



PARLIAMENT OF TASMANIA

TRANSCRIPT

HOUSE OF ASSEMBLY

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE

TT-Line Company Pty Ltd

Monday 24 November 2025

MEMBERS

Ms Helen Burnet (Chair)
Mr Rob Fairs (Deputy Chair)
Mr Vica Bayley
Ms Kristie Johnston
Mr Marcus Vermey
Mr Dean Winter

OTHER PARTICIPATING MEMBERS

Mr Peter George
Mr Josh Willie
Ms Anita Dow
Mr Carlo Di Falco

WITNESSES IN ATTENDANCE

Hon Kerry Vincent MLC, Minister for Infrastructure and Transport

Ken Kanofski

Chair, TT-Line Company Pty Ltd

Chris Carbone

CEO, TT-Line Company Pty Ltd

PUBLIC

TT-Line Company Pty Ltd

CHAIR - Good afternoon, everybody. Welcome. The time being 1.00 p.m., scrutiny of the TT-Line will now begin. We have three hours scheduled. Members will be familiar with the practice of seeking additional information which must be agreed to be taken by the minister or the chair of the board and the question handed in writing to the secretary.

Minister, I ask that you introduce the people at the table, their names and positions, and if you'd like to make a brief statement to the committee?

Mr VINCENT - Thank you, Chair. On my right I have my Chief of Staff, Tim Lovibond. To the left I have Ken Kanofski, the chair of TT-Line Board. Next to him is Chris Carbone, the CEO of TT-Line.

CHAIR - Thank you. Mr Willie, would you like to open questions?

Mr VINCENT - I have a short statement.

CHAIR - Sorry, some ministers give that up.

Mr VINCENT - No worries.

Chair, no-one can deny the *Spirit of Tasmania* vessel replacement and berth project has been significantly difficult. Even that comment feels like an understatement sometimes. The situation the government found itself in was deeply regrettable. No one is disputing that.

We said all along we would sort the *Spirits* and back the state's critically important tourism industry, which is important for the broader Tasmanian economy. I'd like to commend the diligent work of TT-Line Chair, Ken Kanofski, and CEO, Chris Carbone, in their short time with the company. I would also like to acknowledge the hard work of the TT-Line board which was appointed in December last year.

It is also important to reflect on the ongoing commitment of all *Spirit of Tasmania* staff and crew who have faced criticism about the numerous delays the project has experienced. I've visited the berth 3 site numerous times now, and I've dropped in to see the 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 found that fascinating. Their passion and commitment to the company was clear. They are the best in the business and they're feeling the frustration of the situation TT-Line has been put in.

Thankfully the end is in sight and, 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 *Spirit of Tasmania V* will travel to Tasmania for the first time next year.

Of course, there is more work to do. The government and the 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

PUBLIC

outlets, dining and passenger lounges. For those many Tasmanians, and I hope some of this committee, who toured the *Spirit of Tasmania IV* when she was in Hobart, you will have seen that for yourselves.

The vessels are specifically designed and built with 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 and Chris and their teams to ensure we stay on track, and for the failures of the past not to be repeated. Chair, if I could pass to Ken for some follow up comments, please.

Mr KANOFSKI - Thank you, minister. The *Spirit of Tasmania* is an important and iconic ferry service. It is part of the National Highway. It provides a vital public service and enables a substantial contribution to the state's economy by the tourism and 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 wharves over a three- to four-year period would put 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, or TasRail replaced all its rolling stock and tracks over a three-to-four-year period. Add to this the well-documented cost and well-documented cost overruns and delays that we've inherited and the financial challenges are many and varied.

The new board has been addressing the financial challenges it inherited in a structured and rigorous manner. The new board has, in 11 short months, since its appointment:

- brought the troubled berth 3 project under control and is on track to deliver the budget, 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 the relationships with the tourism and freight sectors;
- addressed short- and medium-term financial challenges that were critical to the survival of the business;
- made substantial progress on options for the government to consider that will ensure the long-term sustainability of the business;

PUBLIC

- commissioned a root-and-branch review of all aspects of the business operation, which we expect will deliver improvements overcoming months and years;
- commenced preparation for the entry into service of the new *Spirit* vessels;
- developed a strong working relationship with TasPorts; and
- made changes to management 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 in 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.

Mr WILLIE - In the Legislative Council committee hearing this morning, a very strongly-worded letter was tabled from the company's legal representation to the Auditor-General. Was the purpose of tabling that letter to discredit the Auditor-General and his findings?

Mr VINCENT - Certainly not. In my short time in this role, I've heard nothing but sensible comments regarding the position of the Auditor-General. We all understand the independence of that position, but it doesn't mean we necessarily agree with that position at various times. I will let Ken speak for this but I felt that there should be a letter returned just pointing out the position of the board.

Mr KANOFSKI - I'm happy to expand on that and happy to table the letter again within this Chamber. The board felt it necessary, given the level of public interest in the matter, to make its concerns very clear and to set out its position on the matter. That's what we've done in the letter. As I said, we absolutely respect the independence of the Auditor-General. We respect the right of the Auditor-General to have a view, but we disagree with that view. We felt it was important to set out the reasons why we disagree with that view.

Mr WILLIE - Minister, the letter basically says that some of his statements weren't true, in terms of meetings and the content of meetings. It also says that the commentary is damaging to the company. Why wasn't more done between the company and the Auditor-General in that period where the Auditor-General did offer procedural fairness. I believe it was between 21 July and 31 July, he offered for the company to come back to him with some information. Why wasn't that opportunity taken up?

Mr VINCENT - I can only speculate on that. That's something I don't intend to do other than ask the chair, because I was not minister then. I will ask Ken to explain a little bit more

PUBLIC

from the board's position, who are the ones in charge of whether the firm is insolvent or not, so they would have had their own discussions at that point.

Mr KANOFSKI - We outlined to the Auditor-General our reasoning at the time. He disagrees, that's fine. That's his right to disagree. But we certainly outlined our reasoning at that time and we outlined it to him.

Mr WILLIE - In a nutshell, minister, it seems there is a dispute around timeframes. So, the company is relying on a short timeframe to determine insolvency; the Auditor-General is taking a longer term view. Was there much discussion between that period of 21 July and 31 July with the Auditor-General's Office to try to reconcile some of those differences of opinion?

Mr VINCENT - I'd need to refer that to the Chair.

Mr KANOFSKI - Yes, we made our position very clear. It appears that the Auditor-General disagrees with that position, But we've made our position very clear and our position is based on expert advice, which we've taken at every step in this process. We've taken expert advice from practitioners in this field who do this day in and day out.

Mr WILLIE - Did you have that expert advice in that period between 21 and 31 July?

Mr KANOFSKI - We wrote to the shareholding ministers on 31 July, I think, enclosing the letter that we'd sent to the Auditor-General. The ministers weren't briefed at that time on the legal advice, but we did send to the shareholding ministers the letter that we'd sent to the Auditor-General.

Mr WILLIE - In terms of this letter, don't you think that this letter being tabled now, it's dated 24 November, is a bit after the fact? It's very damaging in the company's view that there's been a referral to ASIC, that there's been a determination that the company is insolvent. Why wasn't more done at the time to try to reconcile the differences of opinion? It seems like this is happening after the fact.

Mr VINCENT - The Auditor-General's opinion is one thing, but the board are the ones that are in charge of whether the businesses insolvent in their opinion or not. Ken, would you like to expand again?

Mr KANOFSKI - Yes. You use the word 'determination'. It's an opinion, to be clear. The Auditor-General does not determine whether a company is insolvent or not. I say that with all respect to the position of the Auditor-General. That's not what they do.

We took the opportunity as was offered. The Auditor-General, originally when we first met with him on 21 July, offered us two days to come back with information to put our point of view. We ultimately asked for an extension of time to that, which he afforded us. We then wrote to him with our position. We took every opportunity to put our view. The Auditor-General clearly disagrees with that view, but that's okay. He's entitled to his view.

CHAIR - I'll be asking questions on behalf of the Greens from the Chair. We heard this morning at the TASCORP hearing, and some concerns were raised about borrowings from TASCORP. It's clearly a case of *déjà vu*. We've had, in 2024 during caretaker, there were things

PUBLIC

that occurred, which perhaps Mr Kanofski might be able to reflect on, but how was it possible not to continue with those things during that caretaker period and to ask for borrowings this time round?

Mr KANOFSKI - I'm not sure I understand the question completely. What I will say is, I can't comment on 2024. I wasn't here, I don't know, is the answer to that question. I was appointed in December 2024.

What I will say about the increase in the debt limit is - the first thing I would say is that this debt limit, the knowledge that this debt limit needed to be increased - we haven't gone back and forensically nominated the date on which that would occur, but it would be several years ago, at least two years, maybe longer. It was very clear that the debt limit was not going to be sufficient in order to build berth 3. It was very clear to the board when it had its first meeting in January. I spoke about it in the Public Accounts Committee in March 2025, where I said that we needed to increase our borrowing limit or obtain some additional funding to be able to complete the berth. We, ultimately, sought - and I said we'd go first to TASCORP to see what could be done in terms of a borrowing facility, and if we were unsuccessful in that, then we would need to talk to Treasury.

As it transpired, the board of TASCORP approved a temporary increase in our borrowing capacity, subject to a Treasurer's Guarantee. We were going through that process when the election was called. I recall having a discussion with TASCORP and we were asking, 'Do we need to deal with this issue during caretaker, or can it wait until after caretaker?' Our advice to the government at that time was it can wait until after caretaker.

On 21 July 2025, we appointed specialist advisers. They reviewed the position and on 25 July they said to us that it would be better, it would be preferable, if we were to get that debt limit increased sooner rather than later for a number of reasons, but to give absolute comfort, they didn't want us to run up to the date when the debt limit increase was required. Also, we were conscious that we had an account signing-off in mid-August and we certainly wanted it in place for that time. So, we changed our advice to the government and said no, we want it now, we don't want it after caretaker, we would like it now. Several days later, the government approved it.

Bearing in mind that at the time, we were forecasting that we would breach the old debt limit in about September or October, was the forecast date. I need to correct a statement I made this morning. I said that I thought that several weeks ago we had gone past what would have been the old debt limit, but I was corrected during the lunch break, and we haven't yet gone past the old debt limit. We expect to go past the old debt limit within the next couple of weeks.

We were faced with a scenario where we needed to secure funding to be able to complete berth 3 because it's demonstrably in the best interests of TT-Line, it's in the best interests of the government, and in the best interests of the people of Tasmania that we complete that as soon as we possibly can. The choice the board had, at that point, was increase the borrowing limit, get hold of some financing in some other way, or stop building the berth because that's where the major cash outflow is. The major cash outflow is building the berth. The ships have been pretty much paid for, although we had a little bit more to pay for at that point in time.

I readily concede that our advice to the government changed. At the start of caretaker, we said no, we don't need it during caretaker. During caretaker, based on expert advice, we said it would be preferable if we could have it straightaway. And that's what happened.

PUBLIC

CHAIR - My second question is to you, minister. Out of the lessons, out of everything that's occurred with TT-Line, not getting the *Spirits* just yet, they're not in service. Clearly out of that there was a review of governance arrangements across GBEs and SOCs. How do you feel that this scenario - what's happened in caretaker - has really reflected any sort of changes that you as a minister would want to see in relation to better governance?

Mr VINCENT - I can only talk to the short time I've been in this role but, if I go back to the circumstances I had with TasPorts over the last 12 months, it's a similar situation where the governance now is - the amount of work we have put into the replacement of both boards, and the skills matrix required to take those boards and deal with the issues before and now and in the foreseeable future, has been comprehensive.

There's been no board rushed; both have been selected on the skills required to take it forward. I have also seen a greater level coming out of those GBE changes towards the shareholder ministers and their responsibilities and their communications with board and chair. Mainly through the chair, I should say.

There's also been an increase in reporting back to the Treasurer on updates on the financial situation, which has ticked a lot of boxes. Some were already in place before, but it's put in place a more direct and transparent way of communicating to the chairs. I think it's fair to say that directors coming on board, and chairs, and CEOs - because they play such a pivotal part in the day-to-day operations and the information a board can handle, and what it does - has been significant in the changes towards the management of GBEs.

Mr GEORGE - I want to look ahead, if I can. You refer to 'there are still challenges ahead', and your chair refers to 'there are still risks ahead'. I assume you're probably talking about the same issues. I'd like to know what those risks and what those challenges are, and what impact they are likely to have on the projected start date of the new services in October next year.

Mr VINCENT - Certainly. Before I hand to the chair, from where I sit at the moment, there are two things there. One is, of course, the gantry and the process it's going through, and then we've got to get it out here to Devonport. The second part of that is getting it together and being operational as well.

The second part of those risk factors going forward, which I'm sure the chair will touch on also, is the amount of work being done by the board in relation to how we position ourselves, in the review of the business as a whole. To deal with the situations we've just come through, the massive cost that's been put on the business of replacing all their assets. The third part of that is about how we redo the corporate plan and then the annual plans to follow on from that, on how to set up TT-Line to be a powerhouse in bringing tourism to Tasmania.

They are the three areas I see as significant, and most other things fit in around those three things, in my mind, at this stage.

Mr GEORGE - Can I follow up on that and ask, then, if the gantry is the major logistics issue you've got, what is the threat to beginning the service in October rather than later?

Mr VINCENT - In our mind, getting it out here is the first thing. We will be extremely pleased when it's sitting on the wharf in parts. Besides the seven big pieces of the gantry, there

PUBLIC

are also a lot of other componentry as well that form up the ramps and all the connecting pieces of hydraulics. That's step number one. It has been put together in China and is being dismembered at the moment to be sandblasted and then painted. It's probably best the chair explain some of those intricacies it's going through at the moment.

Mr KANOFSKI - Happy to do that, minister. I've managed a lot of infrastructure projects and they're not over till they're over - that's the reality. When I look at this project now, the infrastructure project, which is the building of berth 3, as the minister says, I think the gantry is the last remaining big risk. Now, there are other risks and there will be other things that happen. What we know now is it has been manufactured, so one risk has been ticked off: it has been manufactured. It's been assembled. That was successful as well. Those are major milestones.

I say, in describing this as a risk - I don't have any current concerns that it's off track. It is simply that there is more that could go wrong in that particular operation than in most others. It will be shipped just before Christmas, it needs to reach Australia, it needs to clear Customs, and it needs to get into the Port of Devonport. It needs to berth and unload by about late January. I've no reason to believe any of those are off track - I think they're all on track - but they're big to do. I mean, this is 700 tonnes - this is a big piece of equipment. So that is our core focus.

