THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON FRIDAY 6 NOVEMBER 2026.

INQUIRY INTO THE TT-LINE SPIRITS PROJECT

The Committee met at 9:33 am.

CHAIR - Thank you, Ken and the team, for appearing before the Public Accounts Committee's ongoing inquiry into TT-Line, particularly the delivery of the new vessels and berthing infrastructure. We know that that's reaching a conclusion at this point. but also the ongoing scrutiny of the financial performance of TT-Line will continue at this point.

I invite all of you people at the table who will be speaking to take the statutory declaration and then for you to make some opening statements and hand to whoever you wish to beyond that.

Mr KEN KANOFSKI, CHAIR**, Mr CHRIS CARBONE**, CHIEF EXECUTIVE OFFICER, **Mr CLARK WHELAN,** CHIEF FINANCIAL OFFICER, AND **Mr PAUL KIRKWOOD,** PROJECT MANAGER, TT-LINE REPRESENTATIVES, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Because it's Clark's first time at the table, could you just describe the role you hold, please.

Mr WHELAN - Yes, Chair. My role is Chief Financial Officer for TT-Line.

Mr KANOFSKI - Chair, I'm going to make an opening statement and then we've got just a brief presentation on where we've got to with Berth 3, as we normally do, for the record.

The *Spirit of Tasmania IV* and *V* have now completed six in-service voyages each following successful maiden voyages on 31 October 2026. Feedback from passengers has been overwhelmingly positive. There have been some issues, and we apologise to customers for the delays experienced yesterday on *Spirit of Tasmania IV*. Yesterday, we had an operational issue. All of the backup systems and procedures kicked into place. All of the protocols were followed. The captain was always in control of the ship and at all times passengers and crew were safe.

A safety-first decision was made that a tug should accompany the ship into the harbour as a precautionary measure. A two-and-a-half-hour wait for the tug to arrive meant that we were four hours late because the tug needed to be mobilised and get to the vessel. I applaud that decision. It can be truly frustrating to be late; we understand that frustration and we apologise for the inconvenience, but safety is always more important than schedule. The CEO, the marine operations staff, the captain and the crew know that our board will always back their decisions to put safety first. If we get criticised for that, then I'm happy to take that criticism. In the end, the tug was not needed and not used. It was still a good decision to have it.

I'm not making excuses, but I think anyone who travels knows that operational delays are a part and parcel of travelling, whether it's by sea, whether it's by air, whether it's by train, whether it's on a bus. We also note that the matter is subject to an independent investigation and we'll work very closely with the Australian Transport Safety Bureau.

The food and beverage and cabin services on the new ships have drawn praise from almost every person that has been on board. People have noted the quality of the food, the spacious and comfortable hospitality and lounge areas, and have also noted that it is 100 per cent Tasmanian - from the artwork to the timber, to every possible item that can be sourced in Tasmania being sourced in Tasmania. People have noticed and they like what they see. There have been some teething issues on board with cabin and food services, which were to be expected. These have been, or are being worked through and rectified. *Spirit IV* and *V* are in service. They are great ships, they are safe ships, they are reliable ships, and we are proud to have put them to work for the people of Tasmania.

Berth 3 at Devonport was completed in mid-September [2026], a couple of weeks ahead of schedule. The final few stages of the Spirit Quay project will be completed over the next year or so, with work still to be completed including temporary and permanent relocation of the TT-Line office to West Devonport, Stage 2 works at Terminal 3, and the make-good of Terminal 1. Overall, and including retaining a healthy contingency, we expect all works to be completed for less than $480 million, against the estimate of $493 million.

The company's financial sustainability plan, outlined in our 2 March 2026 submission, the Government is progressing. $137 million in equity have been received in 2026-27, with a further $63 million to be received likely before Christmas. The Budget and forward Estimates included an additional $102 million of equity planned in each of the next three financial years. TASCORP and the Treasurer have approved the restructuring of the company's debt, and that is taking place. Importantly, the company is trading ahead of the forecast on which the equity plan was based.

Ticket sales for the new *Spirit* vessels have been strong, and we have no caravan or campervan waitlist for this high season. This is great news for the tourism sector. Last year at this time we had 500 on the waiting list. The Board and management of TT-Line are focused on initiatives in every part of the business to improve safety, customer experience, operational and financial performance. A great milestone has been reached and there is still more work to be done. I think we'll go to the presentation if that suits, Chair.

CHAIR - I will just note, the Public Accounts Committee travelled on the *Spirit* - not *IV*, we were on *V* - but we did travel at our own expense, which I think is really important for the public to understand. But we can concur with the experience on board. Well, I personally can, so I'm sure other members can. It was very noticeable.

Mr KANOFSKI - They're exceptional.

CHAIR - Yeah.

Mr KIRKWOOD - It will be, I think, as the project has come to an end, a fairly short presentation, but we'll take you through some of the key things that we've done over the past two years and show you where we're heading now for the rest of the project. As the Chair has said, the project was complete on 14 September [2026], which was slightly ahead of where we expected it to be. The main marine project carried out by BMD, which is all of the gantry, the landside works, all of the marine infrastructure, was actually completed two weeks ahead of that again. So, that project was handed over, or the bulk of that work, was handed over at the end of August, on 28 August [2026], which was considerably ahead of where we intended to be.

First sailings did happen on the 31st [August 2026], as we've been forecasting to this Committee, and I'll go through the numbers later in camera. But we are significantly under the $493 [million], including healthy contingencies to account for the works that have to happen over the next year or two years. But again, we'll go through what those works are so the Committee can see what is left to do.

