benefit analysis for this project. This project is deemed to be one of the optimal projects to develop the national electricity system by a second independent body, AEMO, in their integrated system plan, that indicate the costs of the project will return multiple folds.

CHAIR - The cost-benefit analysis is - what is the cost benefit?

Dr McGOLDRICK - That is part of their regulatory investment test that we've gone through for the project. It shows that, overall, Project Marinus is one of the projects that's the most optimal, in terms of the integrated system plan.

CHAIR - What is the ratio?

Dr McGOLDRICK - I will be happy to give you that number shortly, but it is a significant investment. Of course, we understand that. That's why we're going to prudently manage it as we can, but if we could talk to the benefits of -

Ms HOPWOOD - The overall benefits of Project Marinus, including the North West Transmission Developments for the latest regulatory investment test was over \$3 billion in net benefit.

CHAIR - So, the cost-benefit ratio?

Ms HOPWOOD - That is the benefit, the \$3 billion, and the cost is 4 - I can check the Marinus costs.

Dr McGOLDRICK - But that's net of costs.

CHAIR - So, the net benefit is what?

Ms HOPWOOD - \$3 billion.

Dr McGOLDRICK - \$3 billion.

CHAIR - Oh, the net benefit is \$3 billion? Right.

Minister, what are the conditions, if any, on the \$346 million Commonwealth grant, if costs do escalate or timelines slip?

Mr DUIGAN - In terms of those conditions, I'm not aware, but somebody might have a better handle on some details. I don't know that there are conditions around those sorts of things.

CHAIR - When will it be provided to TasNetworks? Is it on completion or when?

Mr DUIGAN - It's in 2029, is my memory there.

Dr McGOLDRICK - Sorry, we're not party to that contract as such -

CHAIR - Can you take it on notice, minister?

Dr McGOLDRICK - but Michael may have some information.

CHAIR - Oh, sorry.

Mr WESTENBERG - Yes, I was going to say, it is based on practical completion in 2029, the federal grant.

CHAIR - So, is there any - and this may be your question, minister - if, for some reason there was a delay, it could be a massive weather event in Bass Strait, not unheard of, is there any penalty or any clause in the agreement that would say, well, you're going to get less now?

Mr DUIGAN - Not as far as I'm aware, no.

Mr WESTENBERG - If I could talk more about how the grants have worked in the past. When we were part of Project Marinus, there was some federal funding that was initially provided. Those grants were based on milestones and achieving those milestones. If those milestones did move, the grants were then moved with them, so that they were paid at the time that the milestones were achieved. I believe that's how it will work.

CHAIR - Minister, I asked you some questions around the Tasmanian Industry Participation Plan that's been signed under contract with Genus. You didn't have a lot of information, which is fine because it's not really your job to be across all that detail. But, I note that the - I will call it the TIPP for ease of shortness - commits to only 15 per cent of Tasmanian based employees with 85 per cent FIFO workers. The minister himself did call this 'not particularly ambitious' last week. So, who negotiated the deal? Was the board briefed on this before it was signed? Did the board or the CEO seek government guidance on minimum acceptable targets for this?

Mr DUIGAN - Given we have the relevant experts in the room to talk to this, I would refer to probably the CEO - or chair.

Mr GILL - This is really important and I think there's a chance for us given that we know this was discussed last week to be able to give you the exact numbers. What I can say, as Genus come here, I went up with Genus to a big session up in Burnie where we were meeting all the local contractors. There was an enormous - the Burnie Centre was packed to the rafters with people looking to get involved with this, lots of local business capability putting their hand up to contract with Genus, so I think the contracting environment here is going to make significant opportunities of this major project along the north-west coast.

In terms of employees -

CHAIR - Which makes the 15 per cent seem silly.

Mr GILL - Hang on, that's just the employee component. Certainly, the contracting capability of local contractors on this task will be strong. I will let Seán just set the record for the employment arrangements.

Dr McGOLDRICK - Happy to share some of the detail, but this was a procurement event, so we had to set down some numbers. Happy to report on those numbers and what we see now in the detail from Genus.

So, Genus direct labour involved in this project. It will be somewhere between 100 and 110 staff members - that's labour. Genus direct, in other words, Genus employs themselves on the island, so Tasmanian employees will be somewhere between 30 and 40 of that 100 to 110, so that exceeds the minimum 15 per cent that we've set there.