The other issue for us is operational readiness and making sure that we are ready. These ships have been a long time coming. It's a big logistical exercise to change over from the old vessels to the new vessels. This is not a simple process of, you know, you sail in on one day, you sail out on the next day. That's not how it's going to work. There needs to be crews trained, crews transferred, machinery transferred. All those things need to occur. The CEO has a project stood up that's absolutely working on that operational readiness, but it's a big job and it comes with its own sets of risks, if you like.

What I would say is we are confident, but we're never going to be overconfident. Our current 'P90' date - which is the date we do a quantitative risk assessment - is October 2026, which says our current risk assessment is that there's a 90 per cent probability that we will be operational in October 2026. That's our current assessment. You pretty much don't go above 90 per cent in terms of your assessment in a quantitative risk assessment. That means we're as certain as we can be, but there's also not a lot of headroom in that. Things have been going well. They've been going very well for the last six months or so. They need to continue to go well.

Mr Di FALCO - Minister, how many visitors does TT-Line estimate the new vessel will deliver to Tasmania every year when it's operational? Did you capture the estimated total visitor spend linked to that arrival? If so, how much is it and where will it be spent?

Mr VINCENT - Thanks. I'll ask the CEO to expand on that in a moment. I've got to commend Chris, though, while he's looking at those numbers, on the fact that since joining the company, he's been heavily involved with heading along to quite a few tourism meetings and discussions as a whole so he can understand the business and where it needs to be. Certainly, we know we've got an increased capacity. That's not going to happen - we'd like it to happen from day one, but that's something we have to build on with marketing and everything else. CEO, would you just like to expand on those numbers, please?

PUBLIC

Mr CARBONE - Thanks, minister. Last year, per our annual report, we transported just under 400,000 passengers, acknowledging that is down on the prior year. What I'd like to put on record in relation to the new vessels - often it's been talked about, the large, 40 per cent-circa increase in capacity.

It's hard to envisage that our freight volumes will grow materially, given that it's a very contested market, with Strait Link and SeaRoad, across Bass Strait. I guess what that means is the majority of that additional capacity will go to the tourism industry, and that's certainly been much needed. That's the feedback I've had from Tourism Tasmania, Tourism Industry Council Tasmania and operators. We are certainly looking forward to putting that capacity into the market from October next year.

Mr VINCENT - One of the interesting things with the new ships is the increased height capacity. Where we've been very constrained with a number of campervans and caravans and things like that, the numbers we've been able to bring, the increased height capacity and laying capacity actually allow for significant increase in that part of the tourism business.

Mr VERMEY - Through the minister, or to the chair. The forward numbers of tourists - how's that projected? How's that looking? Has the negativity, in your mind, driven that back? What's the plan to get that uplift? I know we've all been through the ship - well, most of us have been through the ship and seen how great it is. How do we push that the ship is going? I believe some people are saying they're a bit concerned that, because of the negativity that's been driven, they're worried that if they book, the ship might not be operating. What's the possible plan to combat that?

Mr KANOFSKI - I'll take that, and I'll also ask Mr Carbone as well. Look, it's hard to put a direct figure on the damage that has occurred. What we can say, anecdotally, though, is we have had some people ring and be concerned. We've been dealing with that and providing assurances that we will be continuing to operate. We've been watching the numbers pretty carefully; the numbers don't seem to have moved in terms of bookings since the debate over the last couple of weeks. We've been watching that very carefully. We have call centres which have fielded calls from people concerned about their bookings and we've provided reassurance to them. As has been stated publicly a number of times, the government supports the business and the business will continue to operate.

In terms of capturing what I would call the potential of the new ships and perhaps turning around some of that negativity, closer to the time we will be working heavily with Tourism Tasmania, and then also revamping our own marketing to pursue hard the fact that this is a brand-new product - there's different product on board, things like business recliners and things like that. It's a different product from the old product and we will be making sure we push that really hard.

It is difficult to know, but we're expecting there will be an uplift and we're expecting that uplift will take time to build, but we will build over time. It's impossible to really say with certainty what that uplift will be, because you're talking about new customers and we don't have them currently. We certainly will be targeting our marketing efforts.

The good thing is - and I particularly pay tribute to the CEO on this - in terms of restoring our relationship with the tourism industry and our relationship with Tourism Tasmania, and really being clear about what their role is and what our role is, and all those sorts of things, a

PUBLIC

great tribute to Chris who's done an enormous amount of work to get us stitched into the tourism fabric of Tasmania, because we should be. Chris, did you want to add anything to that?

Mr CARBONE - Thank you. Maybe just from a sentiment point of view, we're very conscious of it, it's something we monitor. What I would say, is we had nearly 4000 people come through *Spirit IV* when it was in Hobart, the sneak peek days; and we certainly plan to do the same thing with *Spirit V* when it's in Hobart. We hope to also open up *Spirit IV* whilst it's in Geelong for similar types of tours. It's important that school groups and the public get to see just how wonderful these new ships are.

Mr WILLIE - It's a bit rich of the government to complain about negativity when they spent \$1 billion on two new ships and forgot to build the wharf and are responsible for the ongoing fallout of that. I think it is a bit rich to ask those sorts of questions today.

Mr VINCENT - I wasn't there when that was happening.

Mr WILLIE - Minister, in terms of this letter, I'm trying to understand the purpose of it. I would have thought if your specialist advice was so robust, you'd be able to provide that to the Auditor-General and rely on that advice to counter some of his claims. Why wasn't that advice provided to the Auditor-General, and why is this letter being constructed by a legal team?

Mr VINCENT - Once again, that's a matter for board. I will hand to Ken to do that. The letter was brought around as of today, 24 November.

Mr KANOFSKI - The advice, as you'd expect it to be, is privileged and confidential. We won't be releasing advice, but there was a great deal of public debate last week that we felt, as a board, that we needed to get our position very clearly on the record and that's what we've done. We've written to the Auditor-General, and we've written to the Auditor-General in the past expressing our view. Whether our view changes his view or not, I don't know. That's really a matter for him, not for us. But surely, it's reasonable for the board to put its position very clearly on the record. The Auditor-General has put his position very clearly on the record and extensively over the last two weeks. So, we're doing the same thing and putting our position on the record.

Mr WILLIE - Minister, I would have thought that the company could share specialist advice, even if it is privileged, with the Auditor-General. The Auditor-General has access to a whole range of privileged documents from time to time in his role and function of that office. Why can't that advice be provided to the Auditor-General in confidence?

Mr VINCENT - There are two things there: this document - the letter was tabled by the chair as part of a board letter made aware this morning, not I as minister, but it is the board's position to take those discussions on where they see fit, as a board.

Mr KANOFSKI - The matter of privilege is very clear. We sought advice on whether we could brief the shareholding ministers and we have briefed the shareholding ministers on the advice. We are very conscious of the fact, and we remain confident in our advice, that sensible people don't waive privilege over their legal advice, so we're not going to waive privilege over our legal advice. My understanding, although I'm happy to take it on notice and get advice on it, is that providing it to the Auditor-General who's not an interested party in the company -

PUBLIC

Mr WILLIE - You are trying to convince him of that.

Mr KANOFSKI - No, I'm not trying to convince him at all.

Ms DOW - You just said you were, by releasing the letter today.

Mr KANOFSKI - No. I'm putting our position on the public record. Whether the Auditor-General is convinced is a matter for the Auditor-General. It's not a matter for me. What I'm saying is very clearly, this is the company's position and we wanted to put that on the record to the Auditor-General given the statements that were made over the last week.

I find it hard to understand why the company shouldn't be afforded that ability to do that, that's a natural thing to do. If you believe that things that have been stated are incorrect, then you're entitled to say you believe they're incorrect; that's what we've done. Whether the Auditor-General is convinced or not is not a matter for me.

Mr WILLIE - In terms of the referral to ASIC, minister, what's your understanding of what plays out from there? Has ASIC been in contact with the company, or does it go through an assessment process, or does it just finish there if they have no other questions?

Mr VINCENT - That's purely up to ASIC where they go; government-owned entities would probably be looked at by ASIC in a different light, I should imagine, but I will ask the chair for an exact part of that process.

Mr KANOFSKI - What I can confirm is we've not been contacted by ASIC. I can't comment on what ASIC's processes are. They are a matter for ASIC, but we've not been contacted.

Mr WILLIE - I've got a new line of questioning, if I can keep going. In terms of the equity injection of \$74.5 million, when was equity support first requested by the company of the government?

Mr VINCENT - I will check on the exact date. Before I was a minister, thanks, but I will just ask Ken -

Mr KANOFSKI - On 15 October we wrote a letter.

Mr WILLIE - Did the company request a timeframe that it would be delivered by? Obviously, you had the Budget, but -

Mr KANOFSKI - No, we didn't. But, clearly, we wanted it dealt with as a matter of urgency. Let's talk about \$100 million, that's what we asked for. It's really a buffer.

Mr WILLIE - A buffer for the short term?

Mr KANOFSKI - No, a buffer for what I would call a medium term, the one to two years. If I can explain the thinking a little bit here: the first thing was we needed cash to keep building the berth, so we asked for an increase in our debt capacity. We were granted that. As soon as we had the specialist financial advisers on board, we asked them to relook at the modelling, particularly concentrating around the first couple of years. This is the timeframe

PUBLIC

issue that you refer to. You have to deal with the short term before you can deal with the long term. The short term was cash to continue building.

The second thing is financial security over the medium term, so the one to two years. So we asked for two things from the government: we asked for a \$100 million equity injection and we asked for the date of the debt maturity, which was granted until October 2026, to be moved until at least October 2027, although we would prefer it to be October 2028. The reason for that is to provide that buffer time for any long-term arrangements that are agreed with the government to work their way through the governmental processes. It's really about getting to assure the timeframes.

In terms of in terms of the \$100 million, it was really about us. We looked at the current debt limit, the new debt limit and said, we don't want to feel at any point under pressure that we're going to breach that debt limit. That was the genesis of the \$100 million. We said we want a buffer -

Mr WILLIE - For the next one to two years.

Mr KANOFSKI - For the next one to two years because we're expecting the debt to peak at around October 2026. The debt essentially peaks when the vessels go into service because, at that point in time, the costs of running four vessels still exists for a while until we can sell *Spirits I* and *II*, but we start to get the benefits of the new vessels at that point in time and the building has stopped, so we don't have the cash outflow of the building.

It's really about making sure we've got enough buffer in there so that we are confident that we're financially secure over that period. That's what \$100 million was: to provide a buffer.

The dates is a similar thing. As you mentioned earlier, dates are really important to this and timeframes are really important to this. We have asked the government and we are working with TASCOPRP and have formally requested an extension of that date. I don't think anyone will be surprised that we're anticipating that TASCOPRP will require a Treasurer's Guarantee if they are to agree to that process. So, we asked the Treasurer. The Treasurer has written to us saying yes, he will support it with a guarantee. That guarantees not in our favour; it's in the favour of TASCOPRP.

We're dealing with that kind of what I would say is a logical methodical approach, deal with the short-term, deal with the medium-term, deal with the long-term. That's what we're trying to do.

Mr WILLIE - Minister, the company asked for \$100 million. Why was only \$74.5 million provided?

Mr VINCENT - The budget was considered on 15 September and it was roughly a month later, on 15 October, that we received the formal request for \$100 million, but it already been considered at the \$75 million. As we knew, there was a financial review happening which the board will consider and bring to government in January - am I right there? That was considered to be an appropriate amount at this stage so we didn't have to readjust that at this point until we take that further financial advice on board.

Mr WILLIE - Was that the company's first advice? In terms of the \$74.5 million, how is that figure arrived at on 15 September?

PUBLIC

Mr VINCENT - Before my time.

Mr KANOFSKI - I am happy to talk. I had discussions with Treasury and I said, 'We are doing this review. We don't have a number for you yet, but it could be of the order of \$100 million or something similar'. Those discussions were held. We needed to wait, in terms of the formal advice, so we gave that informal advice because we were asked for it, so we gave it as informal advice, saying we think it's about this.

We couldn't do it formally until the board had resolved - so we needed to actually receive the final modelling on the first two, several years, and then we needed to the board to approve that and send the request formally to the government.

I would say while we asked for \$100 million, I think \$74.5 million on the basis that it's been given, is sufficient to provide us with a buffer in the circumstances, because the circumstances are we have a budget now, and we have another budget in six months' time roughly. We might feel differently about the \$100 million versus \$74 million of the budget was 12 months away rather than six months away.

The other thing is we asked, it's only been a couple of months now, but we're tracking slightly ahead of where the modelling showed us to be. I'm not declaring that as a victory. I'm just saying at the moment it feels like \$74.5 million will be sufficient and the government has said that if we need more then we need to come back and ask for more in terms of the other \$25.5 million. In those circumstances we think it's a reasonable position and a reasonable buffer for us to carry. We look at our cash flow projections every month, as a board, and we look at them very carefully. We've got a lot of resources trained on looking at cash flow in this business because it is enormously important to the judgments we're making. We're making judgments, we're making them on best professional advice, and we're making them with as much rigour as can be applied to those cash forecasts.

CHAIR - Minister, I want to continue with this concern around debt. Like most Tasmanians, everybody's concerned about how this debt might be paid off. I'm curious to know some of the modelling as to drawing down that debt by the company.

Mr VINCENT - Certainly, thank you. I will hand over to the chair in a moment. With the review being done, we feel confident in allowing TT-Line to postpone or to move off their present corporate plan because of the need to re-evaluate the complete way that we look at, as the chair has already touched on, short-, medium- and long-term debt. That will be a powerful bit of work that we have to work through very early in the new year to put ourselves into a position where we know exactly the effect of some of the issues we've had and where we need to be going forward. Chair, I will ask you to expand on it.

Mr KANOFSKI - Thank you. As I said, we are currently still within our original borrowing limit. Before the increase we had a long-term debt limit of \$990 million and a working capital debt limit of \$45 million. We're still within that currently and we have an approval to go to approximately one point -

CHAIR - How do you pay? How do you pay off those debts?

Mr KANOFSKI - How we pay that debt back is the subject of the long-term modelling which we are currently completing. We're proposing to put options to the government in

PUBLIC

January. Our expectation is that there will be a range of options put forward that will be about how to improve the performance of the business but then also there will be likely to be options about how to improve the financial structure of the business.