So, project progress. This is more of a recap of where we are. The project is now complete. The gantry - the people who've been sailing on the vessels will have seen the gantry is complete. It's impressive. It is working perfectly. We haven't had any significant issues that have affected any operations since the day it was commissioned. This is the gantry that was built in China, the 1,000- to 1,200-tonne gantry that was brought in. All of the hydraulic, smarts and control systems you see are built by Crib Point Engineering out of Melbourne, and this is all locally manufactured equipment in Melbourne. But it's working well. I don't think there are any issues that we can advise or note with the gantry.

The rest of the marine works are also complete, and these are 100 per cent complete. So, the rock bags, the large-scale protection bags that the Committee will have seen over the side of the vessel, they were all in. This is a new technology: it's built out of a Japanese mesh fabric which has a sort of 25- to 50-year life. It's all made out of recycled plastics. There's over 2,000 of these bags had to go in, and each one is positioned by GPS, so they're positioned precisely to fit together and interlock. This protects the berth pocket for certainly the life of these vessels and beyond. The ramp, this was built by BridgePro. The ramp is the concrete structure that gets you to the gantry. The main dolphin fender and all of the other marine infrastructure that you see was built by BMD with their partner Fitzgeralds.

Again, you can see the size of the sites. For anybody that's now sailed on the new vessels, the site is impressive. It's complete. All of the parking areas are done, and we'll go through some of the buildings in the presentation as we go through. As I say, there is there is nothing on the site as we see it today that we've been working on that is left to do. All of the future works sit outside of this particular site boundary. Ancillary buildings, again, all complete. These cover things like the freight building, the freight receiving building and amenity building for customers waiting in the passenger lanes, as well as the stevedore buildings. We have the new security and combined security and biosecurity lanes going in and out, which are working very, very well, and we've seen those operating over the last week.

Then we have the other ancillary buildings - things like the motorbike shelters, which I think are going to be well received, and things that you don't see on here that are planned. We're working with Six Rivers to provide artwork and murals around the back of the motorbike enclosures, and that's one of the small amounts of work we still have to do. Passenger boarding areas, I won't dwell too long on this. I think we've all seen how this is working. The passenger terminal, I think, is particularly impressive, and this one has been well received. The use of Tasmanian timbers, the Tasmanian timber frame, the local joinery firms and cabinet-making firms have been engaged to build the furniture. All of it's very impressive, it's very Tasmanian. It has its own identity. It's equally impressive to the Geelong site, but they are very, very different buildings - but operate very well.

We'll just touch on commissioning. The site is commissioned, it's fully commissioned. This was the transition, the handover from the T3 construction team to the TT-Line's operational team. This happened as we intended and as we forecast in the previous presentations. The site was formally handed over to TT-Line on 14 October [2026], so it

became an operational facility on the 14th. And then the final commissioning works, mainly around IT and digital signage and things like that, continue through to operations. I'll hand over to Chris, and he can talk about the operational matters.

Mr CARBONE - Chair, just a quick update on the trials we did in the lead-up to the inaugural sailing. We did the 12 operational sailings. What we did on those sailings is we progressively ramped up our freight volumes. We tested all the new technology on the ship, and we used a number of our staff members and their immediate families to assist us with testing of everything from coffee machines to bed, to linens, to showers, to toilets, to wi-fi. And that was certainly very helpful, because after each sailing, we got together as a team and had a debrief on the experience on each of the two vessels. Certainly, we were able to shake down a lot of smaller issues during those sailings, which I think prepared us well for day one. Notwithstanding we have had some issues, and very happy to talk to those in the session today. But I think, all in all, we feel it was the right decision to do those test sailings and certainly we got a lot of benefit out of those. We tested the full end-to-end processes, so we did everything from printing boarding passes to check-in to using the restaurants and certainly disembarkation.

I might talk to this next slide. Mr Kirkwood referred to Stage 2 works. In terms of what's still to be done, TT-Line is required to make good our Terminal 1, so we have come to an MOU with TasPorts in relation to the works that will be done at Terminal 1. I'm pleased to report some of that work has already started, and certainly it's all going to plan. Once we finish the demolition of Terminal 1, which will be some time in the next six months, we eventually end up in a land swap whereby the area marked on the image today, TT-Line Area B, we take possession of that in approximately six months' time, once T1 is demolished. That area already has hardstand on it and what we'll do is convert that into crew staff contracted parking, use it for some overflow freight yard, and then we'll build a shed on it for some warehousing for marine parts and stores. So, that is the work still to be done, which will be completed over the next six to 12 months.

CHAIR - Just on that area, Chris, one of the things that's been raised with me by members of the public is that if you're going on foot onto the vessel and you're only going to be gone for a week, there's nowhere to park your car and leave it there. Is it contemplated that there'll be some sort of public car-parking area provided?

Mr CARBONE - Yes, Chair. It's certainly been considered as part of the design. Right now we're in the process of designing exactly what goes into that Area B, but certainly parking is envisaged to take up most of that area.

CHAIR - Including for members of the public, potentially?

Mr CARBONE - Quite possibly. First and foremost, we'll provide parking for our crew, given they need to park their vehicles for 28 days at a time. But certainly, it is envisaged there's sufficient area for other parking.

Mr KANOFSKI - We can put a boom gate or something as well.

Mr VERMEY - There would be parking that would be like airport long-term fee for staying, that type of thing, I imagine?

