

30 August 2024

Mr Simon Scott
Public Accounts Committee Secretary

By email: [REDACTED]

Dear Mr Scott

Public Accounts Committee – Inquiry into TT-line’s Spirits Project

Thank you for the opportunity to attend the Public Accounts Committee Inquiry into the TT-Line’s Spirits Project on 12 August 2024.

We are pleased to provide the following information addressing Questions taken on Notice.

One: A copy of the December 2021 written agreement between TasPorts and TT-Line as mentioned in the hearing

- Refer: **Attachment One – TT-Line Terminal 3 Functional Requirements and Scope Work signed 24 December 2021.**
- This document is commercial in confidence and should not be released publicly.

The purpose of the Functional User Requirements is to describe the functional operational requirements for Terminal 3 of the Port of Devonport to be delivered under the Devonport East Redevelopment QuayLink Project as TasPorts’ Landlord Works (refer section 2.1 (Purpose)). It details which works are to be done by TasPorts as the landlord, and which works are expected to be carried out by TT-Line as the tenant, all as approved by both parties on 24 December 2021.

Section One (Executive Summary) spells out landlord works, and the functional requirement of the landlord works in Table 1, while section 1.2 details the exclusion to those works, being the tenant works.

Similarly, Section 4 (Scope) details the scope of the landlord (TasPorts) works, with Section 4.3 (Exclusions) detailing the elements excluded from the scope of landlord works – the latter of which refers to unique customer berthing, mooring, landside and operational infrastructure requirements (characterised as tenant works).

This written agreement was then attached to the Agreement for Lease for Terminal 3 entered into between the parties in July 2022 (as described in the chronology) (**Agreement for Lease**) for the purposes of describing the TasPorts baseline scope of landlord works at Terminal 3.

Two: A chronology of the decision points/dates with respect to the QuayLink project.

- Refer: **Attachment Two – Chronology.**
- TasPorts notes the following for clarity. We said:
 - o *“In June 2023, the Hazell Brady JV completed the dredge and reclamation works.”*
- That date was a baseline date (a date forecast for completion) – not an actual completion date.
- TasPorts’ contractor, Hazell Brady JV completed the dredge and reclamation works in November 2023, and this was accurately referenced several minutes later.
- Please also note that:
 - o This chronology does not represent the full list of QuayLink-related activities, actions and milestones – it does however provide information relevant to focus of the Inquiry;
 - o the documents referenced are current ongoing commercial agreements; and
 - o the content of the documents referenced are commercial in confidence.

Three: A copy of the June 2021 term sheet between TasPorts and TT-Line as mentioned in the hearing.

- Refer: **Attachment Three – Confidential Term Sheet between TasPorts and TT-Line signed 26 June 2021**
- This document is confidential and is not permitted to be disclosed by a party to a third party without the prior written consent of the other party. Publication of any part of this document without consent will breach TasPorts’ obligation of confidence to TT-Line and compromise TasPorts’ commercial position in relation to other port agreements and projects.

The Terms Sheet details landlord (TasPorts) and tenant (TT-Line) works agreed prior to enable contract drafting for the Agreement for Lease for Terminal 3.

Four: A copy of the September 2023 letter between TasPorts and TT-Line outlining TT-Line's obligations for the pre-commencement works as mentioned in the hearing.

- Refer: **Attachment Four – TasPorts letter to TT-Line – Variations 18 September 2023**
- This document is commercial in confidence and should not be released publicly. This letter relates to a current ongoing commercial agreement between the parties.

In September 2023 TasPorts wrote to TT-Line reminding them of their obligations under the Agreement for Lease to be completed prior to the commencement of Tenant works. At that time, TasPorts sought a detailed works schedule from TT-Line that outlines the various obligations required to be completed under the AFL to ensure that the respective TasPorts and TT-Line representatives could progress the necessary approvals to enable the timely commencement of the Tenant Works.

TasPorts also urgently sought updated forecast tenant milestone dates with TasPorts reiterating its concerns about TT-Line’s ability to achieve the tenant milestone events by the tenant milestone dates in the master schedule under the Agreement for Lease and noting this had significant implications for the overall project and port development.