CHAIR - Some of those parameters would be limited in relation to increasing passenger fares, freight costs, and so forth. Are you looking at that hedging arrangements? How do you look at those?

Mr KANOFSKI - We're looking at all aspects of the business. Can I say a couple of things about fares and pricing generally? We're in a competitive market so we're in a very competitive market for freight. We are not a price-setter in that market. There's a market. and therefore we need to act within that market to maximise our revenue position, which is what we try to do on an ongoing basis.

Similarly, although no one else runs a roll-on, roll-off ferry for passengers across Bass Strait, it's not a service that people have to use, and so it has to be priced competitively; it has to be priced in a way that will deliver both value for customers and sustainable revenue for the organisation. We're clearly looking at that. But there is no question - I mean, we don't have pricing power to be able to say, 'We're just going to increase the ticket price in order to pay for the new vessels.' The market simply won't allow us to do that.

We're not a monopoly service provider. We don't have that pricing power, frankly. People have a choice; particularly freight customers have a choice. You don't have a choice if you want to take your car across, but you do have a choice not to bring it at all, and to fly and hire one and all those sorts of things - so it's a market. Clearly, pricing's something that we look at all the time in terms of the business. Will that be part of our ongoing consideration? Yes, of course it will be. But it will be aimed at getting as many people as possible onto that ship to generate as much revenue as possible.

CHAIR - The other part was about hedging.

Mr KANOFSKI - You mean fuel prices.

CHAIR - Well, investments, fuel prices.

Mr KANOFSKI - The CEO might help me out a little bit here. We're looking at every aspect of our procurement and I think we're looking to market test all the services we receive and all the goods we receive. Fuel is a massive cost for us. We do have in place some fuel hedging. I'm not an expert in it. I'm going to allow the CEO to talk about fuel hedging. In terms of hedging, fuel is the thing that we can hedge essentially.

Mr CARBONE - I'm probably not the fuel hedging expert either, but what I can say is we do have some fuel hedging in place. We have a new CFO and he's helping us review the hedging arrangements that we have.

CHAIR - Well, if we need any more information on that, we'll get back to it. Mr George.

Mr GEORGE - I'd just like to go back to this sort of looking forward. I accept the fact, through you, minister, that your chair says that there's only a 90 per cent guarantee on any

PUBLIC

infrastructure project. I'd like to hear a little bit more about what the contingency plans are if those timelines blow out.

Obviously October would be a very important date to begin a new service with a new tourist season approaching. Bearing that in mind, I'd like an undertaking from the government that there will be plenty of transparency about what is happening. You've talked about, and so has the chair, about confidence. I'd like an undertaking about transparency. That as this project moves forward, whether there are negative impacts to it or positive impacts to it, that the government will genuinely engage both with members of parliament and with the public about each stage and each development, whether it's negative or a positive impact.

Mr VINCENT - Yes, I can say from my point of view that the attitude of both the chair and the CEO is refreshing. I've seen that firsthand with the way they are dealing with staff and contractors on-site down there many times and the openness. I have attended what I call a 'toolbox', but the CEO calls a 'town hall' meeting of staff from all parts of the business that are able to attend there. At the one I attended, there were approximately 70 to 80 staff and just the openness towards any question that was asked, being relayed and talked about very openly.

Part of that, which the chair will expand on, I reckon, are the options being put by the independent review at the moment, which will give us a fair opportunity to weigh up some of that short-, medium- and long-term viability of the company. It is Tasmania at the end of the day and I'd like to think that always we will be as open as we can be, recognising of course there's some confidentiality in the some of the financials when you're dealing with the customers we are. Other than that, I expect it to be very transparent going forward. I've seen nothing that indicates any different from both gentleman on my left-hand side.

Mr KANOFSKI - Leaving aside legal issues, where clearly there are constraints, and appropriately we need to deal with confidentiality, I think what we've seen, and I don't want to speak for them - we appear at the Public Accounts Committee every three months to talk about this - certainly the commentary from that committee is they feel much better informed than perhaps they had been in the past. I'm taking that as a positive that they feel that way because we are being very transparent about the project. There are certain things that we can't be transparent about and we're being very clear on why.

In terms of the project - we're very transparent about where the project's at and in the Public Accounts Committee as well we've even gone further and given them more detailed briefings in camera about some of the commercial aspects, which we can't do in open because it will prejudice our position. We're very comfortable with being more transparent. We are also incredibly focused on making sure the government is kept informed at every step, because the first step in the process is making sure that the board keeps the government informed.

Mr GEORGE - Which is why I was asking for a government guarantee of openness.

Mr KANOFSKI - As I said, we're being as transparent as we can. I think people have recognised that it is more transparent in terms of the project at Devonport. People have recognised that.

Mr GEORGE - Could you answer the question about contingency plans, if things blow out?

PUBLIC

Mr KANOFSKI - Yes, I can, and I'll let the CEO add to this. We'll go on sale - I won't say exactly when, because we haven't decided exactly when - for post-October pretty soon. Part of our contingency is that we won't sell all the capacity of the new vessels straight away, so that we have a contingency available to us to continue to run the old vessels if we do suffer delays.

When we are closer to the time - and our expectation is around Easter, I think - when we've got enough confidence that we are absolutely going to hit this date, then we'll put the rest of the capacity on sale. Essentially, our contingency plan is: we won't oversell the capacity in the first instance, but when we've developed enough confidence, then we will sell the capacity.

Mr CARBONE - Thanks, chair. The first line of defence I guess, for contingency, is to operate the existing vessels on a double sailing. We certainly have the flexibility to do that on an ongoing basis.

In relation to the question you asked about pricing - what I would say is whilst I appreciate there is some anxiety about will TT-Line increase price, if the last five months is anything to go by, we've actually been lowering price, particularly with our passenger fares and vehicles. One of the key understandings of the business is we have a very high fixed-cost base. Whether it's existing vessels or the new vessels, it's absolutely in management's and the board's interests to fill those vessels wherever possible. The fuel burn, whether the ship's half-full, three-quarters-full or full, doesn't materially change. The crewing doesn't materially change. So, it's in everyone's interest to fill those beautiful brand-new ships.

Mr VINCENT - I might just add to that, that having sat in on the call centre down there with a lot of staff who have been there for 28 and 30 years - and they are magic - should there be any quick capacity of postponements or anything like that, to jump on the phone and work their quite comprehensive list they have of people who might want to be in a position to jump in and fill that position. That's on the present ships. That would also give the capacity in my mind, as the new ships are starting to come on board, that if there is more potential there, they'll be on the phones trying to put those people into the lanes to get maximum capacity on the ships as well. They take it as an art form, I might say, in what they do in the call centre.

Mr Di FALCO - Minister, I noticed the key focus on Tasmanian products and offerings on the new vessels. What interactions have you had with tourism and the business community to ensure that you are offering the best Tasmania has to offer?

Mr VINCENT - Before I hand over to - probably the CEO is the best to handle this - but it's certainly been a major focus. It has changed over the number of years from when I was first associated, going back to the *Abel Tasman* days, and that's through slippage or leakage or just through business transactions. But it's been a focus of Chris to readdress a lot of those things and chase that down to make sure we do maximise the Tasmanian content. I learnt a bit this morning, actually, as he went through some of the things that they are moving back in that have the Tasmanian label and not something else. Chris, would you like to expand on that please?

Mr CARBONE - Thanks, minister. I thank you for the question. I think the business is really focused on 'buy local', and we've particularly tried to reinforce that in recent months. What I would say is when we publish the numbers in the annual report, that percentage includes our total spend. Obviously, we have a number of large items such as our fuel procurement that sits outside of Tasmanian spend at the moment.

PUBLIC

In terms of practical actions we've been taking: for example, we've moved our tea supplier to a Tasmanian company. We've removed mainland wines from the ship. We've removed mainland beer from the beer taps. It's something we've really focused on. The management team acknowledges, and we've heard loud and clear from Tourism Tasmania and TICT, that the experience for most of our customers starts in Geelong, and we're really conscious of making it an end-to-end Tasmanian experience.

In terms of moving forward: like we do now, we'll continue to increase the presence of Tasmanian-procured goods on the existing ships. There's no need to wait until the new ships come into service, which is why we've taken action now.

CHAIR - Mr Vermey.

Mr VERMEY - I suppose, clearing some of that debt is - and we spoke about it a bit just then - about the sale of the other two vessels, or leasing. How far are we into going forward with that, knowing that we can't disclose, et cetera. Obviously, there'd be a good sum of money potentially coming back to alleviate that debt fairly quickly.

Mr VINCENT - Chair?

Mr KANOFSKI - We've appointed a broker to start the process of looking for a buyer for the two old ships. They will fully explore the market. We've said to them we would be open to a sale and leaseback. We've said to them if you've got a buyer who wants to buy them, we're happy to sell them now and lease them back for the period that we need them. Simply from a debt-management point of view, that makes sense. The broker will fully explore all those options.

It is our desire is to sell those old ships, preferably the minute they go out of service. That's why we're starting the process now because they are valued at \$85 million each, so there's \$160 million of potential debt reduction. Obviously we want to get it as quickly as we possibly can once the new vessels are in service.

It's not just simply because of the debt - that's one aspect of it - but the operating cost. At the moment, we've got *Spirit IV* and *V* with crews on not earning any revenue. If we can't sell *Spirit I* and *II* quickly, we will have *Spirit I* and *II* with crews on not earning any revenue. It's an absolute focus.

Mr WILLIE - Minister, it sounds like there will be another bailout in the May budget of \$25 million. The Auditor-General is saying that the company can't meet its long-term debt repayments. I'm sure he probably has an understanding of what's required to do that. The company agrees that it can't meet its long-term debt repayments without corrective action. What is required to meet those long-term debt repayments? What's the figure?

Mr VINCENT - I certainly don't know what the figure is, but the option that we will be discussing in January, when the independent expert financial advice is received, will give us options, short-, medium-, and long-term. That's the important thing: for recommendations to come back to us as shareholder ministers that we can then take to Cabinet for discussion on what that may be. At this point in time, I don't think anybody would be game to speculate on that. Would I be right, chair?

PUBLIC

Mr KANOFSKI - No, we don't want to speculate on it. It's a bit like what we said about Devonport berth 3. In March, we were in the Public Accounts Committee and everyone was singing from the rooftops, going in saying, 'Tell us what the number is, you need to tell us what the number is.' We said, 'No, we're not going to you what the number is. We're going to do the work, and then we're going to say what the number is.'

It's a similar situation here, except it's more complicated because there will not be a single number. There will be options. There is not a single option here. There is a range of options. We're going to fully develop those. They haven't been approved by the board. The first step in the process is to finish the work and that's progressing well, but it's not finished yet. The next step in the process will be the board to agree that these are the options that we, the board, want to put to the government, and then we will be putting those options to the government. As I said, our expectation is that we will put those options to the government in January 2026.

Mr WILLIE - Minister, when will Tasmanians get an understanding of how this is going to impact the state budget through further equity injections? We're possibly talking about hundreds of millions of dollars here in further equity injections.

Mr VINCENT - Certainly in the budget next May. We've got a lot of work to do once we receive those options from the TT-Line board. We will work through those and will need to gather our own advice then to satisfy us, especially over the medium- to long-term. It certainly will need to be if there are any adjustments that need to be made on the forward Estimates in the May budget, and that's what we will be considering in the first part of next year.

Mr WILLIE - Will the government be upfront about what's required to meet these long-term debts once you have that advice, or are you just going to drip feed Tasmanians and have equity injections in each budget and not actually fully reveal what the extent of this cost is?

Mr VINCENT - I can only give you my assurance that we will work through it in the best possible way to make sure that the figures we do provide to all Tasmanians, and in correspondence with what the board feel is needed, in the most open way we can. I guarantee there's nothing we want to hide from this going forward because it is what we need to do to make sure that TT-Line staff and Tasmanians have confidence in the service going forward.

Mr WILLIE - Yes, but it's starting to impact Tasmanians because we are seeing equity injections from the state government, which is money that's not available for schools and hospitals and housing, and the things people care about. It's impacting the economy because we don't have these ships online at the moment. It's hundreds of millions of dollars that will have to be provided.

Mr VINCENT - We don't know what that figure is, so I won't speculate on it. But we will be transparent in how we work through that. I can't do anything about the past. What I can do, as the new minister, is work with these gentlemen on my left-hand side and the board and the staff that are in place already to minimise the impact but maximise the opportunity of doing what we can to make this right for Tasmania.

Mr WILLIE - Surely you and your company have an understanding of what's required to meet these debt repayments. Why can't you be honest about that?

PUBLIC

Mr VINCENT - I think we have been honest in saying we don't know what those figures are in the medium- to long-term. That's why the work is being done.

Mr WILLIE - How do you know you can't meet them? If you don't know what they are, how do you know you can't meet them?

Mr VINCENT - As a state, we will back TT-Line as a state entity. Are you suggesting we walk away from TT-Line?

Mr WILLIE - I'm not at all. I'm trying to get to the bottom of this mess.

Mr VINCENT - I think I've explained time and time again that we are working through those issues and we will, when that's available, be open and honest about it. We just don't know the numbers involved at this stage, and I don't think many people do. That's why we're taking on board several options so that we can take whatever option is going to be the best for the long-term stability of this company in Tasmania

CHAIR - Minister, we're talking about something which - clearly Mr Willie's line of questioning suggests that there's not a finite amount of debt that will need to be serviced for TT-Line. We also have the looming possibility of cost blowouts with a stadium should that be supported in the upper House. As a minister, how will you compete to try to draw down this debt when there will be other large expectations on next year's budget?

Mr VINCENT - I don't see it as a competition against other projects. What I see it as is -

CHAIR - Well, there has to be enough money to go around, minister.

Mr VINCENT - We have something that is already there where mistakes have been made and everybody has recognised that. We have to correct it, and we have, and got it on track to finish. We have to recognise some of those costs involved. But there is no way that we cannot show priority towards TT-Line in the role it plays in so many different parts of what's important for Tasmania's present and future.

The commitment from government all the way through is very solidly behind Ken as chair to make sure that the numbers are right for TT-Line going forward to produce the results it needs to for Tasmania.

CHAIR - Getting back to the issue around fuel and sourcing fuel. There is quite considerable concern about where fuel originates from. If it comes from sources such as Russia - do we know where the maritime fuel for TT-Line is sourced?

Mr VINCENT - Thank you. I'd need to pass that very much to the gentleman on the left.

Mr KANOFSKI - I will pass to Mr Carbone, but we buy our fuel from an Australian provider. I don't think we are privy to the origins of that fuel, but you may have a better idea than I do.