Mr CARBONE - Look, within a few hundred metres of the terminal there's already a local council car park and other off-street parking. as mentioned, we're still in the design phase for Area B but we're not planning any paid parking at this point in time.

Mr KIRKWOOD - The remaining slides relate to the financials of the project. we were intending to take those in camera, if we could. We could either do that now or at a later point if you're -

CHAIR - How long do you think you'll need for that?

Mr KIRKWOOD - Only a few minutes. It's only a single slide.

CHAIR - Maybe we'll do it now, otherwise it'll just be too disruptive, I think, if we try to do it at the end. So, we will take a short period in camera. We'll stop the broadcast to do that.

The public hearing suspended from 9:48 a.m. until 9:53 a.m.

CHAIR - Thanks for the presentation. Just a couple from me initially. It's great to see that it has got to this point and on time. I'm sure that's a relief to everyone. Just going to the review of the incident with the vessel, I understand that *Spirit V* also had, in their trial period, some issues with this. Was that subject to an independent review at the time like the one that *Spirit IV* is now?

Mr CARBONE - After we had the first incident on *Spirit V*, the company decided to appoint an independent investigator. That investigation is nearing a conclusion but I have not yet received the draft report from the investigator. So, the company chose to appoint our own investigator. I also issued an all-staff announcement within 24 hours of the incident. There was no intention to cover the incident up. In fact, we communicated to all staff.

CHAIR - That was the *Spirit V* one?

Mr CARBONE - The *Spirit V* incident, and certainly, the ATSB[1] have chosen to investigate and we respect that process.

CHAIR - So *Spirit IV*, the events that happened there were the same or similar?

Mr CARBONE - I think it's probably too early to speculate, but certainly -

CHAIR - They both related to the steering of the vessel though, yes? Is that right?

Mr CARBONE - Both related to steering, but I'm not sure that they are the same root cause of the incident. In terms of the incident yesterday, the fault was identified when the vessel was in Geelong, the fault was rectified, we had AMSA[2] on board the vessel, we had the Geelong assistant harbour master on board the vessel, and the vessel was cleared to operate last night.

[1] Australian Transport Safety Bureau
[2] Australian Maritime Safety Authority

CHAIR - When you get the independent report, what status will that have? Will it be something that will be made public so that people have confidence that it's been addressed?

Mr CARBONE - We're planning to be fully transparent. The independent reports, whilst they're being prepared for the Board, the intention is they'll be shared with ATSB and AMSA.

CHAIR - We know that the media can report things in a way that perhaps is not entirely in line with the reality. In terms of the confidence of the passengers, they might read the media, as opposed to listen to the full explanation provided this morning from the Chair. How do you ensure the confidence of the passengers?

Mr CARBONE - I mean, the vessels are safe, I want to start. I also want to put on record that safety, care for our passengers, for our crew, for the community, is our number one priority. I just want to absolutely state that for the record. What I would say is that on the ATSB website, they've indicated they'll issue a report in quarter 2 of 2027. I appreciate that's some time away but, certainly, the company's already put in place corrective actions. Again, I want to make that well-documented. And our independent report, as I've indicated to you, will be finalised within days and weeks, not months.

CHAIR - The one that you commissioned on *Spirit V?*

Mr CARBONE - I've commissioned an independent report from an expert for both incidents. That's prudent to have an external review of what's occurred.

CHAIR - Is that something you'd be willing to share with the Committee, the outcome of those?

Mr CARBONE - I don't see why not.

Mr KANOFSKI - I can't see why not. We'll take it on notice, I honestly don't see why not, but let's just take it on notice.

CHAIR - We'll write to you to ask, so there's a formal request for that.

Mr CARBONE - Chair, if I could also make the comment that the ships have two steering systems on them. They have a primary system and they have a backup system. Those systems are independent of each other. In fact, they're made by different manufacturers. And that's part of the whole safety system on board the ship. Yesterday's incident, the primary system failed. We moved to the backup system and because we had no further backup, that's why the tug was called, because, obviously, when you're on the backup system, there's no further backup. Hence why the tug was used. The tug at no point touched the ship. It was off the back of the ship as an added precaution. Again, as the chair said in the opening comments, I think that was the most prudent, responsible thing to do. But I want to assure everyone that these new ships are safe, and they also have full redundancy across all the operating systems on the ship.

Mr KANOFSKI - And just to reiterate what I said in the opening statement, everything that happened yesterday happened by the book. All the protocols were followed, all the processes were followed in order to keep people safe, and that's what we'd expect. Operational issues happen: it's the nature of operating equipment.

CHAIR - It's just that the history makes people a little bit anxious, that's all. Anyway, it's helpful to have that all clarified.

Mr CARBONE - Chair, I think also, we've tried at a number of public forums to say, like any new operation, we will have teething issues. Whether we're introducing new planes, new buses, new trains, new ships, we will have teething issues. We're trying to minimise those. We've apologised for the inconvenience to passengers yesterday. And certainly, the crew on board, whilst they do an amazing job, we've certainly taken on board some of the comments we've received about improved communication. I can assure everyone that yesterday, whilst things can always be handled better, we kept the food outlets opened, the wake-up call was delayed. But I want to acknowledge there's always room for improvement.

CHAIR - Sure. We wrote to you a while back with some questions on notice from our last hearing and appreciate the information you provided. I do note we asked for a copy of the 2026-27 Statement of Corporate Intent, and you've suggested that should be received in confidence. The Committee's happy to acknowledge when things should be confidential but, as I understand it, this is normally a document that's published.