In terms of the indirect employee or the supply chain, so Genus indirect supply chain. We think that, at peak, it will be somewhere between 250 and 260. This is on the basis of detailed work that we've been doing with Genus. Between peak, between 250 and 260, on average between 100 and 140 people employed. In terms of the Tasmanian content of that, at peak we will have 225 to 234 people and on average between 90 and 126. That well exceeds the 45 per cent minimum we've put for indirect.

Obviously, these things are a commercial decision by a business coming in. We've set the standards, and they have exceeded those standards, which I'm happy to report and there has been tremendous interest from the supply chain on the island.

A lot of these projects are digging, soil shifting, road construction, concrete, and that's all on the island. There will be a local supply chain that Genus will utilise. It's important to remember in this context that Genus is a well-established entity on the island, with two existing depots, one at Spreyton and one at Bridgewater. They've been in our supply chain for lower voltage work for some years and have proven to be a very good contractor. They have the supply chain on the island and they're going to really bring it to bear in this project. Those are the exact numbers I have.

Mr GILL - I wonder if I could wrap that up in the sort of vicinities terms. We're really targeting 45 per cent involvement of Tasmanian workforce, which is both those direct employees and subcontractors. It's a very substantial involvement, which turns into something like \$175 million of contract value going into Tasmania of the total project, and remember this is a project of big chunks of aluminium and steel, so it's the people putting it up and you're buying a lot of hardware. That's the Tasmanian investment of \$175 million into the north-west coast, substantially gaining from that.

CHAIR - I have the plan in there, but I haven't opened on this occasion, but how often were the reports needed to be made?

Dr McGOLDRICK - When we set forward on the construction phase of the project, which will be April of next calendar year, we get very regular reports. The numbers I'm giving you here is the work they've done already to set up for the construction phase. We meet with Genus, we meet with them on a daily basis at the moment, but we get significant reports every month, which we bring to the board in terms of construction readiness. We've set up -

CHAIR - Are those monthly reports provided to the minister?

Dr McGOLDRICK - In terms of the minister's reporting, there is a number of different governance levels for this project that the committee needs to understand. It's not just to the minister; there are levels of reporting. I'd be very happy, Chantal, if you could lay out the governance structure for this project so that the committee understands we're keeping a very close eye on the minimal standards.

Ms HOPWOOD - Thank you, Seán. We have established a multi-tier governance framework that aligns directly with the broader Project Marinus governance framework for the north-west. We have multiple tiers: we report to the shareholding ministers; we have a ReCFIT and Treasury report which goes monthly; and then we also report to TasNetworks' board. Then, to align with our agreements executed with Marinus itself, we have a Tas Marinus committee; then we have a range of different technical committees; project program steering committee; senior oversight for different elements of scope, schedule, risk, interdependence and funding arrangements.

CHAIR - At this stage, the numbers sound good. We're in the early stages and haven't actually started full-on construction yet. When you do, and when you get a report that may show that the numbers have slipped, they're bringing in a lot more FIFO workers as potentially a different skill set of workers are needed, potentially that could happen. Is there any financial

penalty, performance bond or anything like that if they fail to meet the expectations in that agreement, or is it just best endeavours or bad luck if we don't achieve it?

Dr McGOLDRICK - It's something we will be monitoring very closely. I will get you information in terms of the clause and the agreement that monitors this. I don't -

CHAIR - Is that your job, or whose job is that?

Dr McGOLDRICK - We have a project director; I've appointed a project director for this role, just recently. They have started and they are setting us up in readiness phase for construction; we have to get ready as well as the contractor. That report works with me, and we report to a board committee that's been specially set up to consider this project alone, the composition is the full composition of the board. I'd like to hand over to the chairman to talk to that.

Mr GILL - As you rightly said, we are in the process of setting up. We have to hit financial close, step one, but the preparations for going forward are such that we have established a dedicated board committee for this project to be able to see both its finalisation and financial close. We are very conscious, because many of us have been on these big projects before, that it's one thing to get the financial close, but execution is everything. You're rightly pointing out that the capability of your project directors, the ability to work through your contractual arrangements and the relationship you have with your contractors is a very important issue.