CHAIR - Well, I'd be surprised.

PUBLIC

Mr CARBONE - If we could take it on notice. We do, though, purchase all our marine diesel through Viva Energy. Let us please revert back on a direct answer to your question.

CHAIR - Thank you. So, take that on notice. Mr George, do you have a question?

Mr GEORGE - I pass, thank you.

Mr VERMEY - With the increased capacity of carrying freight, et cetera, how - I've sent plenty of stuff myself, rowing boats and trailers and everything else; often I'm leading, going forward and not travelling on the boat and I think it's part of that confidence.

We've just had some rowing trailers and they're asking me when are they coming? What time do we need to unload? Getting bookings ahead and things like that, how far further do you envisage - or closer, the confidence of being able to book at a shorter notice, knowing there's regattas and things like that on the mainland? sometimes people are saying we can get a caravan on but we can't guarantee getting it back. How are you thinking that's going to play?

Mr KANOFSKI - I will let Mr Carbone talk in more detail again. As a general proposition, the new ships will be about 40 per cent bigger. We believe that most, if not all, of that space will be available for non-freight purposes or non-general freight purposes. The reason we say that is because we have a finite freight market. We have three operators. It's unlikely, I would think, that we would increase our market share markedly in freight, and it's unlikely that the freight in the freight market will grow beyond its normal couple of per cent a year kind of growth, you would think. I mean, if it does, good.

We think there will be a lot more there. There's going to be a lot more capacity available and that should be able to provide people with more confidence. We are certainly aware of the peak problem - that in the peak of the peak there's an issue and people struggle to get the bookings they really want. Obviously 40 per cent more capacity will be really helpful.

Mr VERMEY - I think the lockdown points and the height, especially when we were taking trailers and have national regattas and things happening here, when there's been bushfires on the mainland and the whole of Australia team, et cetera, have all wanted to come to Tasmania, we're trying to supply boats, they can't get them on, and we're measuring to the millimetre for lengths. Now it will be such a -

Mr KANOFSKI - We've certainly got a lot more meterage. And we've got a lot more, what I'd call, high meterage, which is highly flexible because you can put anything in it. That will give us a lot more ability to service the market, particularly at that peak of the peak time. I will pass to Chris.

Mr CARBONE - I'd probably like to make the point that there's also a lot of other external capacity coming into the market. To much fanfare we had SeaRoad launch their new vessel in Germany two weeks ago with a whole ceremony. I guess the combination of that capacity plus the additional TT-Line capacity in October next year should materially change availability for people trying to ship all kinds of freight, including regatta vessels.

CHAIR - Mr Willie.

PUBLIC

Mr WILLIE - Minister, were you saying before that the company has an unlimited line of credit to deal with this situation?

Mr VINCENT - What I have said is that we will review what's coming forward and we will make decisions based on the economic viability of TT-Line going forward by those reports.

Mr WILLIE - Basically what you're saying, though, is that it's unlimited in terms of -

Mr VINCENT - They're your words, Mr Willie. We will make a judgment call when we have proper, independent financial advice in front of us.

Mr WILLIE - You hear speculation about the place that it's north of half a billion dollars to try to rectify this situation.

Mr VINCENT - You said it's speculation.

Mr WILLIE - You're not refuting it.

Mr VINCENT - I will rely on the professional board. I do not have a number that has been discussed with me in any shape or form, other than they will be looking at all the numbers involved in making their suggestions on various options for us to review.

Mr WILLIE - Once you receive this advice in January, will you outline the total extent of it to Tasmanians?

Mr VINCENT - We will need to work through our advice of our own, is my imagination with that, and with Treasury and Finance. And we will be doing that, but at a sensible point in time as quickly as possible, because we need to bring it into - any adjustments would need to be in the Budget. We will be having those discussions first with the board and then it'll become apparent as we work through it.

Mr WILLIE - Okay. Can I go to some other questions?

CHAIR - Yes, certainly.

Mr WILLIE - I'm not a maritime engineer, but I did hear this morning that - yes, thankfully for all of us, I'm not. I did hear this morning that it sounded like the 27 piles for the gantry are still being worked on. I think I heard the term: there's been casings that have been inserted, and there's still concrete being poured and things. However, in a press release on 26 September, the government claimed that the piles had been completed.

Mr VINCENT - The Chair will explain that. Yes, the driving of the casings through the different geotech there was the complicated part of getting the casings in place. There is an internal part to that in the concreting, which I will allow the Chair, who's an expert in this area -

Mr KANOFSKI - It has been completed. I confirmed this morning that it has been completed. The pile casings were all in and then they needed to be concrete poured, and they have been. There's clearly still work that needs happen in order to mount gantries and do all that sort of stuff, but all of the marine piles are in.

PUBLIC

Mr WILLIE - Okay. Then you're waiting for the gantry to be delivered late January?

Mr KANOFSKI - There's a whole range of other things happening on the side.

Mr WILLIE - Will assembly happen straight away from that point?

Mr KANOFSKI - I can give you a precise answer on notice, but if you're happy with a general answer, I'm happy to give you a general answer. The steps that need to be followed with the gantry - one, is get it here and get it on the wharf; second is we will fit it out - so hydraulics and all those sorts of things will be fitted out before it's assembled, because it's obviously a lot easier to fit out something that's on the ground, rather than quite high in the air. Then it will be assembled and all the hydraulics and things will be commissioned. Ultimately, we will then have to commission the gantry itself and get vessels. I think the assembly process will probably take about three months. I can give you a more precise answer on notice if you, if you wish.

Mr WILLIE - Yes, I'd be happy to take that on notice. This is the most complex part of the whole thing, isn't it? This is why there were delays. I did a site tour about 18 months ago and the project team said that if you were going to put a gantry in the Mersey River, you wouldn't do it here, but it's interesting work, just because of the geotech issues. When's the expected completion of the gantry, when it's in place and ready to go?

Mr KANOFSKI - I think it will be about three or four months after it arrives. I can give you a more precise answer on notice. What I would say is the marine piling, which has now been completed - in terms of work in Devonport - was the highest-risk part of that project, and it is now complete. As you refer to the geotech, I've been on the record previously saying that if we weren't as far advanced with what was in place we probably would have taken a different approach than what has been taken, but we were too far down that track. We looked seriously at whether we could do it a different way -

Mr WILLIE - A different design?

Mr KANOFSKI - Different design. We think we probably could have done it with a different design, but we weighed up the time versus cost versus risk equation with the contractor BMD, and the decision was taken to proceed with it as designed. I think it's fair to say, if we were starting from scratch, we'd have probably done something with a different design. It would still be in the same location, to be honest; it's nothing like the location, it's just really -

Mr WILLIE - There are no other options in the river, are there?

Mr KANOFSKI - That's it. There's nothing wrong with the location. It's just we would have probably done it with a different design. I would say, the three highest-risk parts of this project, in my view, were: one, the marine piling, it's now complete; two, the construction of the gantry on time in China, it's now complete; and the third, I would say highest-risk element is getting the gantry here, so shipping logistics risk; it's on track for that. No-one's arguing there's no risk here, but it's under control, it's being well managed and it's on track.

PUBLIC

CHAIR - Minister, through you, to Mr Kanofski. Can you describe the expectations of marine legislation to reduce emissions with the new ships, and what sort of timeline we're looking at with that?

Mr KANOFSKI - Certainly there is a requirement to reduce emissions, but I might let the CEO talk to that in detail.

Mr CARBONE - As we called out in the recent Public Accounts Committee (PAC) hearing, the vessels are dual fuel. At the moment, TT-Line a number of years ago locked into a contract for a base load of liquefied natural gas (LNG) for those vessels. At the moment, the new management team is working to explore additional LNG capacity, with both the company that has been contracted but also through alternate providers. To that end in incoming weeks, I've got meetings scheduled with Tasmanian Gas Pipeline (TGP) and a number of other wholesale operators for LNG. Certainly it's something we're very focused on, and we're trying to maximise the use of LNG given its reduced carbon emissions versus diesel.

CHAIR - Can you tell the committee what the obligations are for TT-Line for reducing carbon emissions?

Mr CARBONE - The obligations are, from a social licence point of view, it's something the board and I have discussed at length. We want to reduce our carbon emissions. To that end, in recent months we conducted a number of 'slow sailings' on a Sunday. Part of that was to not impact the freight industry, but also to understand if we reduce the speed of the ship, how much fuel we would save. We did that on a number of different occasions in recent months. We've got no more future trials planned but it was certainly a good test case in how the speed of the vessel made such a material difference on the fuel burn.

In terms of international regulations, the team's conscious of it. The marine team has a specialist now who's working on the refuelling of the new vessels.

CHAIR - Again, to my question, the timeline as to when you need to do that? Is it just when you start sailing with new vessels, or is there some time imperative to get to that?

Mr KANOFSKI - We probably need to take that on notice and get you the actual timelines and any regulatory requirements that we're seeking to meet and what the timelines are on that. We will take it on notice and do that.

CHAIR - I understand that the design of the ship, the type of paint used on the hull, is all geared to increase efficiency. But I would like to know if there's a timeline to meet those obligations. I will put this on notice, so don't worry, and how much you need to reduce the greenhouse gas emissions by.

Mr CARBONE - Chair, can I also respond to an earlier question about Russian fuel purchases? I've had our Viva Energy confirm they do not purchase any fuel from Russia.

CHAIR - Well, that is a relief, isn't it? But what about through a third country, which we heard about the other night, didn't we, Mr George? Not through a third country?

Mr CARBONE - We will take it on notice.

PUBLIC

Mr GEORGE - I'm going to back up a little bit, if I might. First of all, through you, Chair, minister, can I be very clear that what you said earlier about progress and any hiccups that you might hit and advantages or changes of timeline - that you are undertaking - that the government will be transparent about each stage of progress of this project until it's launched?

Mr VINCENT - Outside of commercial terms we will be transparent about everything as we work our way through it. I think today and what we've seen since Chris and Ken have been in the role confirm their openness to discuss everything openly -

Mr GEORGE - And yours as well as government?

Mr VINCENT - Certainly mine as minister.

Mr GEORGE - The other question I wanted to just back up on - I understand that tickets for sailings on the new ferries - subject obviously to progress between now and Easter - will be going on sale in Easter. So people will be able to guarantee at that stage of the game that they're going to be travelling on the new ferries?

Mr VINCENT - I will ask the CEO to expand on that. They have a - normally 11 months in advance for the tickets, but I think Chris touched on a couple of things they wanted to make sure was right. I will ask for Chris to expand on that a little bit, or Ken.

Mr CARBONE - The intention is we will put tickets on sale for the end of October and beyond in the very near future. Typically, we sell those tickets 11 months out. We think that's important to put tickets on sale because people need to plan ahead, book their holidays, and that's pretty key to the tourism industry.

What I would say to the earlier answer, is we will limit capacity in the short term to the existing ships. As we get closer to go live in October next year, we will release that capacity. As the chairman said, we have some major milestones coming up, including the gantry, so certainly by the time we hit March next year, April, Easter, we will be in a position to sell virtually all of the new capacity.

Mr KANOFSKI - We want to get it into the market as soon as possible, but we also want to be sensible about managing risk.

Mr CARBONE - I would like to take the opportunity to put on the record that there probably will be a small block out period. That's going to be really important because what we need to do is de-provision the existing vessels, provision the new vessels, and have crew change over between the vessels. Certainly it's envisaged there will be a number of days where we have blank sailing. In terms of how that impacts the public and the freight customers, in the same way we have dry docks, we will work with those customers in advance.

Mr GEORGE - Do you have any idea of the block out dates? What period of time are you thinking of?

Mr CARBONE - It's certainly my hope that we get it down to a number of days, but less than a week is envisaged.

PUBLIC

Mr VERMEY - Minister, the promoting of Tasmania and on the ship, it's a floating billboard. You have great QR codes on artwork, et cetera. You have different regions set up. From the food side, you're talking about the wines. How are you going to engage with potential chefs or kitchens to run that, or will you have your own kitchen looking for Tasmanian produce to put on it, or is there a way of selling that?

Mr KANOFSKI - We employ chefs on the vessels. With all aspects of this business, we're trying to maximise the amount of Tasmanian content. That will be our aim. But it's not simply about Tasmanian content. It's about a Tasmanian experience. I believe if you've been on the new vessel, which it sounds like you have, it is a billboard for Tasmania. It's been deliberately designed to be that. We believe that's a major step forward as a tourism product.

In terms of how these things are marketed, I believe we're very clear on trying to work with the industry and work with Tourism Tasmania about who does what and how to manage that in the most coordinated fashion that we can manage it.

It's in everybody's interest for more people to come to Tasmania. It is in our interest for more of them to come on the *Spirits*, and we're going to try to achieve those two things.

Chris, do you want to add anything?

Mr CARBONE - I'd like to relay that we are listening. One of the bits of early feedback I got was, a number of years ago we had tastes on board the ship where local Tasmanian producers could come and show off their wares to the passengers on the ship. We've recently brought that back. Certainly on the new vessel we have the Huon Lounge. We have every intention of having that as a rotating showcase of Tasmanian producers, so it is something particularly exciting.

Ms DOW - Minister, other than Tasmania's next bailout figure for the *Spirit* ferry fiasco, is there anything else that Tasmanians haven't been told about this project or about the financial sustainability of TT-Line?

Mr VINCENT - The obvious answer is, not that I'm aware of. Certainly, we've been very open about the bailout and all the complications as we work through the onshore facilities and everything like that.

There is nothing before me that isn't on the table. Ken, do you want to expand any further?

Mr KANOFSKI - What I would say is - and I think we've said - there are issues with this organisation from a number of perspectives. We've been working through that in a really logical way. Can I guarantee we're never going to find another thing? No, I can't guarantee that; no-one can guarantee that. What I can guarantee you, as we have done as a board since we've been there, is, when we find something, we fully investigate it, we're transparent about it, we fix it. We say, 'This is the problem we had and we've fixed it.'

Clearly, we would expect, over time that we will get fewer surprises than perhaps we've had. While I can't guarantee you we won't find anything that we don't already know about, what I can guarantee you is, if we find stuff, we'll be transparent about it.

PUBLIC

Ms DOW - Through you, minister, there have been examples where you have, I guess, sat on information that you had, particularly around the hulls, and hadn't provided that information in a timely way to Tasmanians. I wanted to make sure, for the record, that there was nothing else that at this current time that you have knowledge of that you're not updating Tasmanians on.