Five: A copy of the December 2023 correspondence between TasPorts and TT-Line with respect to the discussed variations to the contract as mentioned in the hearing

TasPorts notes the following points for clarity:

- We said:
 - o *“In December 2023, TasPorts and TT-Line discussed a number of variations to the contract, and there was main variations as a result of TT-Line requested changes.”*
- In the hearing the Committee asked TasPorts to provide a copy of that request.
- A meeting was held on the 20th of December 2023 between TasPorts and TT-Line’s Project Managers to provide an update on the status of TT-Line’s requested scope variations to TasPorts works. Refer to attachment referenced below in item six for more details as to the contract variations discussed

Six: A listing of all contract variations relating to the QuayLink project from 2021 to present

TasPorts notes the following points for clarity:

- The QuayLink program (which has been running for more than five years) has more than 120 separate contracts, and variations to scope are a common contract management tool as the project requirements are developed and many contract variations would be irrelevant to the Inquiry’s investigations.
- In the context of the Inquiry discussions, we discussed contract variations with respect to TT-Line. We said: *“In April 2024, TasPorts issued various agreement for lease notices and invoices to TT-Line for contract variations.”* Accordingly, we have taken this request in that narrower context, specific to the variations requested by TT-Line to TasPorts landlord works in accordance with the Agreement for Lease and have provided copies of the pertinent variation notices for reference.
- Refer: **Attachment Five: C70 TT-Line Agreement for Lease Variation Table**
- This Attachment Five refers to variations to scope to the Landlord Works which are approved, closed or a potential variation which may be subsequently approved or closed as the project progresses.
- Please note this Attachment 5 refers to variations and works being managed under the Agreement for Lease which is still ongoing and is commercial in confidence and not for public distribution.
- Refer: **Attachment Six: C70 TT-Line Agreement for Lease Variations** Please note the notices and documents in Attachment 6 relate to works being managed under the Agreement for Lease which is still ongoing and are commercial in confidence and not for public distribution.

Seven: A copy of all TasPorts board minutes from Jan 2023 to present

- Refer: **Attachment Seven - TasPorts Board Meeting Excerpts from Minutes Jan 23 to June 24.**
- Board meetings and excerpts from the meetings minutes are to be kept confidential and not to be released publicly.

Eight: Whether TasPorts has contemplated a return on investment with respect to the QuayLink project and what might that be.

- In the development of the Business Case, TasPorts modelled the overall project’s rate of return at 12.3 per cent based on the assumptions (at the time) of relevant key variables including cost of delivery timing of delivery, and long-term lifecycle assumptions of the asset itself.

- In addition, the Business Case for the Devonport East Redevelopment identified the following broader economic returns of:
 - o A direct uplift in economic output from construction, industrial and consumption activity in the region, and in Tasmania, of \$325 million and \$333 million, respectively;
 - o Approximately 1,060 direct and indirect regional jobs in Northwest Tasmania, and a further 655 broader Tasmania jobs (a total of approximately 1,715 jobs can be expected to be created);
 - o An increase in North-West Tasmania Gross State Product (GSP) of approximately \$113.7m; and
 - o Contribution to Australian Gross Domestic Product (GDP) of \$192.7m.
- Therefore, in addition to the benefits for TasPorts and its shareholder, the Project delivers substantial operational and financial benefits for the Operators and significant economic, social and amenity benefits for Devonport and Tasmania.

In addition to the Questions on Notice, there are several other matters TasPorts wishes to address stemming from issues raised during the hearing held on Friday 28 June 2024, with TT-Line as the witness.