We have time and cost, and we understand the implications of that to our customers in Tasmania. That will be our number one priority to make sure that we're working to get all those metrics well managed. We have very transparent feedback loops going in through all the layers that Chantal just outlined. I think this project will be an extremely well-oversighted project going forward.

CHAIR - Still on the North West Transmission Developments, I know that the Hampshire Hills Spur is considered between one and two - or is it one, or is it two, or is it one-and-a-half?

Dr McGOLDRICK - Through the minister, if I could? Originally, what's known as the Burnie to Hampshire Hills section was part of stage 2 of the project; it's part of the inner loop as opposed to the coastal loop. Irrespective of whether a second cable goes ahead for Marinus, there are certain parts of stage 2 that might be prudent to develop or might be required if we get certain load or generation applications firm up. Burnie to Hampshire Hills is one of those sections that -

CHAIR - So stage one-and-a-half, we could call it then?

Dr McGOLDRICK - We're considering it really as a separate entity. If we have sufficient applications for generation or a load at points of our network, it would -

CHAIR - So, where would they need to be to warrant the work?

Dr McGOLDRICK - They would need to be around Burnie, Hampshire Hills, they would be generation coming off the north-west coast, they would be load projects, they would

be data centres that if they locate in those areas, will require reinforcement between Burnie and Hampshire Hills - or a development of a new station at Hampshire Hills. Many of these projects are still in development. We have not received, as yet, sufficient firm applications to warrant the bringing forward of that project.

We've not made a decision on it as yet, but it is something that's under constant consideration. We have done some early work in it, and we've deemed it prudent to continue it through the permitting process, that section, so that if we have industry, either generation or [inaudible] with that requirement then along the provisions of the National Electricity Rules, which we keep to, we would develop that section. Obviously, if that doesn't happen, but we do have stage 2 of Marinus, then the entire stage 2 of the North West TD would be required, which would encompass that anyway.

CHAIR - In the short term or medium term, perhaps, whatever it is, it's not being built as part of stage 1?

Dr McGOLDRICK - No, it's not.

CHAIR - The HIF was looking to build a plant up in Hampshire. They've now made a decision to move down to Burnie on the Bass Highway near the old pulp mill site. Does that make that less likely to be needed, or are there other factors in play?

Mr GILL - I wonder if I could make a comment about how the system evolves. It's very important to recognise that stage 1 of Marinus, the North West TD, is the element from Cressy through Burnie - that's stage 1. We put out each year an annual planning report which looks at all those who are in the pipeline of load and all those in the pipeline of generators. Our task is to come up with optimal ways that the network could evolve such that when either of those generators or loads firm up their request, we have a network solution which will work. As Seán says, we have to wait under the rules until those people apply.

There are lots of scenarios as to how the island would grow. Our hope, of course, under our charter, is that the island does grow; that we do get more generation to utilise the link and loads to use it as well.

CHAIR - The question was, Roger - because HIF has now decided to move down into Burnie, does that then remove that more likely upgrade of that link, or are there other factors? You're talking about how the system works.

Dr McGOLDRICK - First of all, we would have to have a firm connection application from anybody before we would determine what the appropriate reinforcement is. We don't have one. We've certain connection inquiries, we've been working with different proponents including HIF to determine where they may land. But until I have a firm connection application, I couldn't even begin to answer that question.

CHAIR - Let me put it this way then - if HIF puts a firm application in based on they we're going to be in Burnie, not in Hampshire, would that require an upgrade to the Hampshire-Burnie link?

Dr McGOLDRICK - The first thing that I would need to do is do a specific set of studies as I'm required to do on the National Electricity Rules. The application would come in. I would

do the requisite studies and then I would make them an offer which they would then accept or otherwise. I have to do the work, I have to do the studies, and I have to get details of where exactly, how much load is required. When we have that, we do the study and then we make a decision about what reinforcement is required. I'd like to hand to -

CHAIR - So, the geographic location is not the only thing? I'm trying to understand here, because this is something that directly impacts people on the north-west coast and I get lots of inquiries. You're talking a bit in riddles and it's not very helpful.