Mr KANOFSKI - I'm very happy to take the issue of the hulls. We went through a process with the hulls and the fenders. We discovered, I think somewhere around July, that we thought we might have a problem with the fenders.

Ms DOW - It was June.

Mr KANOFSKI - Yes, and we said, 'We think we might have a problem with the fenders. We need to investigate this to see if it's a problem.' There was a whole range of people - we had competing technical advice. We had people saying it's not a problem, or you can work around it operationally - you can do this, you can do that. We worked through a process of really working out did we have a problem or not. We then discovered that yes, we do have a problem. Then we worked through a process of a solution, and then we announced that we had a solution and we were doing it.

I reject the kind of the positioning that we somehow sat on that. I mean, we didn't really have much information to tell people. We were still investigating what the issue was and whether it was an issue or not. You can only do so much, right? To be honest, I don't think there's a lot of utility in having a public debate about an issue that we haven't even investigated yet. That would seem, to me, to be a bit of a waste of everybody's time.

Ms DOW - Well, I'd take a contrary view. I think the Tasmanian community should be updated every step of the way. I take heart that the minister has provided that today to Mr George through the work of this committee.

In fact, it was June that you said that you'd identified there was an issue, and it wasn't until October, I don't think, that you told the Tasmanian community, which was a significant period of time.

I understand, through listening to PAC and the hearing this morning, that you're still undertaking engineering work. Has that been completed? Is there a solution for it?

Mr KANOFSKI - Yes, there is a solution. We expect all the engineering work to be completed by Christmas. We expect to issue orders for the new fenders before Christmas. We expect to issue final specifications for the hull works before Christmas. The work will be undertaken in the first half of next year.

Ms DOW - Is there any change to the cost, the \$9 million?

Mr KANOFSKI - No.

Ms DOW - So, through the extended work that you've done, it will still be \$9 million? There'll be no surprises there?

Mr KANOFSKI - No. That's the current estimate and it remains the current estimate.

PUBLIC

Ms DOW - Is it the final figure?

Mr KANOFSKI - Well, we've done a lot more engineering now. I mean, projects are projects, but what I'd say is - when I talked about that a month ago or six weeks ago, we hadn't done anywhere near as much engineering. We've now done more engineering, and we're still confident in that number.

Ms DOW - In the \$9 million?

Mr KANOFSKI - In the \$9 million.

CHAIR - Before I ask a question, are you alright, minister?

Mr VINCENT - Yes, as long as I stay still I'm right.

CHAIR - We might think about taking a break halfway through if that suits everybody, but we'll continue.

To follow up on Ms Dow's questions - you were talking about *Spirit IV*. What about *Spirit V*? Do there have to be alterations?

Mr KANOFSKI - Yes, we're going to do some hull strengthening on both vessels. It's likely that *Spirit IV* will be done in Geelong because that's where she currently is. It's likely that *Spirit V* will be done in Europe because that's where she currently is. The work is not highly specialised work, so we can get it done in whichever location.

CHAIR - Thank you. Minister, you're probably aware, but on page 17 of the annual report, there's the consultancy cost. It lists \$11.1 million of consultancies over \$50,000. Through you to the CEO, take us through some of the 60 other consultants engaged under \$50,000.

Mr CARBONE - In terms of the other consultants, I don't have the details with me, but again, happy to provide them on notice. I suspect they'll be for a whole raft of services provided to the company. Clearly, during the phase of development for Terminal 3 in Devonport, there's been a large number of contractors engaged for that project. I suspect that in addition to the large consultancies such as BMD, there will be a raft of smaller consultancies.

CHAIR - A lot of these probably at the bottom are looking at Terminal 3 consulting charges, for some of those things over \$50,000, but you are expecting that most of those debts or the costs incurred were for the wharf?

Mr CARBONE - I'm happy to take the question on notice. What I would say, I was in the business for six weeks of the reporting period. What I would like to point out though was certainly there will be a mixture of Terminal 3 consultants and non-Terminal 3, within the below \$50,000.

Mr KANOFSKI - Happy to provide a bit more colour on some of the consultants there. I mean APP and North both provide engineering and project management staff to the site, so the people who are managing the project are employed by APP and North. Goldy provide technical advice and engineering advice. Rare Innovation is an engineering design house which

PUBLIC

provided design challenge when we were going through the process that I spoke about with Mr Willie that we were challenging the design; Rare were very heavily involved in that process, and McConnell Dowell did a constructability review of the alternative design when we were thinking about changing design.

CHAIR - I understand your predicament, but this is a significant departure on how much the consultants' fees were from the year before. That was, in total, \$6.9 million and now we're up to \$11.8 million. Can you explain that please?

Mr KANOFSKI - I'm happy to explain that. It's largely Terminal 3. Engineering projects, by their nature, employ a lot of consultants. That's how infrastructure is built. I expect when you see this figure again in next year's annual report, it will be bigger again.

CHAIR - You think it's going to be bigger again? Right.

Mr KANOFSKI - It would be my view. It's simply a factor of you employ a lot of technical advisers and a lot of project management people, and a lot of engineers, and a lot of all those people, and they all come through as consulting fees. It's an interesting site, but quite a lot of organisations actually wouldn't report that as consultants. They'd say they are contractors and they don't meet the definition of consultants. We're being very transparent in reporting all those as consultants.

CHAIR - You're happy to table that list of less than \$50,000?

Mr KANOFSKI - Absolutely.

Mr GEORGE - I'm aware of not asking questions just because you give me the opportunity to, but there's one thing that has been puzzling me or playing on my mind. If I may through you minister to Mr Carbone, he was, I think I'm right in saying, a senior executive with Toll Holdings so presumably knows a great deal about the freight business. I'm wondering about what risks there are for TT-Line with - there's a new ship coming on to the Bass Strait trade, in competition. I'd be interested to know what level of confidence you have of being able to maintain the company's income through freight and what your approach is going to be to the competition? You must have worked this out, I guess, and there must be some specific plans for the new ships.

Mr CARBONE - Thank you for the question. As I alluded to earlier, it's a very competitive market and we're seeing the capacity coming in. But even prior to that capacity we've seen a three-way very contested market for freight. We've seen the Strait Link business for sale at the moment and putting some very aggressive rates into the market. We've seen SeaRoad react accordingly as well. Are we accepting it? No, we've certainly been modifying our freight prices where we need to.

We're conscious of maintaining our market share within the segment but, in particular, also focusing on the profile of freight that we believe should be on our vessels. What I mean by that is that the TT-Line vessels leave later than our competitors and arrive earlier. We would certainly expect a lot of the profile of our freight to be time sensitive, to be chilled. Historically we've carried too much freight that could have otherwise gone on alternate services. So we're quite focused on regaining our rightful share of that time-sensitive market through better account management, through pricing, through listening to our customers, and through the rates

PUBLIC

and rebate structures. There's not one single answer to the question, but we're very focused on our freight business as well as our passengers.

Mr GEORGE - I guess you'll have done some of the work - in fact, there may even be published documentation about it - about what sort of percentage of perceived or projected profits would be through freight.

Mr CARBONE - We currently don't produce externally our segment profitability, but internally in our management accounting we are working towards a better understanding of where we derive our profits from. What I would say is, we do offer passenger and freight services and one of the positive things is we are able to react. In recent times when we've lost some share of freight, we've reacted by freeing up that space to the much-needed overheight capacity for caravans, for RVs, for that tourism sector. Certainly, we've got the ability to move, and we've done so.

Mr VINCENT - Mr George, I might just add to that. In conversation with a growing number of freight operators, they are very aware of the three services coming in and out of the north of the state and fully understand the logistics to the minute detail down to kilometres of where they need to bring it. As an example, if they're going to rail to Hobart, obviously Burnie is a port and they work on the fresh, where it needs to be and where it needs to go, and also the timing ability that the CEO touched on. The same people don't necessarily have a full contract with just one provider; they are very clever and smart on how they utilise all three operations to make sure the logistics are right for getting their product to market.

CHAIR - Mr Vermey.

Mr VERMEY - I suppose the advantage of the new ships in my view is the speed that you can roll on, roll off. That turnaround is fantastic. Also, having the opportunity to have a helicopter come in for emergency evacuations, et cetera, where you've either had to turn around ships or stay, potentially, in port. That must be a big tick to be able to do that. That gives more confidence to have things going through quickly. Has that been a big play or is that a play on things?

Mr KANOFSKI - From our perspective, having the capacity to land a helicopter on the ships is really important. We've had a number of cases recently where we've had to turn around. If you've got a medical emergency, you have to give priority to the medical emergency and yes, that creates inconvenience for others when we get that. So, to have that capacity, potentially, for a helicopter ambulance or something like that, to be able to land on the ship is enormously helpful in terms of our journey reliability and those sorts of things. Chris?

Mr CARBONE - I'd concur with the chairman's comments. I'm personally super excited the new vessels have the capacity to land aeromedical helicopters on them. To that end, in the coming months we're going to undertake some trials with ambulance in Tasmania and in Victoria. That's our plan: to do some practice well ahead of putting the vessels into service.

Mr VINCENT - Can I add to that as well? You mentioned about the extra capacity. One thing we probably haven't sold to the Tasmanian general public well enough is the ships do have that 40 per cent, that we talk about, extra capacity. You're controlled by your sailing times, and we don't have 40 per cent extra in a 24 hour day all of a sudden. To go to that extra capacity,

PUBLIC

the roll on, roll off mechanism and replenishing the ships has to be, basically if they are running to capacity, 40 per cent quicker. Otherwise you're not making your sailing and unloading times.

I encourage anybody - I think Mr Willie mentioned he hadn't been down there for a while - but it's really worth going to see. When you walk up onto the ramp and see the scale of what's happening down there, you fully understand the logistics around turning ships around 40 per cent quicker to put it that way, in simple terms, because of the extra capacity and the mechanisms that need to be built in being able to move the extra caravans, cars, trucks, rowing shells in your case, means the logistics have to be so much smarter, so much better. You can fully understand it when you see the scale of the development, why that needs to happen that way. It's probably something we haven't sold to the public as well as I would have liked about the capacity that we need to keep people coming into the state and why the expense that we've had to endure is so important to the future of those ships in Tasmania.

Ms DOW - Minister, are there any remaining issues that you are aware of that will prevent the new ships from berthing in the Mersey?

Mr VINCENT - No, there's not. The last one I believe - and I'll ask for a bit more expansion from the CEO in a second - was we had been waiting on the EPBC approval for the dredging which has been granted for a 10-year licence. In relation to about 15 kilometres offshore - and we work with local fishing identities and with the EPA as well - to make sure that was right. I believe that is happening in February. I stand to be corrected, but I'm pretty sure it's February now.

As far as I know, that's the last bit of the jigsaw that comes together. There is an accumulation of about 50,000 tonnes a year coming down the Mersey, of shingle and mud and other components. It's always been dredged on a regular basis, every couple of years on a minor basis, but every seven to eight years they have a major dredging and that's what will be happening in February-March, I'm pretty sure.

Ms DOW - So that will be ongoing for seven to eight years, is that what you're saying?

Mr VINCENT - They've got a licence for 10 years as part of the EPA approval and then it'll be addressed as it has been in the past all the time. That is very much with TasPorts, of course. That's something that they do on a regular basis. That doesn't interfere with the ship so much as just normal port activities to make sure the port is as clear as it can be.

Ms DOW - There's no issues with them turning?

Mr VINCENT - Certainly not. The harbourmaster has done a lot of work on that. In the changing from 196 metres to 212 metres there is still capacity in the turning circle in the river.

Ms DOW - There's no issues at low tide?

Mr VINCENT - None that I've been made aware of, and I'd be surprised if there was, but the CEO or chair might have more detail on that.

Mr KANOFSKI - We've been through an extensive process with the harbourmaster and extensive trials. The harbourmaster has provided correspondence in the past to suggest he has no concerns about the vessels' manoeuvrability in the Mersey. It's important to note that there

PUBLIC

are already ships that are bigger than our ships. The current SeaRoad vessel is bigger than our current ships and it turns quite happily in the Mersey. The other important thing is that the - and I'm not a maritime engineer either - but the -

Ms DOW - I'm not either, just for the record.

Mr KANOFSKI - Yes. These new ships are far more manoeuvrable than the existing ships. Their capacity to turn as - one of the captains said to me, you turn it on a dime. They are potentially easier to manoeuvre in the Mersey than the existing vessels just because they're more manoeuvrable, even though they are slightly larger.

Ms DOW - To you minister, through the Chair, just following on from that, with the sea trials that have been conducted, were there any changes that were made between the ones that were done for *IV* and then *V* that have been accommodated for?

Mr KANOFSKI - I will let the CEO talk to that. Yes, there were things learnt out of *IV* that impacted on *V*, so there were things that needed to be fixed on *IV* that ultimately didn't need to be fixed on *V*, because we'd already taken account of them. I will let the CEO speak to the sea trials issue.

Mr CARBONE - Thanks, chair. A similar number of sea trials were conducted for both vessels and it is my understanding, whilst I wasn't in the business at the time, that there were lessons learnt from *Spirit IV* sea trials, applied to *Spirit V*.

CHAIR - Minister, I will draw your attention to page 44 of the annual report and note that the incentive payments were amended to remove the Performance and Incentive Payment Scheme in July 2024. So that was a very good outcome for your approach to governance. I also note that the executive remuneration has risen from \$4.16 million to \$4.515 million. I want some explanation in relation to that.

Mr VINCENT - I will ask the chair to expand on that. There's been some change in positions and he will have a lot more detail on that than I have.

Mr KANOFSKI - I will have to take the detail on notice, I'm sorry. Sorry, no I won't take the detail on notice - there's \$818,000 worth of termination payments that were part of the executive remuneration. That was to do with two redundancies that occurred on 1 July 2024, and the resignation of another senior executive who was only paid accrued entitlements. The principal difference there is the termination payment.

CHAIR - Did that include the former CEO?

Mr KANOFSKI - Yes, it did.

CHAIR - For the record, how much was that termination payment, including entitlements?

Mr KANOFSKI - I need to make clear that the previous CEO's termination payment was only entitlements - he resigned from the business, and he was paid his entitlements, which totalled \$256,000.

PUBLIC

CHAIR - The entitlements were \$256,000?

Mr KANOFSKI - Yes, but I want to make it very clear that he only received entitlements. He didn't receive any additional payments.

CHAIR - In relation to that, you're probably trying to find savings wherever possible. How has that affected how you employ, or who you employ with your executive team?