Mr KANOFSKI - Sorry, that might be an error in the letter because the business case is confidential but the Statement of Corporate Intent is a public document.

Mr WINTER - The letter goes into some detail as to why it shouldn't be published.

Mr CARBONE - Okay. Happy to reconsider that position.

Mr WINTER - I've got a copy of the last one, which is a little short on detail. The new one that I've read, and I can't currently speak to, has got a bit more detail, which is really important. Are you happy for us to ask questions about that one?

Mr KANOFSKI - Yes, about what's in the Statement of Corporate Intent that you've got there? Yes.

Mr WINTER - Are you comfortable with that, Chair?

CHAIR - Yes.

Mr KANOFSKI - Yes, and happy to take those questions in open. Sorry, if there's been a level of confusion.

CHAIR - And the other matter - and I will just ventilate it here, is that we did some time ago request the original business case for the *Spirit* replacement program. You've indicated that that's a Cabinet-in-confidence document. I, as the Chair, have contacted the Minister seeking that. We're waiting back on that from the Minister. Can you just talk us through why that's not an appropriate thing for you to share?

Mr KANOFSKI - I will start. So, when we were getting all the documents, we actually found the letter sending it to Ministers and, you know, it stated that it was provided on a Cabinet-in-confidence basis so, in our view, we don't have the authority to release it. That's just the simple fact of the matter, so that's really the position. But I understand you've written to the ministers, so we'll leave it in their hands to respond.

CHAIR - Sure. But you have no issue with it being released?

Mr KANOFSKI - We have no issue with this Committee having it, no.

Mr WINTER - I will start on that business case. This is a 2017 business case that kicked this entire project off. When I look at the Statement of Corporate Intent for 2026-27, I'm a bit surprised at the lack of uptick in revenue being generated. For example, revenue in the 2025-26 actual was around $300 million, or $298 million, then for 2026-27 the target is only $305 million. Is that in line with the original business case, and can you provide some commentary as to why the revenue uptick from having these massive new ships would not be greater than that?

Mr KANOFSKI - I'll start and then I'll hand to the CEO. So, we've taken a reasonably conservative approach. We took a view that until you've got evidence, we weren't prepared to speculate on huge amounts of revenue uplift. There is some revenue uplift in there. There's also a week of no sailings in 2026-2027, so that gives you a 2 per cent loss of revenue straight up. So, look, I guess what we would say is we wanted our forecast to be based on revenue that we were confident that we would get. Now, clearly, we're actually trading ahead of that. As I said, it's a reasonably conservative position but we think, in the circumstances, that's the right approach

Mr WINTER - Into 2026-2027, obviously the new ships aren't operating until -

Mr KANOFSKI - October, yes, so -

Mr WINTER - November basically, as well. Do you have a forecast on a full-year basis what the additional revenue will be above and beyond what the old ships were capable of delivering?

Mr KANOFSKI - Well, I think if you look at the 2028 -

Mr WINTER - Which I can't see, unfortunately.

CHAIR - It would be in the corporate plan.

Mr KANOFSKI - Uh, okay. We've not provided that yet.

Mr CARBONE - I think we've acknowledged we'll take it on notice, and we'll revert with details of why that was not shared.

Mr WINTER - I guess the whole basis of this publicly has been around getting additional - well, 40 per cent has been the number used. Since then, it's been identified there's not going to be day sailings, and the revenue forecasts are quite small. So, I'm trying to understand how this matches up with the original business case. It appears to me that, at the moment at least, you're forecasting very minimal revenue increases. How do you explain that?

Mr KANOFSKI - Yes, certainly, we will sort out the issue with the statement of corporate intent and you'll see the 2028 - and 2029?

Mr WINTER - The Statement of Corporate Intent I'm reading only has the 2026-2027 target. I think it's one year ahead.

Mr KANOFSKI - So, the latest one has three years. So, we will -

CHAIR - There's an updated one from the one you provided? Is that what you're saying?

Mr WINTER - We're reading a statement of corporate intent that has the 2026-2027.

Mr KANOFSKI - That's the interim one, isn't it? We will get you the latest copy. It has revenue for 2028 and 2029.

Mr WINTER - So it has two years ahead?

Mr KANOFSKI - It has three years. And I think what I would encourage you to do is have a look at the 2028 year because that's a year of full operations of the new ships.

Mr WINTER - Can you just, for the Committee today, speak a little bit to that? What are we expecting to see in terms of revenue uptick, or passengers or freight? Any of those KPIs?[3]

Mr KANOFSKI - Can I just take it on notice for now and we'll -

Mr WINTER - Sure. And we might be able to get to it before the end of the hearing. That would be great.

Mr KANOFSKI - And we might get to it before the end of the hearing. I don't have it in my notes, that's all. Maybe Clark can have a look.

Mr WINTER - Obviously, the Auditor-General's report, once again, is concerning, but also in your own annual report, your own E4, 5 and 6 declarations around the matter of being a going concern. I was wondering, just to start with, if you could speak to the directors' view in terms of the risks associated with the business going forward and how confident you are that this business is a going concern?