Mr DUIGAN - I mean -

CHAIR - No, if I can - there's been a suggestion that that particular proposal would move from one location to another. It doesn't remove the potential need for the strengthening of that link purely because of that?

Dr McGOLDRICK - Again, this is a very specific area of inquiry, so I have to be careful about what I say. People who wish to connect to the transmission system must come to us and must give us the details so we can carry out carefully the studies that are required to determine what is needed in terms of a reinforcement and connection and only what is needed. We have been in discussion with multiple proponents on the north-west coast over years in this. I look forward to the day when we've a firm application that we can do the work on. Certainly, some of the options might require Burnie-Hampshire Hills to be developed -

CHAIR - Robbins Island, for example - this goes on and on forever - without any certainty for the community or the proponent, if that was to feed in - from my memory, this is going back - they were going to have to build or pay for, not necessarily build, but pay for the transmission line from Robbins Island through to Hampshire - that's the case?

Dr McGOLDRICK - If they determine that their point of connection is in Hampshire. They could determine the point of connection would be anywhere else. Once they make that -

CHAIR - Where else could they do it?

Ms O'CONNOR - Couldn't they go to Burnie?

Dr McGOLDRICK - Burnie, potentially, or somewhere else. It's not my role to tell them where to do it -

CHAIR - No, I'm not suggesting you should.

Dr McGOLDRICK - But when they make a decision and they put in the application for the type of connection they want, we do the necessary studies, determine what reinforcements, if any, are required in addition to the build that they'd have to make or pay for, and then we will make an offer in that regard. But until I have a firm application - I'd be very keen for Chantal to comment, because she's been directly involved in the negotiations in recent months.

Ms HOPWOOD - Burnie to Hampshire Hills is listed in our current regulatory proposal as a contingent project. In order to trigger advancement of us proceeding with that project, it requires a trigger point of 100 MW of generational load and utilisation of that particular link. Some of the projects that you've spoken about, if they would meet that threshold, that would

enable us to progress with that project as a regulated consideration. It would still need to go through all the standard regulatory investment aspects, and we'd need to demonstrate market benefit. That is the trigger point, the 100 MW, and that's load or generation, so either.

CHAIR - Or a combination of both?

Ms HOPWOOD - Yes, a combination of both. But we do need, as Seán has stipulated, to have those firm connection applications to progress that, because that does involve incurring costs which we need to be very careful of making sure we don't do that.

Mr GILL - We know there's uncertainty about this, so as with every year, we prepare our annual planning report, which attempts to explain this spaghetti web of development. We also do that publicly. We have community consultation that takes them through this program so that developers and others get a feeling and an understanding of what is actually required in order for these various components of upgrade to occur.

CHAIR - Robbins Island is one. The Woolnorth Wind Farm is getting a bit old and tired, the turbines are going to need replacing and it's being considered as we speak. If they were to proceed with upgrades, which they wouldn't just put up the same things again -

Mr DUIGAN - Well -

CHAIR - They might?

Mr DUIGAN - Well, in terms of -

CHAIR - Let's presume that they would want to be more efficient. One would think these are pretty old.

Mr DUIGAN - Yes, and if you replace like-for-like you can basically just go and do it.

CHAIR - Put in less.

Ms O'CONNOR - In the corridor, or?

CHAIR - Woolnorth wind farm, we're talking about.

Mr DUIGAN - Well, for the wind farm, if you replace the 3 MW wind generators with 3 MW wind generators, as I understand it, it's a very straight forward thing to do. But if you wanted to go bigger, you'd have to go through the approvals process.

CHAIR - But if they wanted to maximise the opportunity and put in bigger ones - there may be fewer of them, but they might be bigger - if you're going to make that investment, you'd hope to generate a bit more otherwise - anyway, I'm not the person considering how that might stack up.

Dr McGOLDRICK - If I could just comment. Everybody at that larger scale load and generation who connects to our network has a connection agreement and they have provisions in that connection agreement. If the -

CHAIR - For a certain amount of load?

Dr McGOLDRICK - For a certain amount of load and other technical parameters. If they keep to those parameters, they can do what they can do on their site.

CHAIR - The point I was going to -

Dr McGOLDRICK - If it changes then they have to make an application to us, and we have to go through a process to make sure it is fit to connect to. If we need to reinforce the network, we will inform them, and they will have to pay for that if it's generation.