Mr KANOFSKI - It's fair to say, and I will let the CEO comment on this, we've made some changes to executive capability in the organisation. I think it's fair to say that the structure of the non-operational workforce, if I can put it in those terms, and the management process of the organisation are still a matter for further review in terms of the potential to streamline the organisation.

Mr CARBONE - I concur with the chair's comments. It's something that we're constantly reviewing. We do have a number of interim arrangements in place at the moment. We will go to market for permanent replacements for those roles in the coming weeks. What I would say is that it's not an area that we're currently targeting for major cost savings. I guess, if anything, we've reflected deeply and have split a few roles into two, given the burden of workload that individuals were carrying.

CHAIR - I see. So that may well go up next financial year?

Mr CARBONE - That's correct.

Mr VINCENT - Chair, there's also work done that I, as a shareholder minister, looks at as I work through annual reports - and that's the accrued leave and long-service leave. Some of those payout figures are included in the accumulation of some of those fees. As a management tool people need to take their leave, not accumulate it to great lengths. There's always different reasons for that, but it's not something you'd put down as a saving other than moving away from the accumulated cost of some of those provisions.

CHAIR - It's tidier, isn't it?

Mr VINCENT - Oh yes.

Mr KANOFSKI - If I could add to that - I spoke earlier about management practices in the organisation perhaps not being contemporary and not meeting community standards. An example of 'not contemporary' is the amount of annual leave that people have been allowed to accrue. From a board policy perspective, we are very concerned about that. It will take time to manage out of the business, because there are people with very, very high leave balances. We've got a lot of work to do - you know, we can't send people on leave for six months to clear their leave balance. So, from a policy perspective, we're looking to do that.

It also does have a cost implication. If people accrue leave at a certain rate of pay and then take it five years later as a payout at a much higher rate of pay, then there's a genuine cost to it in financial terms.

As the minister said, though, there's more of a cost in human terms, frankly, of people not taking their proper leave entitlements, which is something that we want to see them doing.

PUBLIC

Mr VERMEY - On staffing, how many people in general does TT support as the business?

CHAIR - Are you including consultants?

Mr VERMEY - Well, the crew, the staff on deck -

Mr KANOFSKI - Each sailing currently has 72 crew on it. That will increase slightly with the new vessels, because they're bigger. All up - I see that Chris is looking for the number, which is -

Mr CARBONE - Thanks, chair. We had 656 employees at 30 June 2025.

Mr VERMEY - That's a lot of families you've got to give confidence to, don't you? There's a lot of people.

CHAIR - Do you want to take a break, minister? Should we take a five-minute break?

Mr VINCENT - I'm alright, thanks, Chair. Happy to keep going.

CHAIR - Okay, let's keep going.

Ms DOW - Minister, some time ago, your government committed to \$100 million of local content on the new build for the *Spirits* - which was a complete fallacy, really, because it was \$60 million worth of 'local' content that was manufactured in Finland. During previous hearings, I think you have stated that you would conduct an independent audit of that local content process. I wondered if you could provide some more information on that, and when you expect to undertake that.

Mr KANOFSKI - Certainly. We've been completely transparent about our concerns about the local content number. There have been a number reported, and we have concerns about that. As you stated earlier, I don't think it passes the pub test. We are going to do an independent audit. I will let the CEO talk about the timing for that and the process for that.

Mr CARBONE - Thanks, chair. Recently, we appointed an independent external auditor to review local content. I expect it will take some weeks for them to audit all the transactions that have occurred. We've asked them to audit not only the transactions but the interpretation of the contract. The contract included damages as well as bonus payments for local content, hence why we've appointed the independent external auditor. I envisage that audit would take up to two months.

Ms DOW - Thank you. I want to understand a little more about the assembly of the gantry that was undertaken in China and whether you actually have people from here who go on site in China and observe that process, and that you have full confidence that once it's assembled here, it will actually fit at Devonport. If you could walk me through what actually has transpired in the time that that was assembled and ticked off ready for installation in Devonport.

Mr KANOFSKI - Thank you for the question. There's a couple of things. There is a company, Bureau Veritas, which is providing ongoing assurance - they are there all the time.

PUBLIC

They've been there observing the construction, because it's not necessarily just the assembly process - you want to see this thing while it's being manufactured, make sure you've got the right quality of steel, make sure you've got the right quality of finishes, all that stuff. There's ongoing monitoring.

Then BMD, the head contractor, and Fitzgerald, the prime subcontractor for this, had people attend in China. It's not really TT-Line's role as principal to do that. We want to make sure we don't run across contractual boundaries in terms of doing the contractor's job for them, because that's not a very sensible thing to do in a contracting sense.

We get a regular report. I'm on the list of people who get a regular weekly report on the gantry from BMD, with all the lines of activity, where they're at, are they on track, off track, anything we're concerned about - all that sort of stuff. I think there's been independent assurance on an ongoing basis. There have been visits by BMD. We're confident that BMD, as the head contractor, has this under control.

Ms DOW - Through you, minister. Do those reports get sent to the government as well?

Mr KANOFSKI - Not at that level of detail. The weekly report comes to me and to a number of other people. Chris gets one, obviously the project director, and the like. We then have reporting at a less granular level. We have reporting that goes to our own internal oversight committee, which I chair, and it has a number of board members on it. It also has Ben Moloney on it - a representative from State Growth - as an independent assurance check. It then gets reported also to - I forget the name of it, but there's a steering committee that's chaired by the secretary of State Growth, which is a more whole-of-government report. So, there's reporting, again, at a less granular level. Then, typically, we have been reporting to a sub-committee of Cabinet, although that's going to be subsumed into the new infrastructure committee and we will report there. There's decreasing levels of detail, obviously, the further you go up that chain, but there is reporting all the way through that chain.

Ms DOW - There's nothing that's been reported thus far that's flagged any concerns with you?

Mr KANOFSKI - There is nothing that's giving us any concern. We raised with the contractor a couple of months ago that we weren't happy with the level of visibility we had over the logistics process, and they responded to that. We had an on-site meeting in Devonport. I attended and the CEO of BMD attended. It was taken seriously from both sides. Since then, we have a much clearer line of reporting. If issues occur, there are forums and regular reporting.

Ms DOW - When you say the logistics, what were those concerns?

Mr KANOFSKI - No, it was just that we didn't have any visibility of their planning for the shipping and the arrival, and things like that. It wasn't that we necessarily had a concern that they were doing the wrong thing. It was just that we didn't have any visibility of it, so we asked for that visibility and we got it.

CHAIR - Minister, I'd like to go to the question of conflict of interest. Whilst this did happen before your time, I think it raises concerns of how this was handled. Do you have any information as to the issue around the previous managing director having contracted Liferaft Systems Australia as part of the local content?

PUBLIC

Mr KANOFSKI - My understanding, Chair, is that it was a company associated with the former chair.

CHAIR - Yes, that's right.

Mr KANOFSKI - I don't have any details other than that. The systems have been provided; they've been paid for. I'm happy to take it on notice to see if we can find information about how that conflict was managed. I don't have any knowledge of how it was managed. I'm aware of it, but I don't have any knowledge of how it was managed.

CHAIR - If, minister, you wouldn't mind taking that on notice, because I think it's inherent in how governance is approached, and to rule out any other conflicts of interest. How are conflicts of interest handled now? Is there a register? Have there been conflicts of interest already in your term?

Mr KANOFSKI - There is a register. I'll talk about the board level, but obviously this happens at lower levels as well. At the board level we have a register of all our notifiable interests that all the board members make. It's updated at each board meeting. If there are any changes to it, then it's published in our board agenda so that everybody can see what all our interests are that are relevant to TT-Line, or even vaguely relevant to TT-Line.

We also have a process at the start of any meeting to ask people if they've got any issues with regards to any items that are on the agenda that day. The only time anyone's left the meeting since I've been there is when the board considered the various processes for whether I should remain the senior responsible officer for the project. I was out of the room while that was discussed because the board looked at the options and concluded that the most sensible approach was to continue with that arrangement. No-one else has left the room due to a conflict in my time, but they would if they need to.

The berth 3 project now has all of what you would expect to see in terms of the normal checks and balances of a project, including registers and recording of conflicts of interest. Chris, I'm not sure if you want to comment more broadly on the organisation rather than at the board level.

Mr CARBONE - Thanks, Chair. Within the organisation, they're certainly recorded by the company secretary and, in essence, we follow the same process as is followed at board.

Mr GEORGE - I'm curious to know - I'm sure there is a figure, which I don't have at hand - of the number of staff and crew you have on your ships at the moment. Are you able to tell me how many of those are Tasmanian or Tasmanian-based? And with the greater capacity of the ships, 40 per cent greater capacity, does that mean that you'll be hiring extra Tasmanian staff for the new sailings from October?

Mr KANOFSKI - I'll start and then I'll go to the CEO. Yes, the new vessels will require a slightly larger crew. So currently, 72 people per sailing, new vessels will be 82 per sailing. The minister helped me with that number this morning. As to where we draw staff from, we certainly draw staff at both ends, but I don't know whether we have that information to hand.

Mr CARBONE - Bear with me, Chair.

PUBLIC

Mr KANOFSKI - He's got a very big book; the answer's out there somewhere.

Mr CARBONE - I don't have the split with me, but we can revert and provide the split. I guess what I would say is, whilst we've tried to prioritise recruitment in Tasmania, it's certainly been a challenge. In particular, I spoke earlier today about some categories of roles, such as an integrated rating role. Given the labour shortage, we've certainly had to go out and place advertisements on SEEK on a national basis, but the priority is always to have roles based in Geelong and/or Devonport as the home port. I guess what I would say is we are listening.

When I took on this role, I had some feedback that we had, for example, no-one in our sales and marketing team based in Tasmania. So we've reacted to that and now have a couple of team members that we've recruited. Certainly, whilst there's no intention to move all the people based in Geelong to Devonport, we are focused on Tasmanians first, wherever possible.

Mr KANOFSKI - Yes, if I could just add to that from a board perspective: we have a clear view that this is a Tasmanian business. As such, we have a preference, particularly at executive leadership level and things like that, for people to be based in Tasmania. So that is our view now. That needs to be tempered with: can you find the right people at the right time and all those sorts of things. But, as a policy position of the board, we have a strong preference for those senior roles to be based in Tasmania.

Mr GEORGE - Thanks. You're happy, minister, to give us those figures on notice?

Mr VINCENT - Yes, we are. That's no problem at all. We've certainly got the male-female ratio, but I didn't see anything in there on the Tasmanian-Victorian.

Mr GEORGE - What's the male-female ratio, out of curiosity?

Mr CARBONE - The male-female ratio is 56 per cent male, 44 per cent female. That's across all employees. At senior management level, 66 per cent male, 34 per cent female.

Mr GEORGE - I hope you're working on that.

Mr CARBONE - Certainly are.

Mr VERMEY - Minister, with new capabilities and quick roll-on, roll-off and new facilities around number three port, have we looked at things like cigarette imports, drug imports? Is there a way of having a better security side of things, either with police or federal or just in that space, which isn't probably so much of the actual ship itself, but in that port facility?

Mr VINCENT - I will get the CEO and the chair to expand on this. It was one thing that I probably wasn't familiar with until I took over as shareholder minister for TasPorts and now TT-Line. The importance of harbour security, biosecurity in quarantine, how important it is in Tassie. I knew the basic principles of it, but certainly the detail in the design of what they need to do. A lot of environmental things that are also built into the new design, I was quite amazed by the thought behind it. Certainly, I will ask the CEO to explain a little bit more there.

Mr CARBONE - It's certainly front-of-mind. We have a security manager; he works closely with Tasmanian Police, Victorian Police, ASIO, other authorities around the country.

PUBLIC

It's fair to say he's in regular contact with all those authorities in relation to the various threats the business faces, but also around the basic security on board the vessels as well. We do have an end-to-end security plan. We've certainly been enhancing that in recent months as well.

Ms DOW - Following on from Mr George's question, I wanted to understand how many apprentices and traineeships you currently have on the ships, and how many you would see that increasing to with the new vessels.

Mr CARBONE - I don't have the split on hand at the moment. As I alluded to earlier, we've been working to increase the number of trainee-integrated ratings, team members. One of the things we're doing is trying to improve our relationship and partnerships with some of those key training providers such as AMC in Launceston. I've met with them several times since I took on board the CEO role.

The reality is that there is a skill shortage and we will need to continue to work, particularly with people like AMC, to fill those roles as we move forward. We do have quite an ageing workforce, and we can provide some statistics on that. It really is important we bring those people through AMC, a great Tasmanian-based provider.

Ms DOW - Minister, do you do any work with local schools around career opportunities with the TT-Line?

Mr CARBONE - It's a great question. Certainly, I've noticed in recent months that it's an area we can improve on. As an example, I've seen other GBEs in Tasmania do a lot more work at school fairs, at fetes, at Agfest, and at community events. It's certainly something we're very mindful of and, particularly as we move into 2026, we see it as a major focus area to try to build pathways into the TT-Line business.

Mr KANOFSKI - Just on that, it's not a TT-Line example, but in a previous life involved in a roads authority, we recognised that if we wanted to have more women engineers, then more women needed to do STEM subjects in school. Therefore, you needed to start right back at that point in time. It's not lost that you need to start very early in the process of getting people in the right frame to become future employees. It's something that I'm certainly very passionate about. I hope that we will do a lot more on it in future years.

Ms DOW - Earlier today you spoke about the process of the changeover from the existing vessels to the new vessels. You didn't give a timeframe for that. I wondered if you could update the committee on that.

Mr KANOFSKI - What we talked about is that we think there will be a non-sailing period. What we're saying at the moment is that we think that will be a maximum of one week. We hope that it will be less than that. As our planning firms up we will be more exact about that but, at the moment, we're saying it could be up to a week where we don't sail. We're looking at all the options. Without wishing to second-guess the work the CEO is doing, we will clearly look at whether you can change one over versus the other one over. All those options are being looked at to try - but firstly, if we don't sail, we don't get revenue, so that's a good reason to sail. The second reason is we don't want to inconvenience our customers any more than we need to.

PUBLIC

CHAIR - Mr Kanofski, regarding sponsorship, you're finishing sponsorship arrangements with the Kangaroos and there's the JackJumpers. I'm wondering about the value for money in relation to that. I understand the JackJumpers are a very Tasmanian brand but how do you measure the value in relation to those sponsorship arrangements?