Mr KANOFSKI - We are very confident that it's a going concern. We have articulated the risks there because that's a prudent thing to do. I mean, several of those risks, as we say, if the government decided not to put in the future equity that's been promised, that would be a risk, clearly. If we hadn't managed to restructure the debt, which we now have, that would have been a risk because we had some debt maturity dates that are quite close. We are acknowledging, and particularly at the time when we drafted that report, we're acknowledging that there's no certainty around what the demand for the new vessels is going to be. But what I would say is that the demand, since we have put it on sale, has been very strong. So, we're acknowledging those risks because you should, but we feel we put an equity plan to government that had a set of assumptions in it and, so far, we are trading ahead of those assumptions. And also, because it doesn't flow to revenue yet - the bookings are strong, because that doesn't flow to revenue until those people actually sail, but you can forecast what your revenue is going to look like by prior bookings.

[3] Key Performance Indicators

So, we feel very confident around the business as a going concern. But we've, rightly, articulated the risks, which we did last year in a slightly different way, to be honest. Last year we didn't have those statements in that form, but we had it in the basis of preparation of the accounts. We had commentary, and in the directors' declaration we had commentary, which did acknowledge the risks at that point in time and did say explicitly that the directors were using an assumption that the government would put in more money if it needed to, at that point, because at that moment we hadn't calculated what we thought. So, we were plain about it last year as well, to be honest, that there could be a need for more money to be put in, and our going concern assumption was based on the fact that that might be needed.

Mr WINTER - Sure. In the going concern note, in E5, you've said:

> The directors acknowledge that these circumstances give rise to material uncertainties related to events and conditions that may cast doubt on the company's ability to continue as a going concern.

The material uncertainties are described in E6, and they go through to some of the things that you've just spoken about. In fact, all of them, I think. The other thing that's come out of -

Mr KANOFSKI - And as I would say, clearly, one of them has already happened in terms of debt restructuring. I think we have confidence that the government will honour what's in the forward Estimates. So, there's two of the issues. I don't have it right in front of me, but the third issue around, 'Well, what's the trading going to look like?', the trading currently looks pretty good.

Mr WINTER - The other issue, as raised by the Auditor-General, is around the cost restructuring and the assumption that the annual cost savings of $15 million per year, effective from 1 July 2030, were embedded into the financial forecast. What are your -?

Mr KANOFSKI - We are tracking that. It's pretty early days. We have made some permanent savings to the cost base. That's $15 million per annum by 2030. It's not $15 million per annum right now, today. There's a process to be gone through, and we have a process in place internally. The board's very interested in the matter and we'll continue to track it, but at the moment we're comfortable. We remain comfortable with that forecast.

Mr WINTER - The other thing that the accounts show was negative real assets of $215.8 million, which is significantly down from the year before due mostly to an asset writedown. Given the company has now got negative net assets, negative equity, what is your defence at the moment to the view of the Auditor-General that the company is currently insolvent?

Mr KANOFSKI - I don't know that that's the Auditor-General's current view.

Mr WINTER - That's the most recent view that we've heard.

Mr KANOFSKI - If you've got anything updated since the middle of last year -

Mr WINTER - Only the public statements.

Mr KANOFSKI - Can I talk about insolvency a little bit?

Mr WINTER - Sure.

Mr KANOFSKI - First thing is to say we are confident that we can pay our bills as and when they arise. We've always been confident in that. But I'd like to just talk a little bit about the way solvency actually works in reality for directors. And I want to make it very clear here that it is the directors who determine the solvency of the business. Other people are entitled to a view; it is directors that determine solvency. Experts will forgive me an oversimplification but, in essence, solvency starts with a cash-flow test, okay? The regulations make it clear that it's fundamentally a cash-flow test. Unhelpfully, it doesn't tell you over what period you should undertake that cash-flow test. But, helpfully, the courts interpreting the corporations law have.

I'll play bush lawyer and quote some so you can look them up. Anchorage Capital Master Offshore v Sparkes in the New South Wales Court of Appeal confirmed that the courts ordinarily focus on the immediate future rather than debts falling due years later and expressly recognise the accounting treatment of assets and liabilities due to be realised within 12 months. This approach is consistent with the Bell Group Ltd v Westpac Banking Corporation, in which the relevant assessment period was approximately 12 months. It has since been applied in Halliday v IOUpay, and Keybridge Capital. What we have here is the regulatory authorities and the courts applying a rule that essentially says that if you properly apply the cash-flow test, you look forward 12 months, around about.

CHAIR - Which brings us to the point of the debt restructure. We know that that was one of the things that - when we had TASCORP in here, they hadn't finalised the arrangements around that. I understand, from your opening comments, or what you've just said, it has been finalised.

Mr KANOFSKI - It has been finalised, and it was finalised more than 12 months before the maturity date.

CHAIR - So, can you talk us through your debt profile now: the schedule of each of the loans, the amount, the maturity date?

Mr KANOFSKI - Not in detail, but what I can say is there's a variety of maturity dates. There is debt due. The first debt is due in 2028.

CHAIR - How much is that one?

Mr KANOFSKI - It's a relatively modest amount.

Mr CARBONE - It's around $100 million.

Mr KANOFSKI - And we'll need to make a decision over the next little while as to whether we push that out further - and we now have a capacity to push that out further; or whether, in fact, we use the equity contribution to repay it. So, those are decisions we need to make. But let's be clear: the board is laser-focused on ensuring that, at all times, we've got that 12 months of runway, and we're absolutely focused on that. But can I just finish on solvency, because this is important?

Mr WINTER - I agree. I've got another follow-up question on that, too.