CHAIR - Yes, so my point is, where I was trying to get, was if they did work at a similar time as Robbins Island, say if they were building together, you wouldn't want them building two lines running parallel from that part of the estate to whatever the connection point might be, whether Hampshire or Burnie, whichever. If they were both going to require an upgrade, could the cost be shared between them and at what point does it become part of the regulated asset base?

Dr McGOLDRICK - I will give an initial answer and then I will hand to Chantal for the detail. Obviously, we're all about the efficient use of our existing assets or, if we have to connect to our assets, we want to make sure that it's a good connection. If proponents wish to cooperate with each other and build transmission together to service one purpose, that's fine, we will work with them to do that. But we're agnostic on which projects and it's up to them to cooperate together in this regard.

I can't pick winners or losers. My role as a jurisdictional planner and regional operator, under the National Electricity Rules, dictates that I have to be neutral in this regard. I don't get involved in picking technologies, picking winners, or deciding which development path is best for which site. They make those decisions and if they come to us with a cooperative arrangement, we will find a way to make that work. I would like to hand to Chantal.

CHAIR - When does it become part of the regulated link, assuming it's built?

Dr McGOLDRICK - I think Chantal will be able to give us an answer on that one.

Ms HOPWOOD - Obviously, if we had multiple connection inquiries, we would look to streamline what we build in order to have minimised cost to Tasmanian customers and also to the proponent. So we would certainly look at coordinating that component. All of it depends on timing and different connection characteristics required, but we'd certainly look at streamlining as best we could.

CHAIR - Then when it's finished, does it become part of the regulated asset base?

Ms HOPWOOD - If this particular trigger, as I mentioned before, was hit and we passed all the net benefit assessments, then it would, yes.

Dr McGOLDRICK - But the connection asset itself, the bit to reach our part of the core network, that's always the cost of the generator, I'm thinking, right?

Ms HOPWOOD - Yes, of the connecting customer, correct; the dedicated assets they pay for themselves.

CHAIR - But if you have two or three proponents who all feed into the same new line - how is that dealt with by the regulator?

Ms HOPWOOD - If we talk about Burnie to Hampshire Hills, for example: if we meet that trigger point to progress investment, which is the 100 MW of generational load, the backbone component is demonstrated to have net benefit, enough that the Tasmanian customers would have that as part of our regulatory asset base, should all those hurdles pass. As Séan mentioned before, the dedicated connection assets are single-use assets to connect to a portion of that line and would be paid for from that proponent.

CHAIR - So, an asset that two or three proponents used would still be considered a single-use asset, would it?

Ms HOPWOOD - No, as long as it met that trigger amount of the 100 MW of connection and we could demonstrate net benefit to the wider customer base, it would be a regular asset. It all comes back to that trigger point.

CHAIR - Sure.

Mr WESTENBERG - Through the minister, I'm just going to clarify - I think when you talk single-use, we're talking about we're building a line potentially, and the assets if they happen to be 20 kilometres from that line, they would be responsible for connecting into that. That's what we mean. They would pay for that component; we would only be considering the regulatory -

CHAIR - And the cost of looking after that component is only the part that -

Mr WESTENBERG - The single-use one?

CHAIR - TasNetworks own and regulate, that would pass through.

Ms HOPWOOD - Correct.

CHAIR - So components, even if there's more than one, would have to cover the cost of the operation and maintenance and everything of the line to the point of connection?

Mr WESTENBERG - Yes, to the point of connection.

Ms HOPWOOD - Yes, the dedicated assets they look after, correct.

CHAIR - Sorry, just to help me understand here, I get asked a lot of questions about this.

Dr McGOLDRICK - It's really a story of two halves. They are responsible up to our core network and we would dictate the standard of connection. But how they build it, who builds it for them, what they pay, how they operate and maintain it is up to them. Once they perform technically and if the regulated asset needs to be changed or enhanced or strengthened once it passed the RIT-T test, then we build it and we make sure that it is performing adequately

and the costs are recovered from all the customers in Tasmania, because it passed the RIT-T and it seemed to have an overall benefit beyond that cost.