Mr KANOFSKI - I think it's fair to say, historically, it's not something the business has been strong at in terms of managing the value. I guess that it's a personal observation - and I say this without any disparagement to North Melbourne - but I'm not convinced about that sponsorship. What I can say is what we'll be doing going forward, which is, first, I suspect we will be more focused on community-based sponsorships than things like the North Melbourne sponsorship. Second, we will be measuring the effectiveness because it hasn't - to the best of my knowledge, CEO, from anything we've come to find that - been a feature. Is that correct? I hope that's correct.

Mr CARBONE - That's correct. Certainly, the North Melbourne sponsorship, as an example, did give the *Spirit of Tasmania* significant brand exposure. But, as the Chair said, we will certainly review those kinds of sponsorships going forward to ensure they represent value for money, and also whether or not they translate into additional people coming to Tasmania on the *Spirit*.

CHAIR - Okay. Can you talk us through the changes in gambling revenue with pokies?

Mr KANOFSKI - We don't have any poker machines.

CHAIR - There are no pokies on the TT-Line now?

Mr KANOFSKI - No, there are no poker machines on board the vessels. There hasn't been for some years.

CHAIR - Alright, I'm behind the times.

Mr KANOFSKI - No, and we have no intention of reintroducing them.

CHAIR - And the asset is at Water Edge or Edgewater?

Mr KANOFSKI - That was sold before my time, but sold.

CHAIR - And what happened to the money from that sale?

Mr KANOFSKI - Well, it's part of the cash flow of the business.

CHAIR - Okay. So that was only sold last financial year, wasn't it?

Mr KANOFSKI - Not in the last financial year. It must have been the year before because it's not in these accounts, I don't think, is it? No, it was the year before.

Mr GEORGE - You will have to excuse me, Chair, I have a meeting in a minute. It does occur to me, listening to you talking about the changeover period and the non-sailing days, that that sounds extremely optimistic. Obviously, there's going to be engineering crew changeovers

PUBLIC

and then staffing changeovers and training on the new ships; anything from running the galleys through to staffing it and so on. A week of non-sailing seems extremely short term.

Mr KANOFSKI - I will allow the CEO, but one of the things is we're using the opportunity - particularly with *Spirit IV* being here - to fast-track some of that training. Obviously, you need to get the timing of training right, because there's no point in training someone a year before they have to do something. The fact that we have one vessel here and we will have another vessel here before mid-next year, allows us to do some of that training while the other vessels are still in service. There's a cost to that clearly, because again, you're paying people to do things, but we've got a very big focus on getting that non-sailing window down to the shortest period that it can possibly be.

Mr CARBONE - Thanks, Chair. We've got a number of team members with long corporate memories. In fact, many team members were involved in the original changeover to *Spirit I* and *II*.

Mr GEORGE - You have an ageing population.

CHAIR - But then you can't answer some of our questions. So, that seems very strange, but anyway.

Mr CARBONE - They assure me that when we changed over to *Spirit I* and *II*, that was done within a 24-hour period, which is why we believe the seven days is conservative.

Mr VINCENT - Some of the training was done on the way out as well for the crew to familiarise themselves with the vessels. There was certainly a lot of people on board doing bits of training while it was here in Hobart, which is fascinating. It was good to talk to some of the crew that had been involved with bringing the ship out and what they'd learnt about it and how much they enjoyed that experience. There has been a lot of familiarisation with it as we're going through the period.

CHAIR - Mr George, if you leave, we won't have a quorum. I've just texted Ms Johnston, but haven't had any response, so do you have somebody who can replace you please?

Mr GEORGE - I'll let my people know -

CHAIR - You will let your people know. Thank you.

Mr GEORGE - Yes, I'll try.

CHAIR - Mr Vermey, before you go.

Mr VERMEY - EVs: I had a good mate who's a captain who runs salvage operations all around the world and has recently spent five weeks off the EU putting out a ship full of EVs. A couple caught on fire which progressed to other EVs. I had not thought of it until this person sent me an email and I thought, what procedures have we thought of, and, ongoing, how do we possibly combat that? We've seen on planes, et cetera, where batteries and stuff are catching on fire.

PUBLIC

Mr KANOFSKI - Through you, chair, I'll let the CEO answer. We are absolutely alive to the risk. Of course, it's going to be a growing risk because the number of EVs is going to grow, not shrink. But we are very alive to the risk. I'll let the CEO talk about how we're managing it.

Mr CARBONE - I agree, the board and the management team are very focused on the risk associated with EVs and batteries. We actually have a marine subcommittee of the board, and they've asked for an independent review of transporting EVs on board the ship. We're currently reviewing our policies and procedures associated with those. At the moment we do tag, individually, EVs and hybrids for that matter on board the vessels.

What I would say in relation to some of the more publicised ship fires in recent times is a lot of those fires have involved what I'd call 'car-carrying ships', and they often have CO₂-based systems. Our ships have a deluge-based system where we can simply flood the decks with water. As I understand, water is the most effective way to put out an EV fire. Certainly, the operating procedure on the new ships is such that we would flood the decks with all our fresh water and then we'd simply pump salt water from the ocean, which is an almost endless supply onto those decks and flood them. That's certainly something that we're working through now.

The team's been focusing on batteries more holistically. We're trying to review batteries on board caravans, batteries in e-bikes. It's certainly something that the marine board subcommittee and the marine operations team are very focused on.

Ms DOW - Through you, minister. Chair, you said that you're looking at more sophisticated ticket pricing models. I wondered how you're going to protect Tasmanian consumers from price shocks. Will they be impacted? How are you going to keep the prices low for Tasmanians? After all this, I think they deserve it.

Mr KANOFSKI - Our interest is in getting the most people on the ship. As the CEO said earlier, the movements in price we've seen at this point are down, not up. But yes, we will look at the whole model for pricing. We pretty much run now a high season and low season. It's not been a very real-time pricing. It's not been particularly targeted at certain parts of the market. When I talk about sophistication, that's what I'm really talking about. How do we target our service to the right people at the right price at the right time.

I don't think you do that by saying, well, here it is. We've got these two prices: high season and low season. We're a capacity seller. Now we're going to have a lot more capacity to sell so we will be looking to target our marketing and our pricing at maximising the number of people on the ship and the number of vehicles on the ship.

Ms DOW - It might've been mentioned during this morning's hearing, correct me if I'm wrong, about the fact that people have great difficulty getting onto the *Spirit* now. For example, if you try to book for July next year, it's hard to get on the ship. Then the other dilemma that you have is, obviously, you've got decreased passenger numbers as well in your report. How does that work?

Mr KANOFSKI - What we have as a shortage on the current vessels is a shortage of high-height capacity. When we talk about the current vessels, what we don't have is an overall capacity problem, if that makes sense. What we have is a capacity problem in a particular

PUBLIC

segment. Thankfully, the new vessels will substantially increase the amount of capacity in that regard. Clearly from our perspective, where we are concerned about passenger numbers being down slightly and flat and, as I said, we're not sure whether there's a bit of an overhang of people delaying journeys so that they can go on the new ship; but we will be marketing hard, in terms of the new ships and encouraging people to avail themselves of that experience.

Mr CARBONE - If I could add, Chair, one of the big limiting factors on the current ships is also the lack of cabins. Our customers tell us very clearly that they wish to travel, particularly overnight, in a cabin. We often find ourselves in a situation where there's still meterage on the ship and a lack of cabins, hence the additional cabins on board the new vessels will also help alleviate those concerns you've rightfully pointed out.

Ms DOW - The other concerns that have been raised, through you, minister, is that you're thinking that there won't be day sailings on the new vessels. I know through my work with local tourism operators in the north-west in particular, that that is of a concern. Could you provide some clarity around that, please?

Mr CARBONE - Yes. I hope we run day sailings on the new vessels, because what that will mean, is that we've sold all the existing capacity of the new ships. However, we simply won't be able to economically run those new ships on day sailings if there's no demand. Do we hope to operate them? Absolutely.

Ms DOW - You have all those new recliners that you will need people to sit in; you will need those to be utilised.

CHAIR - Minister, just to go back to costs and cost blowout in relation to delivering this project and the fact that it's been so far behind time, it was meant to be delivered in 2021 - we won't rake over old coals - but what sort of conversations have you had with your federal counterparts in relation to ensuring that the ferries will be in operation?

Mr VINCENT - I probably don't fully understand the question that you're aiming at there. I might ask for clarification. Being Tasmania, we have very little communication back to federal government on this issue. In the short time, which is only 11 weeks now that I've been in the role, the concentration has been on the reporting process and making sure Terminal 3 is on the way. Is there something else you'd like to know?

CHAIR - I know Mr Kanofski said that there are other ways of getting freight and passengers across Bass Strait, but this is a critical part of the National Highway. I'm curious to know what sort of conversations you or your predecessors have had with the federal government?

Mr VINCENT - Thank you, for the clarification. Yes, we've got ongoing conversations happening at various levels regarding the freight equalisation, which is a major part of what we do. I will ask the chair if there's anything else that he's aware of that may be happening.

Mr KANOFSKI - No. We don't have any contact with the federal government because relations between the governments are a matter for governments, not for us. We certainly receive revenue from the freight equalisation scheme and it's a substantial part of our revenue, comes out of the freight equalisation scheme that is provided by the Commonwealth.

PUBLIC

CHAIR - Okay, and that's in the annual report?

Mr KANOFSKI - It would be in the annual report. I think it's - CEO, help me - it's somewhere in the order of 19 per cent of our revenue.

Mr CARBONE - Closer to 15 per cent, chair.

CHAIR - Total revenue. Is there any consideration required by the company in relation to competition policy, so anything that needs to be considered, with how you set your fares and so forth.

Mr KANOFSKI - Not especially. As I say, we don't have market power in that. We don't have a capacity to compel people to use it. The freight market is incredibly competitive. There are alternatives to our service in the tourism market. We're certainly, as all businesses are, well aware of and are meeting any competition law requirements, but we don't have market power. Therefore, it's not an issue that has a high degree of attention from us.

CHAIR - It's something that you don't have to consider when you're setting new fares?

Mr KANOFSKI - We'd certainly take advice, but my belief is that we are in a competitive market for both services. As such, I don't think there will be competition issues with our pricing. I mean we would always take advice on that just to make sure.

Ms DOW - You spoke before about the importance of promoting Tasmania on the vessels as a floating billboard. What initiatives are you putting in place around promoting tourists to turn right rather than left when they come off? They disembark the ships and get out across the regions, which is primarily what we want the *Spirits* to do and encourage regional dispersal.

Mr KANOFSKI - I will let the CEO talk to that because he's heavily engaged with the tourism sector.

Mr CARBONE - Thanks, Chair. We've been working really hard to rebuild our relationship with our tourism partners as we spoke about earlier. In terms of those key relationships, one of them is with Tourism Tasmania. Certainly, in the time I've been in the CEO role, we've been working more closely with Tourism Tasmania. We've been sharing data and I think that's also really important to then understand the disbursement through that data.

Ms DOW - Minister, there was no sharing of data prior to that?

Mr CARBONE - I believe there was sharing of data, but certainly not to the same extent we've seen in recent times. We've also been working with both TICT, but all the regional different tourism bodies to really re-establish those relationships, to listen, so certainly been getting a lot of feedback.

In addition to that, myself personally and the leadership team, have often been standing in the lines talking to customers as they're checking in or embarking from the ship and listening.

In terms of the data we've had shared with us from Tourism Tasmania, it says that the average length of stay for tourists coming to Tasmania on board the vessel is significantly

PUBLIC

longer than someone who flies in by aircraft. Certainly, we would continue to support disbursement into regional areas including the west, north-west and the other regions.

Mr VINCENT - Chair, can I just add to that? In my role as Infrastructure minister as well, becoming more increasingly aware of some of the things we may have to look at with the increased number of vans, et cetera, travelling on the roads with pull-off bays and overtaking lanes, and making sure they're in the right place. It is an area that we're gathering more information on to appreciate. I've been to New Zealand a few times. I've seen that they have some good systems over there that I'd like to think that we could slowly, as we do our infrastructure work around the state, work in with the numbers that TT-Line will be bringing into the state.

Ms DOW - Thank you. I will continue on from that then, Chair, to ask you whether you think we are prepared infrastructure-wise, as your government announced the Spirit Preparedness grants to work with local government and tourism operators around getting some of those things in place that are required for caravanners? That's not going to be announced, it's my understanding, until the end of December. Do you think that gives enough time for that infrastructure to be in place for when our *Spirits* finally arrive?

Mr VINCENT - It's a long-term funding option that you have on that sort of thing. Parks, as I understand, has already started making adjustments for visitation to some of those areas, and their money is available for that. I will be having more meetings with other departments over coming months and early into next year - and also with tourism operators, I should say - to try to ascertain that we are on the right track of getting those things in place.

I certainly don't have enough knowledge to give you an exact answer on it yet, but it is high on my list of priorities with one of my other ministries.

Ms DOW - Thank you. The other question that I wanted to ask you, minister, is: your government has cut funding to Tourism Tasmania's destinalional marketing. I wanted to understand if you're concerned, as the responsible shareholder minister for TT-Line, about the impact that will have on generating interest and bringing people to Tasmania via the *Spirits*?

Mr VINCENT - I certainly wouldn't like to comment on somebody else's ministry. What I am confident about is the work the CEO has been doing with Tourism and looking at the spend. What has been encouraging is to see the way Chris and his team have pulled apart the numbers of where our target markets are, the percentage of people out of Victoria that come, New South Wales, so that we can maximise our spend into the right areas instead of a blanket campaign. It will be a lot more articulate and pointed on where we do that money, which has a much better effect for less than just a blanket campaign. I ask the CEO to expand on that a bit more, please.

Mr CARBONE - Thanks, minister. One of the things that the team has done in recent times is worked on a *Spirit* preparedness video with TICT to help the industry prepare. We've also got the Tasmanian ambassador program with TICT. Again, we're trying to work more closely to ensure we are prepared.

CHAIR - Did you want to answer a previous question?

PUBLIC

Mr CARBONE - Yes, Chair, if I may. I've got the data now in terms of the splits of geography of the team members. We have 380 team members based in Tasmania, 250 in Victoria, and approximately 26 of other regions.

Ms DOW - I wanted to go back to that funding commitment. At the last election - which was just a few months ago, minister Vincent - you made a commitment of \$38 million across the out-years to Tourism Tasmania's visitation marketing to get people here to Tasmania. There's only \$10 million that's in there for the coming financial year. Will you commit to working with the Treasurer and with the Tourism minister to ensure that the money that was committed is across the forward Estimates, to provide certainty when it comes to attracting more visitors to Tasmania to do what we need to do, which is increase the capacity on the *Spirits*?