Mr KANOFSKI - So, the first test is the cash-flow test. It is our view, based on specialist advice, that at all times we have passed the cash-flow test. That's actually the end of the story: if you pass the cash-flow test, then you're solvent. Secondarily, though, the regulations go on to say, 'Well, even if you don't pass the cash-flow test, there are other things you can consider'. There are other things that directors can consider. I won't go through the full list, but one of them is pretty important. It says - and this is ASIC regulatory guideline 217, paragraph 23 - which goes on to say that directors can consider:

> whether additional money can realistically be raised in a timely manner by the issue of additional share capital -

i.e. an equity injection, in our terms for a government corporation:

> or from future borrowings.

So, my view, and the view of the Board, is that we have belt and we have braces. We think - and we don't think this just ourselves, based on legal advice, that if you properly apply the cash-flow test as legal authorities have applied it, then we pass the cash-flow test at all times. Secondarily, we believe, and the directors have been clear in their statements, that we have a reasonable expectation that we can raise additional money if it is deemed to be necessary to be raised. So, in our view, we are solvent. The Auditor-General is entitled to his view, but I'm laying out our reasons for why we've decided and formed the view that we are solvent.

Mr WINTER - You've given a pretty full answer there, which I appreciate, but the concern I've got is that the advice you're relying on still hasn't been, to my knowledge - has it been requested by the Ministers, the actual legal advice that you've received?

Mr KANOFSKI - And Ministers are rightly cautious here. The determination on solvency is not an issue for shareholders: it is an issue for the Board. So, that's the first - I'm just giving you what the position really is.

Mr WINTER - Well, whether you're solvent or not is an issue for the Ministers. They are the responsible ministers.

Mr KANOFSKI - But it is not their decision.

Mr WINTER - It's your decision unless there's an ASIC intervention, is that correct?

Mr KANOFSKI - Well, it's our decision unless the Federal Court determines differently. There are only two places where solvency can be actually determined: one is by directors and the second is by the Federal Court. That is it. They're the two places that can determine. Shareholders need to be very cautious about becoming shadow directors, and I think, rightly, they need to be cautious about that. A decision was taken that they would be briefed on the legal advice by the legal advisers, and they have been. I'm not putting words in their mouth: I've heard them say they were comfortable with that briefing.

In terms of us releasing the legal advice, you can't pick and choose. I mean, it would probably be quite helpful to me if I released it to you, but you can't pick and choose. Once you start releasing legal advice, then you can't pick and choose, in my view. There's a principle about legal advice. The principle of legal professional privilege is there to protect the interests

of the parties. In this case, there is a set of legal advice that pertains to the company as a company, and there's a set of legal advice that pertains to the directors.

Mr WINTER - I agree because -

Mr KANOFSKI - Because it's a serious allegation -

Mr WINTER - Absolutely. It's been made.

Mr KANOFSKI - and we have a reasonable right to be able to not prejudice our own position.

Mr WINTER - Of course. But this remains an issue of great public interest and our responsibility here, as the Public Accounts Committee, is to extract information. Given that there seems to be an impasse now between the Auditor-General and the directors, have you -

Mr KANOFKSI - I don't know that there is an impasse between the Auditor-General and the directors.

Mr WINTER - Well, I mean, for example, you just said it would be quite helpful to you. Can you release the advice to the Auditor-General, for example?

Mr KANOFKSI - No.

Mr WINTER - Has the Auditor-General requested the advice?

Mr KANOFKSI - Yes.

Mr WINTER - And what's the reason for not providing it to him?

Mr KANOFKSI - Again, it's legally professionally privileged. It's for the use of the parties that have requested it. It's a long-standing legal principle. The Auditor-General has requested it, and we've not provided it to him.

Mr WINTER - On what basis?

Mr KANOFKSI - On the basis that it's legally professionally privileged.

Mr WINTER - I mean, the Auditor-General, as far as I'm concerned, Chair, I wouldn't be publishing the advice, but this may -

Mr KANOFKSI - He's not a party to the advice. I'm sorry, but he's just not. And, as I said, I think you're on a slippery slope when you start to pick and choose when you decide to release legal advice and when you don't.

Mr WINTER - I think we're on a slippery slope when we refuse to provide information to the Auditor-General.

Mr KANOFKSI - I don't think we are at all. We provide the Auditor-General with all information that he is entitled to receive.

CHAIR - So, just on that point -

Mr KANOFKSI - And to be fair, we've been enormously transparent. I think to be really fair here, we have to stand back from this and say this Board and this management have been way more transparent about this business than has previously applied. And that's because we believe in transparency and we want to do that. But, believing in transparency and protecting your legal interests, I think people would reasonably form a view that we are entitled to protect our legal interests.

CHAIR - There are some provisions in other jurisdictions' *Audit Act* equivalents -

Mr KANOFKSI - There are?

CHAIR - that make it very clear about that.

Mr KANOFKSI - And I've said this to the Auditor-General: I said, 'If we're legally required to provide it to you, we will provide it to you'. But we're not.

CHAIR - There's different legal opinions on that, too.

Mr KANOFKSI - I accept that.

Mr WINTER - I've got more but others have probably got questions.

CHAIR - On this?

Mr WINTER - Not particularly on the solvency. I think we might have got to the end of that, but certainly on financing.

CHAIR - Right. If you just go back to the debt profile, what you've said is that the next maturity is 2028 of $10 million -

Mr KIRKWOOD - $100 million, Chair.

CHAIR - Sorry?

Mr KANOFKSI - $100 million.

CHAIR - $100, sorry, I wrote down $10, so it was my mistake. I can't recall now the 2028 equity investment that the Government have committed to in the forward Estimates.