Mr GILL - Of course, the challenge is that you don't want costs being passed through to communities all over the country. That's why we've spent the last 20 years with a regulatory regime whose major focus is impact on customers and ensuring that we don't spend money on unnecessary transmission, unnecessary augmentations both within a transmission business or for a new customer or load.

Ms O'CONNOR - Equally, we don't want transmission lines laced all over the island either, do we? Given that we are the most beautiful place in the country.

Mr GILL - Yes, and that's why -

Ms O'CONNOR - Sorry, but that's one of the things that wasn't picked up before - like how it's built, how its paid for, but the 'where' wasn't addressed in that statement. I know we talked earlier about the most efficient path, but the 'where' of it is an outstanding question, I think.

Mr GILL - That's why this planning statement of ours is a really useful look forward to who's interested, even if they haven't put an application yet; who's interested from a load; who's interested from a generator? What are some of the scenarios that might lay out as to how we might augment the system, so that people can look at what the concerns would be about that? We're trying to be as open and transparent about something which doesn't have definitive points that you can put in the ground and say that's exactly will happen.

CHAIR - That's why people get anxious and nervous.

Ms O'CONNOR - Because it's sort of -

Mr GILL - Yes. We're trying to do right by -

Ms O'CONNOR - Seems like a bit of a free-for-all, potentially.

Dr McGOLDRICK - We're trying to balance the public information and the right for public information and knowledge, versus our distinct obligations on the National Electricity Rules and balance again, the impact on community and making sure that we mitigate and minimise that impact. We're trying to do all three. That's our job; that's what we do.

Each of these developments that may occur are talked about in a technical sense in the annual planning report, but it also gives good sight to national bodies as well about the AER or AEMO, what the development of Tasmania might look like from a power system point of view. We do share these with our community customer action group, our advisory group and our stakeholder advisory group - indeed, we're meeting them on Wednesday in Devonport. We share with them on a regular basis what these plans and impacts may have, so that we get early feedback from a wider part of the community as well.

Ms O'CONNOR - Thank you.

Mr DUIGAN - Chair, I believe we have some answers to questions.

Mr WESTENBERG - Yes, one of the questions that was asked in relation to the \$88 million for the transformation program. Holistically, we did monitor each line of the transformation program, that's about 18 or 17 initiatives. Out of the \$88 million, we didn't specifically break down operating costs and capital. However, what we did do as part of the regulatory proposal that starts in 2024, is we committed a 3 per cent reduction in our operating expenses. Normally, as part of the AER's process, they look for a 0.5 per cent reduction, so that was something that we proposed in addition to that. Off the top of my head that's around about \$6 million to \$8 million a year I think we would need to save. Obviously last year we didn't do that based on some of the one-off costs that we've talked about earlier, but that would be about the proportion.

A large proportion capital cost because, for us, capital costs end up costing the consumer if we overspend our capital. It's about what we call TOTEX or a total saving for the business, but it was included in our regulatory proposal as a 3 per cent reduction.

Ms THOMAS - So, was there a target?

Mr WESTENBERG - The target was the 3 per cent.

Ms THOMAS - Back when the modelling was done for the transformation program?

Mr WESTENBERG - There was a target for - opex do you mean or for total? The 3 per cent?

Ms THOMAS - Yes, that was the target?

Mr WESTENBERG - Yes, that was the 3 per cent. Again, we've been very open around the one-off costs we've had this year, not that we want to go through and start backwards removing those, but we felt we were roughly on track if we didn't incur those large costs last year.

CHAIR - Can I ask one question if no one else has a burning one?

Ms ANDERSON - I do have some other answers to some of the outstanding questions. One of the questions around the split of operational versus corporate roles pre-transformation and now: pre-transformation, the split was close to 45:54, so about 45 per cent operational. Now, the operational -

Ms LOVELL - In field staff?

Ms ANDERSON - Well, operational includes - we have our telco staff who are also field staff, our warehouse employees, so there's a large group of people that we include as, I guess frontline, for want of a better term. That split now is closer to 60 per cent operational and 40 per cent for the rest.

Ms LOVELL - Thank you.