Mr VINCENT - I can certainly assure you that we are talking and discussing what needs to happen to make it very detailed and bring those people to Tasmania.

Ms DOW - So, you won't commit to trying to ensure that funding is there, minister?

Mr VINCENT - I will commit to having the discussions to make sure that the appropriate amount of money is there to do what we need to do.

CHAIR - I'd like to ask a question in relation to the dual fuel, using LNG versus diesel. What is the reduction in emissions comparatively from diesel to LNG?

Mr CARBONE - If I could take that question on notice, we can revert with the actual exact amount of carbon delta between the two fuels.

CHAIR - Yes. And, if you're using both diesel and LNG, like having dual fuel engines, is the fuel used in the same engine, or are there different sort of engine capacities as well?

Mr CARBONE - My understanding is the fuel goes through the same engines, just the two different fuel sources. We can run either straight diesel, or we can run straight LNG, or a blend of both. It's certainly envisaged that under different circumstances, we will operate on different fuels.

CHAIR - So it will be dependent on weather, or what fuel is available?

Mr CARBONE - Correct, both of those.

CHAIR - I think when I did a tour, when I went around with you, Mr Carbone, there was a new tank being put in - was that right? - for LNG?

Mr CARBONE - Thank you for the question, Chair. When you came on board the vessel *Spirit IV*, it still had reserve diesel tanks on board the ship. There were eight, what I'd call iso tanks. They were temporary in nature and they were designed to make sure we could safely bring the vessel out from the Northern Hemisphere to Australia, and in particular crossing between South Africa and Fremantle. They were temporary diesel tanks that have now been removed from the vessel. We have every intention of doing the same thing for *Spirit V* to ensure we can safely transit out to Australia.

PUBLIC

Mr KANOFSKI - If I could add to that, in the journey out we tested the vessel on both fuels, marine diesel oil and LNG. We want to make sure that the vessels can operate on both the gas and diesel. As Chris said, the vessels are designed to run 240 kilometres backwards and forwards across Bass Strait, but there are some very long stretches on the journey out and that was why the additional fuel tanks were put on board, to ensure safety.

Mr VERMEY - Minister, through wanting to drive that caravan group into Tasmania, we want them to stay longer and get around the place, so have we been targeting in advertising, et cetera, into South Australia, Victoria, the bottom end of New South Wales? Are there more incentives to potentially attract them over in the first year so that word of mouth goes back to encourage more to come? Is there a way of doing that?

Mr CARBONE - With some of the market research collectively between Tourism Tasmania and our internal team, often we're finding that people, particularly in the caravan sector, want to come to Tasmania at some point. Often that will be some time in the next three years. Often people have an intent to come to Tasmania with their caravan but it's just not locked in. One of the things we need to do, once we have the availability of those new vessels, is promote that. It's certainly been a contained and constrained offering based on supply constraints, hence why we want to promote that offering. We're certainly listening to industry.

In terms of Visit Northern Tasmania, we have the CEO, Tracey Mallett, who's a very strong caravan advocate. As an example, she's been giving me direct feedback about what the industry wants from us.

Ms DOW - I would like an update on the roadworks that were required to be done, in partnership with the Devonport City Council, in and out of the site to ensure that there's better traffic flow. Could you provide me with an update on that, if there's any issues around the implementation of that or the approvals process, minister?

Mr VINCENT - There is certainly a fair bit of work that is needed to be done there. The original concept was identified with the Devonport City Council, and State Growth has constraints in certain situations, so I will ask the CEO to expand on that. Paul Kirkwood, who came across to do a lot of the work, identified that as a something that needed to be rectified and I believe that -

Ms DOW - To be clear, the original concept wasn't going to be the right one.

Mr VINCENT - There were some issues identified with that, if there was a hold up for any reason. The easiest way that I'd put it is with the overflow that would happen in a situation needed to be changed on the flow through East Devonport and around the site. The CEO might like to expand on that.

Mr KANOFSKI - On the way through, I would add that State Growth has been running a coordination process on that because it's a combination of a state road, the local roads, TasPorts and ourselves. We are a source of traffic, but we're not the only source of traffic. My understanding of that process is that they've had a number of meetings and everybody is now settled on what the solution is. As far as I'm aware, there are no outstanding issues.

Mr CARBONE - I have regular contact with Alison, the Mayor of Devonport and the CEO there. They certainly haven't raised any issues in recent times. I acknowledge many

PUBLIC

months ago there were some concerns around noise and they were addressed. But from a traffic flow point of view, I am not aware of any recent concerns. In fact, we work collaboratively to encourage the council to include SeaRoad on the working group and that's been a very collegial way of operating in the precinct.

Ms DOW - When will the works commence on site then?

Mr KANOFSKI - I have to take that on notice.

Ms DOW - Could you take this on notice as well, then: the completion date?

Mr KANOFSKI - Happy to do that.

Ms DOW - There haven't been any tenders awarded or anything? It's not got to that point yet?

Mr KANOFSKI - Not that I'm aware of, but I'm happy to take it on notice.

CHAIR - Mr Kanofski, in relation to the worker's compensation profile, can you give an indication as to where the company is currently sitting in relation to worker's comp claims and how they've been settled?

Mr KANOFSKI - I will let the CEO speak to this in detail. What I can say is, as a board we are concerned about the level of injury in our business and we are also concerned about the management of worker's compensation claims. It hasn't been contemporary. It hasn't been in accordance with modern management practice. At a policy sense, we're committed to bringing the organisation up to date in that regard. I will let the CEO talk more about the detail of that.

Mr CARBONE - In the last financial year we had 54 worker's compensation claims that were opened. The 54 consisted of: 25 related to strain and sprains; 10 related to soft tissue injuries; two related to burns; two related to skin and eyes; and then the balance of 15 related to 'other'. This morning, I was asked about psychological injuries, and certainly of the 'other', two of those 15 related to socio-psycho issues.

CHAIR - Only two.

Mr CARBONE - That's my understanding.

CHAIR - That's quite remarkable, really.

Mr CARBONE - Having said that, chair, we acknowledge that we can and will do more. In part, that's why we've just launched today the *Spirit* team member culture and people survey. We're certainly looking forward to receiving that feedback in the weeks to come.

CHAIR - What sort of relationship do you have with unions representing workers?

Mr CARBONE - We'd characterise it as a positive working relationship. If I can talk about the culture survey that we've just released, it was important to me that we got as high a participation rate as possible. Based on past lived experience, it was important to ensure that the union was supportive of that culture survey taking place. The team worked hard with our

PUBLIC

union counterparts to ensure they were supportive of the survey we've just launched. I guess I would characterise it as positive working relationships.

CHAIR - Have the unions raised any concerns in relation to what they want to see tackled?

Mr CARBONE - At the moment we have a number of expired enterprise agreements. We're working through a consultative process with our two key unions over our three EBAs. We are listening and certainly will work consultatively together to try to solve any of those differences. Certainly, in periods gone by, TT-Line management flew a number of union leaders to Finland in order to inspect the vessels and try to pre-empt and proactively deal with concerns they had regarding the implementation of the new ships.

Mr VERMEY - With the other ship coming out, the crew for that, will that be a different crew that's potentially been training on the ship that's here now to be part of that coming back? Is that all going pretty much to time, it's all on schedule?

Mr KANOFSKI - I will let the CEO speak to it, but we don't have any shortage of crew who want to make that journey. If you're a seafarer, I'm sure it's a very attractive option, but I will let the CEO speak to the detail.

Mr CARBONE - I concur with the chair. It's certainly something that many team members have expressed an interest in. What's really important is we use the period between now and the October go-live to train as many team members as possible. Certainly what we've been doing is rotating through the new vessel being *IV* and *V* and we certainly plan to do more of that in the coming months. In short, I suspect it will be a combination of crew that have been on board one of the new ships and crew that have not been on board.

Mr VINCENT - It's quite interesting, the logistics of ports that you - and the route that you have to take and steaming time - I guess that's still a term, is it, steaming time? - and the different fuels, as the chair touched on before - that trials were done with both and there is a - halfway through the trip the crew does full swap over - pretty well a full swap over halfway out, I think. The other thing that was very interesting to me was a lot of people tracked it and I think those letters in the paper to ask why it diverted this one that way. No different to a plane diverting around storms, or no different to a ship with rough seas or anything. You don't want to be punching into the sea when you can use the weather much smarter. So, there are diversions on the way out as well.

Mr KANOFSKI - Although I am assured by Rear Admiral Steve Gilmore, who's a board member who was on board the ship from Fremantle to Hobart and coming across the Bight in some very, very rough weather that - in his words, and he's a seafarer, I'm not - he said the ship handled beautifully in really rough weather, which is important, because we don't cancel sailings due to rough weather as a matter of course. That's not to say we would never cancel one but we sail across the Strait in pretty heavy weather at times. That's important to people - being able to get to where they need to get to.

Mr CARBONE - Minister, if I may share with the committee - it may surprise you, committee, but some of the team members are very attached to the existing vessels. It's been their home for the past 23-plus years, and some of them have had the same cabin for that whole time. Certainly, it is mixed emotions for some of the team. There's genuine excitement about

PUBLIC

the new vessels, but some team members are very keen on saying a proper goodbye to the existing vessels when they complete their final run.

Ms DOW - Just on that, what do you have planned for that? Do you have some type of celebration or something with staff?

Mr KANOFSKI - There will be plans and they will be announced in due course, would be my answer to that.

Ms DOW - The other question I wanted to ask you, following on from Ms Burnet, was how often do you meet with the union representatives, as an organisation?

Mr CARBONE - We have an industrial relations manager. He would speak to the unions on an almost daily basis, I would suspect. We've got structured meetings in place between the marine operations management and the unions.

Ms DOW - Thank you. I want to take you back to marketing. This morning, I think you said that you have \$14 million in your budget for marketing and that had remained steady for a long while. Given you've got decreases in numbers, given you've acknowledged the reputational damage that's been done through the ferry fiasco, what are your intentions to increase that, to make sure that you're maximising every opportunity to ensure that people know about our new *Spirits*, know about Tasmania, and we get as many people on them as possible?

Mr KANOFSKI - We believe as a board and as a management that better targeting of that spend is what's required and that's what we believe. If we believe there's a business case for more marketing because it will attract more people and therefore will more than pay for itself, then absolutely that's something we'd consider. As I said, we think there's a fair bit that can be done just in retargeting the existing spend before we go to new spend.

Ms DOW - How many years has it been, 14?

Mr KANOFSKI - I don't know. I'd have to take it on notice. It's relatively steady in the two financial years that are in this annual report, but we'd have to take it on notice.

Ms DOW - Thank you. I will pop it on notice. You spoke before about Savour Tasmania doing some hospitality on the ships to get people on - obviously to inform them about what's available across Tasmania and to provide TTasmanian products. Will you do something like that whilst *Spirit IV* is berthed in Geelong, as a bit of a taster for people to encourage people to get on the ships and promote what's great about Tasmania?

Mr CARBONE - The reality is that at the moment *Spirit IV* is at anchor, so there's limited opportunities to do that. Certainly, when *Spirit V* comes out to Tasmania and hopefully *Spirit IV* gets onto a berth in Geelong, it will give us opportunities to do that. As I hopefully articulated earlier, the sneak peeks were incredibly well received. One of the things that we will do is do more of those and extend them to both community groups, school groups and hopefully have a far extended period in the build-up to the go-live, next year.

Ms DOW - I know that you said before that you don't target international tourists. If there was an international community that you wanted to target, what would that be? Where do you think there is an opportunity to grow the market internationally for TT-Line?

PUBLIC

Mr CARBONE - As a recent example, we've had the CEO of Tourism Tasmania in India - certainly that's one market where we think there might be some international growth from. But we are not the international experts, hence why we are absolutely listening to Tourism Tasmania.

Ms DOW - Have you given any consideration to opening up the vessels in Leith for people to have a look and promote about?

Mr CARBONE - We haven't considered that at the moment. One of the reasons for that is it's in a secure port. In order to get into that port, you need to show photo ID; it's a maritime secure area. It's not possible at the moment given where the vessel is moored.

CHAIR - I have a question about log trucks. I wonder if there is any preferential treatment with log trucks going on to the current vessels, over tourism or other freight?

Mr KANOFSKI - The CEO can comment further, but we don't preference one - we certainly make broad allocations of space between the freight and the tourism markets, because we need to do that to in order to manage bookings, but we don't preference particular styles of freight.

CHAIR - So it's a first-in, best-dressed?

Mr KANOFSKI - Regular customers would get some preference in that, but no, not a particular style of freight. Chris?

Mr CARBONE - Further to the chairman's comments, we will check and revert with hard data, but certainly I'm not aware of any logs being transported.

Mr KANOFSKI - That was actually going to be my comment, I don't think we do transport any, but I can't say that for sure.

CHAIR - Alright, so you will take that on notice?

Mr KANOFSKI - Yes.

CHAIR - In relation to the fit-out: my understanding was that there were concerns with some of the tabletops and bed sizes. Can you clarify whether those had to be redesigned?

Mr CARBONE - As part of the soft launch sneak-peeks in Hobart on *Spirit IV*, we had some people from all-abilities groups come on board the vessels. That was a great insight for me and the leadership team. They certainly gave us some feedback not only around some of the positive all-abilities features onboard the new ships but also gave us some feedback on things we need to modify. As an example, it was identified that we didn't have enough tabletops at the right height for people in wheelchairs. That's feedback we've taken on board and are acting upon and we will address those prior to the vessels going into service.

CHAIR - That's great. It's good to learn from those examples. Were there any modifications that were required with the original specifications of the fit-out?

Mr CARBONE - Not that I'm aware.

PUBLIC

CHAIR - Not that you're aware? Okay. Any other questions?

Ms DOW - One last question to the minister. Did you know that the Chair was going to table this document today?

Mr VINCENT - I received it this morning myself.

Ms DOW - Did you know it was going to be tabled here, in the hearing?

Mr VINCENT - No.

Ms DOW - You didn't know that? Okay, thank you.

CHAIR - Any other questions? We've come almost to the end of your time. If there are no more questions, is there anything else? We've come to the end of the time now. I thank the witnesses and minister and thank the committee.

We resume at 8.45 a.m. tomorrow morning, which is the Tasmanian Irrigation scrutiny. Thank you everybody.

The committee adjourned at 4.00 p.m.