Mr KANOFKSI - $102.

CHAIR - $102. So, you said you may use that?

Mr KANOFKSI - Yes. We need to make a decision over the next coming few months as to whether we restructure - we have a capacity now to restructure the debt some more. The approval we have would allow us to restructure the debt some more and to move that maturity date, but we're still working through the process. And obviously, for us, there are a few swing

factors here in terms of cash flow: the timing of the sale of the existing vessels, how we trade over the next six months. So, we're not going to make a blanket decision right now as to whether we - we may choose to just pay that debt down rather than restructure it. We may just use the $102 million to pay it down, but we're not making that decision today.

CHAIR - This is a question maybe for the Minister or the Treasurer but, as I understand it, these equity transfers were committed to on that basis to enable the paydown of debt?

Mr KANOFKSI - They have two possible uses: they can be used for capital expenditure or for paying down a debt.

CHAIR - So, further capital expenditure in 2028, have you got -

Mr KANOFKSI - Well, there's not huge amounts, so.

CHAIR - I mean we've heard from you that the budget for the overall project covers -

Mr KANOFKSI - Yes. No, it's not huge amounts, as I said. But, Chair, these things are really structural issues around - the lever's now in our hands, approved by TASCORP, approved by the Treasurer, to make decisions about how we do that. So, in other words, from my perspective, does that present a risk? No, it doesn't present a risk because we've got levers that we can use and we've got choices that we can make about how we structure. So, it's really a structuring issue.

CHAIR - What's your total level of debt now then, to be clear?

Mr WHELAN - It's $1.121 billion.

CHAIR - Right.

Mr KANOFSKI - And it will peak this year at $1.15 [billion].

Mr WHELAN - Yes, well, it’s already peaked.

Mr KANOFSKI - It’s already peaked, so it's - yes, okay.

CHAIR - So, it's already picked in this current financial year, and it'll be reducing subsequently?

Mr WHELAN - Because we did pay down - we paid down -

Mr KANOFSKI - $23 [million]?

Mr WHELAN - $24 million last week.

Mr KANOFSKI - $24 million last week.

CHAIR - With the equity transfer from the Government?

Mr KANOFSKI - As part of the equity transfer from the Government, yes.

CHAIR - You've also got the working capital debt.

Mr KANOFSKI - $45 million.

CHAIR - Which sits outside of that - or is that inside that number, the global number?

Mr KANOFSKI - It's inside.

Mr WHELAN - The total is $1.19 billion.

Mr KANOFSKI - So, it's outside, it's not -

Mr WHELAN - That's the revised upper limit of the total debt, and that includes $1.15 billion of borrowing, and the working capital account, $45 [million].

CHAIR - Right. Have you drawn down from that working capital account?

Mr WHELAN - The balance today is zero. There's nothing drawn down from the working capital account.

CHAIR - Right. Part of the whole picture here is the potential, or the expected, whatever you want to call it, sale of the *Spirit*s *I* and *II*. Can you give the Committee an update on where that's at?

Mr KANOFSKI - I'll defer to the CEO, other than to say we are in very advanced discussions.

CHAIR - On both?

Mr KANOFSKI - Further advanced on one than the other, but very advanced.

Mr CARBONE - Yes, Chair, I'm not sure I can add a lot. I mean, we're negotiating with multiple parties through our broker, but I've put on the public record in recent weeks that we're confident we'll sell the vessels in the near future and certainly hope to make public announcements in the coming weeks.

CHAIR - So, you will disclose the sale price once they're sold?

Mr CARBONE - We'll disclose the sale price once we've sold both vessels so we don't impact the sale price.

Mr KANOFSKI - Prejudice the second one. So, yes, once we've sold one, we won't disclose the sale price of that until we've sold the second one, for obvious reasons.

CHAIR - You said very close. Will it be this calendar year, this financial year? What's the expectation?

Mr CARBONE - I think we expect to sell both vessels this financial year. That's certainly my expectation.

Mr KANOFSKI - I think I said the other day that we would expect to sell one, at least one of them, this calendar year. That's our expectation.

CHAIR - And they're both being sold from Geelong, that's where they are, or in that vicinity?

Mr CARBONE - Yes, Chair, both vessels are being sold as is, where is. Certainly, since we laid up the vessels last week, we've been preparing them for sale. That is an extensive process as well.

CHAIR - Are there still ongoing holding costs with those vessels until they're sold?

Mr CARBONE - That's correct.

CHAIR - So, is that part of the operational costs? How is that accounted for?

Mr CARBONE - I think we made a submission to PAC earlier this week where we included the holding costs of *Spirit IV* and *V*, and certainly we're happy to make the same representations going forward for *Spirit*s *I* and *II*. Having said that -

Mr KANOFSKI - I mean, they need a crew on them.

CHAIR - So, one's still alongside at Williamstown and the other one, is that at Station Pier still?

Mr CARBONE - No, the second vessel is in the Port of Melbourne.

Mr KANOFSKI - One's in Williamstown and one's in the Port of Melbourne.

Mr CARBONE - The point I'd make is, in the same way we're transparent about the costs of *IV* and *V*, will do the same for *I* and *II*. We obviously haven't had them parked up for a month. Once we've got our first month of accounting, we're happy to share those.

Mr WINTER - What's the longer-term plan for where they'll be stored if they're not sold, for example, in a couple of months' time?