Delays to site access

- During the hearing TT-line spoke to delayed access to the terminal site to begin critical path works.
- TT-Line said:
 - o “TT-Line cannot provide an actual date for completion with any confidence until it knows when it can access the site.”
- TasPorts notes access was to be on 26 June 2023 per the Agreement for Lease (AFL) staging plan.
- To gain access, the Tenant needed to have satisfied the obligations of the AFL.
- TasPorts offered TT-Line numerous opportunities to access the site, but TT-Line had not satisfied its obligations of the AFL and more importantly had not appointed a contractor to perform the works.
- Notwithstanding this, TasPorts provided access to TT-Line as required for further site investigations
- As noted more particularly in the chronology provided at item 2, TasPorts granted TT-Line access to site to facilitate:
 - o site investigations as required by TT-Line since June 2023;
 - o early works, site establishment and preparatory works since February and March 2024;
 - o main Tenant Works in accordance with project staging plans since July 2024.
- TT-Line’s delayed procurement of the Tenant Works and appointment of its main contractor (late July 2024) is the critical cause of delay to commencement of the Tenant Works, and access to site has not affected this procurement process.
- TasPorts has provided key records to TT-Line confirming that TT-line was responsible for its own delay in procuring the Tenant Works and complying with its Tenant Works pre-commencement obligations under the AFL. Further TT-Line were on a monthly basis through the joint steering committee meetings queried as to when they may require access to site and at no stage did TT-Line indicate access was causing a delay.
- Of note, TasPorts was delayed in completing its dredging work at the site. This was due to two things:
 - o the presence of rock that was harder than anyone anticipated, and our preference to continue dredging rather than to use explosives; and
 - o TT-Line design changes (which resulted in an extension of time and a contract variation).
- To be clear, the dredging delay was inconsequential to TT-Line awarding its contract.

- Site access could have been provided to TT-Line from June 2023 in accordance with agreed staging plans and with further access to site per staging plans was available since November 2023.

Concerns over Geotechnical investigations

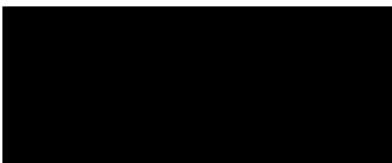
- During the hearing held on 28 June, TT-line referenced not having all of the geotech needed.
 - o "We didn't have an exact cost. We had the estimate, as everyone would know, you need the good geotech part of the discussion and the information."
- TasPorts notes TT-Line had numerous opportunities to undertake geotechnical investigation work at Terminal 3.
- TT-Line had been advised for six months prior as to the dates the site would be handed to TasPorts' contractor and that access would be constrained once TasPorts' contractor commenced its works.
- Despite this, TT-Line organised works to commence after the site had been handed over to TasPorts' contractor.
- TasPorts provided TT-Line geotechnical records for information and potential suppliers to complete the geotechnical works in November 2021.
- Notwithstanding the above, TasPorts has subsequently facilitated access for geotechnical investigations as and when required by TT-Line as noted in the chronology provided in relation to item 2.

Request for information post completion of simulation work

- The Committee referenced calling the Harbour Master for more information post the completion of *Spirit of Tasmania IV* and SeaRoad vessel movement simulation work.
- TasPorts advised that would be at the end of September 2024. This is now scheduled for early October 2024.

Please advise if there are any outstanding issues not addressed here.

Yours sincerely



Anthony Donald
Chief Executive Officer

Subject:	TasPorts Chronology
Date prepared:	August 2024

Date	Event	Notes
2015	TasPorts 2043: 30-year plan released	TasPorts' 30-year plan to guide statewide development of TasPorts' Ports
2016	SeaRoad announces commissioning of SeaRoad II.	
2017	TT-Line announce two replacement ships	
2018	TasPorts Port MasterPlan released	Addresses the investment required to provide critical infrastructure to enable tourism and trade growth by 40% in Devonport East underpinning the wider billion-dollar investment
Dec-19	MOU between TasPorts and TT-Line regarding Eastern side of the Port of Devonport Reconfiguration Project	
Jun-20	Meeting held 29 June 2020 between TasPorts and TT-Line. TasPorts offers TT-Line a turnkey solution on comparable terms to Geelong Port.	Both the offer and opportunity to explore this further was rejected by TT-Line.
Jul-20	Premier announces Vessel Replacement Taskforce	
Dec-20	Above mentioned MOU between TasPorts and TT-Line terminated	The MOU was terminated as the parties had not agreed to an extension period for the progression of commercial negotiations. The Vessel Task Force had just been appointed and the ship contractors had not yet been confirmed.
Dec 20	Early works commence at Terminal 2 for SeaRoad	
Apr 21	Arrival of SeaRoad's MV Liekut	
Jun-21	Term Sheet with TT-Line agreed regarding contemporary agreements	Document provided to PAC (Item 3)

