



2 June 2020

Bernard Dwyer
Chief Executive Officer
TT-Line
PO Box 168E
EAST DEVONPORT TAS 7310

Dear Bernard

Re: TT Line – TasPorts, letter dated 29 May 2020

Thank you for your letter dated Friday 29 May 2020 and received via email on Saturday 30 May 2020.

Infrastructure requirements to support arrival of new vessels

TasPorts is committed to expediting where possible the delivery of infrastructure in support of your new vessels. In order to achieve this, we require decisions to be made and agreement to be reached.

To facilitate the arrival of TT Line's new vessels in Devonport, substantial upgrade works are required. The combination of infrastructure works and operational continuance creates complexity and cost. The time required to complete these works is 39 months. This duration is directly informed by the scope of works and the staging associated with your request for no operational disruption.

At this point in time, we are not yet at month one. In order to commence TasPorts requires a commercial agreement and a signed copy of the Functional User Requirements.

In regards to bespoke capital items, these have been directly informed by TT-Line's requirements. TasPorts has undertaken to have transparently costed, via a quantity surveyor, the items specifically requested by TT-Line. No margin has been factored into these pricing estimates.

TasPorts has accepted (and continues to do so) a request from TT-Line to fund the bespoke capital elements. The proposed return rate of 8.4% is well below our published WACC rate of 13.4% and importantly considers matters including the implication of this debt upon TasPorts' balance sheet and impacts to other investments our business may consider. Throughout the discussions to this point TasPorts has encouraged TT-Line to consider funding and delivering these elements.

The tone of your letter suggests that TT-Line wish to directly approve, fund and source bespoke capital items. We are in agreement with this. In order to proceed we require your assurance that the timing and delivery integration of these items will be co-ordinated within the overall delivery schedule. If you require further involvement of TasPorts in the bespoke capital items please advise us.

Head Office
90-110 Willis Street,
Launceston
PO Box 1060
Launceston
Tasmania 7250
reception@tasports.com.au

Port of Devonport
48 Formby Road,
Devonport
PO Box 478
Devonport
Tasmania 7310

Port of Bell Bay
Mobii Road,
Bell Bay
Locked Bag 4
George Town
Tasmania 7253

Port of Burnie
Port Road,
Burnie
PO Box 216
Burnie
Tasmania 7320

Port of Hobart
Level 13,
Trafalgar Building
110 Collins Street
GPO Box 202 Hobart
Tasmania 7001

Commercial arrangements

We believe that the commercial arrangements put forward are fair and reasonable. I must admit that your proposal of maintaining the existing commercial arrangements plus CPI did come as a surprise. Given the significant capital investment required, this is impossible to achieve.

We have consistently invited and welcome for consideration TT-Line's views on alternative mechanisms that can satisfy the risks associated with a long term lease underpinned by a set of predominantly variable charges.

TasPorts has respected TT-Line's advice received on two separate occasions in February that your discussions associated with the VicPorts' lease and shipyard took priority over interactions with TasPorts on a new lease for Devonport. This has delayed any meaningful interactions between our businesses. We note these discussions have now commenced in May and can be expedited to provide certainty around estimated completion dates.

TasPorts has undertaken an assessment of the impact of the proposed pricing outputs measured against TT-Line's 2019 calendar volumes and notes that TT-Line remitted to TasPorts circa \$6.2M for the period and estimates under the new proposal this value would be calculated to be \$13.1M (excluding the bespoke capital element). The quantum of this change is below the \$8M increase TT-Line advised it had calculated on 7 Feb 2020.

Attached for your review and comment is a DRAFT Comparative Pricing Table (Appendix A). I would appreciate it if you can advise any errors or omissions on our behalf and whether you wish to provide any further input into the summary. Our view is that this summary confirms the offer we have made is fair and reasonable, but perhaps it is over generous for TT-Line. We stand by our offer.

If our pricing structure does not meet your satisfaction as previously mentioned, we would be pleased to consider the transfer to TT-Line of part or all of the land and infrastructure at the new location selected. This would enable TT-Line to deliver independently of TasPorts the required upgrades to landside infrastructure and would negate the need for TT-Line to make wharfage and rent payments. I also appreciate that this would require further deeper consideration by your business.

I believe that it is in everyone's interest that this matter be wrapped up as soon as possible. Please advise your availability for a meeting in Hobart. I can be available Wednesday, Thursday and Friday.

Our Chairman has undertaken to commit to the Minister to provide a written update the week commencing 9 June 2020 on the status of our discussions and areas of departure. This will enable both parties to identify areas of departures from agreement such that resolution can be achieved as quickly as possible, and enable commencement of infrastructure upgrades.

Yours sincerely,



Anthony Donald
Chief Executive Officer

TT Line Comparative Pricing Table - (Dec Qtr. 2019 volumes) *VicPorts & POM data from published Schedules of Charges/Tariffs

[illegible]

Bespoke Capital Detail (to be funded and delivered by TT-Line)

	\$M
Pavement & earthworks	\$ 10.21
Ramps	\$ 37.71
Automated mooring units	\$ 9.57
Services	\$ 0.78
Buildings	\$ 12.25
Total	\$ 70.53
Total including contingency	\$ 77.58

Notes

*1 Marine Services Charge

*2 Vehicles

*3 Property Rental

TT Line Comparative Pricing Table - (Calendar year 2019 volumes) *VicPorts & POM data from published Schedules of Charges/Tariffs

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