Ms ANDERSON - There was also a question around any formal FIFO arrangements. We have one employee who is on what you would say fly-in-fly-out. That is a person who's employed on the North West Transmission Developments project. He's based in Melbourne

and he's flown down to Tasmania on TasNetworks' expense as needed; that arrangement's in place given his critical skills, particularly in technical and project management. That's the only circumstance of that arrangement that we have in the business.

I wanted to clarify through you, Chair: Ms Thomas, I wanted to understand your question around the redundancy total of transformation, which is about \$22 million, versus the termination benefits that are in the financial statements; I think that was your question, apologies, and there being a mismatch in that figure.

CHAIR - It was a breakdown.

Ms LOVELL - I think you did ask for some more information on that one, Bec, didn't you?

CHAIR - It was a breakdown of the costs of people leaving work. What is the total amount spent on termination payments since 2022; what component of this is redundancies - a breakdown?

Ms ANDERSON - I wanted to clarify: the termination benefits, we can now work that out. The benefits, as per the annual report, include particularly annual leave, long service leave payments and that's for anyone who's left the business, not just through redundancies, which is why the redundancy figure looks a bit different. I wanted to clarify, we will get the breakdown of information.

Ms THOMAS - Okay, and hopefully it's clear when it comes through in our correspondence to you.

Ms ANDERSON - Yes.

CHAIR - One quick thing, the community batteries - might need to do a little spell check, Shorewell is usually spelt with 're' in the middle. A lot of people in Burnie wouldn't be happy to see 'Showell'.

Mr DUIGAN - Where are you getting this information?

CHAIR - From your annual report.

Mr DUIGAN - Detail.

CHAIR - Yes, it stood out like the proverbial to me being in my electorate.

Dr McGOLDRICK - Well spotted. Our apologies. We will correct that.

CHAIR - Yes, you will correct that for next year, won't you?

Dr McGOLDRICK - Shorewell.

CHAIR - You're applying for ARENA funding for six more community batteries. Are they actually being cost effective, the ones that are there? If they are, why would you need to have additional funding for them?

Mr DUIGAN - I think we have good news in all regards, but happy -

Dr McGOLDRICK - I will start out, and then some of the team will provide some more detail. We have two that we've installed at the moment, one north, one south -

CHAIR - One in Shorewell.

Dr McGOLDRICK - One in Shorewell, one on the eastern shore - closer to my heart, perhaps - and both of those are proving successful. We are very keen to continue the application of community batteries for different technical reasons, in different parts of our network. One thing that we're pausing to consider for the moment, and we have good grants programs, and we're working on engaging with different communities, but we're also mindful that we've had a change in federal level in the grants program, so we've seen a significant uptake of batteries at a household level in recent months since July. We would have been processing maybe tens, up to maybe 50 batteries a month; we're now up to 230 batteries a month, which is great.

Ms O'CONNOR - Terrific.

CHAIR - What sort of batteries: a variety?

Dr McGOLDRICK - A variety, but they're on the household level. They're obviously a smaller scale than the community batteries we're talking about, but we're pausing for the moment to make sure that we're balancing correctly. We're doing the technical calculations, but I think we will still be going ahead with the remainder of the batteries to be put in different parts of our system. These are good trials because they allow us a higher degree of penetration of household renewable energy and they allow us to operate the system in a more resilient manner. So there are good reasons for doing these, but we want to make sure that economically it stacks up, given that we've lots of batteries arriving at a household level. I will hand over to the team for any more details on the batteries.

Mr WESTENBERG - In relation to the question on why we would be seeking ARENA grants, without being specifically involved in the details, for areas such as this where there is a question mark over the investment and how you utilise that in the future, you want to take advantage of grant funding if you can. So you ensure that you're not investing money under the regulatory regime that would potentially not be deemed as prudent and that efficient. But certainly, with a number of our trials at any point once we understand whether that then stacks up, it actually provides us an ability to build a case as we move forward into our next regulatory proposal, to put further investment into those areas that we would then use regulatory funding to do.

CHAIR - Alright. We will wrap it up now. It's 6.30 p.m. It's been a long day for us, particularly and you, a little bit. Thank you for your time. We will write to you with the outstanding questions on notice. Thank you for your time today, minister, and your team.

Mr DUIGAN - Thank you, Chair. Thank you, committee. Thank you, all.

The witnesses withdrew.

The committee adjourned at 6.31 p.m.