Jul 21	Terminal 2 Early works complete for SeaRoad	
Sep-21	TasPorts release Expression of Interest for Terminal 3 Marine and Dredge works	
Nov-21	TasPorts provide draft Project Management Services Agreement to TT-Line	TasPorts offer to project manage TT-Line's works packages
Dec 21	Tasmanian Government announces \$240million for Devonport East, port infrastructure upgrades	
Dec-21	TasPorts nominate selected contractors for Marine and Dredge works tender	Hazell Brady Joint Venture established and is one of the selected contractors
Dec-21	Functional User Requirements for Terminal 3 (FUR) signed by TT-Line and TasPorts	FUR signed by TT-Line and TasPorts which describes the performance requirements for the facility and also the scope of works that each party is responsible for delivering at Terminal 3, East Devonport. Document provided to PAC (Item 1)
Dec 21	TasPorts commercial terms agreement with SeaRoad regarding Terminal 2	
Feb 22	TT Project Director no longer involved in project	Exact timing to be verified by TT Line. This is the date TasPorts were notified.
Apr-22	Draft Project Management Services Agreement (described above) changed to a draft Construction Management Services Agreement	TT-Line decline TasPorts' project management offer (and decide to project manage works by themselves) and instead, request construction management services from TasPorts
May 22	TT-Line appoint a new Project Director	Dean Collett appointed. Exact timing to be verified by TT Line. This is the date TasPorts were notified.
Jul-22	Agreement for Lease for Terminal 3 executed between TasPorts and TT-Line	The Agreement for Lease is the agreed mechanism used by TasPorts and TT-Line to manage their respective obligations and responsibilities for works at Terminal 3 (AFL). TasPorts had been working on it together with TT-Line for 12 months prior to it being executed in July 2022. The AFL includes: <ul style="list-style-type: none"> 1. Master Schedule for timing of works 2. Staging Plans for staging of works

		<p>3. Interface protocol for management of interface works</p> <p>4. Functional User Requirements previously agreed Dec 21 (described above)</p>
Aug-22	Contract for Marine and Dredge works executed with Hazell Brady Joint Venture (HBJV)	Works Package: Marine and Dredge (dredge, reclaim and new wharf) works
Aug-22	TT-Line indicate they are not likely to require Construction Management Services Agreement	Construction Management services from TasPorts are now unlikely to be required by TT-Line.
Sep 22	TasPorts HBJV contractor commences mobilisation to site	Site set up commences
Nov-22	TasPorts HBJV contractor completes mobilisation to site	TasPorts work starts onsite
Nov-22	Construction Charter signed by main project participants	TasPorts, TT-Line and Hazell Brady Joint Venture sign a charter to collaborate, be safe, listen to workers and respect the local community.
Jan 23	Letter from COO, Stephen Casey to TT-Line Project Manager Will Harper expressing concern on project progress.	Letter clearly states what TT-Line needs to do to comply with its commercial obligations and areas of concern regarding its progress
Jan 23	TT-Line's Project Director no longer involved on project	TasPorts notified in January 2023. Would need to verify with TT-Line.
Feb-23	Construction Management Services Agreement and associated Licence Use Agreement was terminated at TT-Line request (taken effect on March 8 2023)	
May-23	TT-Line release main tender for Terminal 3 works	Main TT-Line tender goes to market on Tenderlink
Mar-23	TasPorts offer to conduct TT-Line marine piling	Offered a range of solutions for piles to be ordered and installed by TasPorts on TT-Line's behalf including for TasPorts to take on design responsibility through its contractor, Hazell Brady Joint Venture
Apr-23	TT-Line decline proposal to undertake marine piling	TT-Line decline TasPorts' offer described above to conduct piling. Piling has still not commenced as at August 2024. (TasPorts understand TT-Line plan to commence piling in late 2024/early 2025)
June 23	TasPorts, TT-Line and HBJV enter Construction Licence for TT-Line's geotechnical investigations	TasPorts and HBJV facilitated TT-Line's access for site investigations.

Aug-23	TT-Line main tender for Terminal 3 works closes	TasPorts/TT-Line Master Schedule had TT-Line completing procurement and awarding contract by June 2023. (TT-Line is now behind schedule)
Aug 23	TasPorts award main high voltage electricity contract for shorepower works	Work package includes some civil works for Terminal 3, including high voltage connection.
Sep-23	18 September 2023 - Letter from TasPorts to TT-Line	Outlining TT-Line's obligations for TT-Line to comply with before its works can start. Covers status of procurement for Tenant Works and actions required by TT-Line before commencement of its works. Document provided to PAC (Item 4)
Oct-23	TasPorts, TT-Line and HBJV enter Construction Licence for TT-Line baseline environmental investigations	TasPorts and HBJV facilitated TT-Line's access on HBJV's construction site.
Oct-23	TasPorts, TT-Line and SeaRoad enter Construction Licence for TT-Line's geotechnical investigations.	TasPorts and SeaRoad facilitated TT-Line's access on TasPorts and SeaRoad occupied land
Nov-23	TT-Line provided a proposal to design and construct the stern fender facilitated through TasPorts contractors HBJV	TasPorts tried to assist TT-Line and mitigate delays, however this offer was declined (refer below).
Nov-23	TasPorts complete Dredge and Reclaim work at Terminal 3	HBJV works completed early November
Dec-23	TT-Line nominate HBJV as preferred Contractor for their main package of works at Terminal 3	TT-Line nominate preferred contractor (Hazell Brady Joint Venture). TT-Line now six months behind schedule.
Dec-23	TasPorts and TT-Line discuss variations to TasPorts main contract with HBJV due to changes as requested by TT-Line	TasPorts waited for TT-Line procurement process to be completed prior to commencing discussions for probity reasons. TT-Line variations delayed TasPorts works by 2 months. Document provided to PAC (Item 5)
Dec-23	TasPorts issue draft Construction Licence to TT-Line	Document that enables site access for TT-Line's main works, but was not progressed by TT-Line.
Jan-24	TT-Line nominates its preference to construct the guide and stern fenders itself	TT-Line declines TasPorts offer made in Nov-23.
Feb 24	TasPorts, TT-Line and HBJV enter Construction Licence for Early Works	TasPorts entered into a number of licence agreements with HBJV and TT-Line to enable TT-Line works to

		commence on site. TasPorts and HBJV facilitated TT-Line's access for geotechnical investigations and other activities. This was done in order to enable TT-Lines contractor to mobilise ahead of TT-Line awarding a contract and at TT-Lines request.
Mar-24	TasPorts, TT-Line and HBJV enter Construction Licence Side Letter 1 for site establishment activities	
Mar-24	TasPorts sends TT-Line and HBJV Construction Licence Side Letter 2 for preparatory works	
Mar 24	TasPorts, TT-Line and SeaRoad enter Construction Licence for TT-Line's geotechnical investigations.	TasPorts and SeaRoad facilitated TT-Line's access on TasPorts and SeaRoad occupied land
Mar-24	TT-Line revoke preferred contractor status from HBJV	TT-Line now 9 months behind agreed Master Schedule.
Apr-24	TasPorts issues various AFL notices/tax invoices to TT-Line for contract variations	As discussed between the parties in December 23.
Apr 24	TasPorts, HBJV, and TT-Line execute rockbag side letter solution to install remaining rock bags which can't be complete due to TT-Line piling.	This was terminated in July 2024 as HBJV TT are no longer being used by TT-Line for Tenant Works.
April 24	Agreement for Lease baseline finish date for TasPorts was April 24.	TasPorts was entitled to various commercial contract extensions of time under the AFL. Without considering these entitlements to extend time, TasPorts work was finished 12 weeks late.
May-24	TT-Line pay TasPorts for variations under AFL	
June 24	Agreement for Lease baseline finish date for TT-Line for their Terminal 3 works was June 24.	Baseline: June 2024 Forecast: Jan 2026
8 July-24	Completion TasPorts Marine and Dredge Contract	Baseline: April 2024 Actual completion: July 2024 Delays due to TT-Line requested variations
15 July 24	Terminal 3 Office leased by TasPorts to TT-Line	
16 Jul 24	Access to Terminal 3 site provided by TasPorts to TT-Line per staging plans under Construction Licence	Access to site for TT-Line's main package of works
August-24	TT-Line appoint contractor for Terminal 3 works	BMD Constructions. TT-Line are now 18 months behind schedule.

		Completion date forecast for Phase One is now January 2026. TT-Line is now 19-20 months delayed overall.
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