Mr CARBONE - At the moment we can stay with a single vessel at BAE Williamstown - well, I call it BAE Williamstown, but they've just recently sold that facility. We can certainly hold a vessel there for the foreseeable future. And then we've got options for the second vessel should it not be sold. We've worked with the Harbour Master in Tasmania; there's simply no lay-up location with a berth in Tasmania.

Mr WINTER - Okay, so we'll get the cost on that. Just one more on the solvency issue: has there been any further correspondence from ASIC to or from TT-Line?

Mr KANOFSKI - We've never received any correspondence from ASIC at any time.

Mr WINTER - Okay. It's only through the Auditor-General that we've heard about previously. Thank you.

CHAIR - Just in terms of the costs to the business, it's always an awkward area to go, but in terms of your key personnel, we know that there's been significant termination benefits. I understand there are a lot of reasons behind that, but they are big numbers so I think it's important that we do talk about those. I know during the period after you were appointed chair, you got your chair's fee, but also an additional payment. Will that cease now that the project's delivered?

Mr KANOFSKI - That's a discussion with the shareholders. It's currently approved until 31 December and then it will be a discussion with the shareholders after that.

CHAIR - That's a matter for the Minister, then?

Mr KANOFSKI - It's a matter for the Minister, not a matter for me.

CHAIR - Sure. I know it's a bit awkward.

Mr KANOFSKI - But yeah, it's a matter for the Minister.

CHAIR - In terms of the termination payments, in terms of publicly ventilating some of these rather large figures - over half-a-million dollars in the case of one, what are you able to tell us about that?

Mr KANOFSKI - I'll let the CEO speak to this in detail, but I just want to make two points. I want to make the point that we are changing this business, and we don't resile from that position. We are changing it, and part of that has been refreshing the leadership team. That's quite deliberate and we don't back away from that. To the extent there's a cost to that, then there's a cost to that. The second thing I would say is almost 50 per cent of the - we're required by the annual reporting guidelines in Tasmania to report full cost paid to employees, including annual leave and long service leave entitlements, which are statutory entitlements. And so the $484,000, of that number is accrued annual leave and long service leave. The balance is what I think other people would, or most people would regard as a termination payment.

Mr CARBONE - Chair, the point I'd probably make, which I think we did recently in a different forum, is that the board and myself inherited a set of contracts that I don't believe are contemporary. The board put me on what I would call a contemporary contract and, certainly, all the executive team have been put on contemporary contracts that have far shorter notice periods than what the legacy contracts we inherited. What I can say is that two of the four key management personnel that left the business that have been included in the report chose to resign from the company on their own accord. One of them I released early, and hence why there was an amount classified there as well. I probably want to reiterate what the Chairman has said on a number of occasions, which is the numbers that have been reported do include annual leave and long service leave. They're employee entitlements that those employees are entitled to regardless of the circumstances in how they leave the business.

Certainly, had the HR leader of the business - the role was located in the mainland. I made the decision to relocate the role to Tasmania. I think that's very much in line with the new culture we're trying to drive, and certainly a Tasmanian-first recruitment process. That gentleman was paid payments in line with his contractual entitlements. We also had the former

CFO leave the business. Happy to take some further detail in camera in relation to that process. But the former CFO was paid their entitlements and, in addition to that, three months over and above. I'm happy to go through the rationale for that in camera.

CHAIR - We might leave that toward the end of the hearing and just do that as they're closing off, just in case there's other matters you want to consider in camera.

Just on that point, I understand there's legacy issues here. But how are you, as the CEO, managing leave liabilities? Obviously, there was a significant accumulation of leave liabilities here, which then appear as a termination payment. What are you doing about that?

Mr CARBONE - It has been a difficult period in terms of reducing leave balances over the past 12 months, given the operational readiness for the new vessels. What I would say is that we report every single month internally to the leadership team and myself on leave balances, and we've had an active program to try and reduce those. We certainly inherited some very substantial balances. We think it's good that people reduce those, not just for financial reasons, which is hence, when there's an increase applied each year, it compounds the amount, but for people's wellbeing as well. We have quite a number of team members that have not had leave in recent months leading up to operational readiness. I think I can say on all accounts we've got people locked in for leave in the coming months ahead.

CHAIR - Do you expect that leave liability to drop fairly significantly over the next 12 to 24 months?

Mr CARBONE - I would expect all leave liabilities to drop materially in the coming 12 months. As I said, I think it's good for people's wellbeing, but also financially responsible.

Mr KANOFSKI - We inherited a pretty big number, though, so the only caution I'd say is, in a practical sense, it can take a while to manage it out of the business because you need people operationally, and if they've got six months' leave accumulated, you can't just send them on six months' leave straight up.

CHAIR - No, but you will have extra - well, one presumes, even though the vessels that weren't on the run were not fully staffed, but it did have extra staff on to manage the four vessels.

Mr KANOFSKI - We'll be in a better position to manage it once both old vessels are sold and we're in what I would call normal operations.

CHAIR - In your key personnel, are they where some of the big balances are, or is it right throughout the business?

Mr CARBONE - Chair, it's across the organisation.

CHAIR - So, it will take an effort right across to deal with it?

Mr CARBONE - It will but, as I said, I'm confident over the coming 12 months we'll make a material dent in those balances.

CHAIR - Can I just go to another area? In terms of your expenses, the marine fuel and oil stands out a little bit as strange, perhaps. We have talked in the past about hedging fuel costs and things like that. When we look at the 2025 costs, as reported in annual report, for marine fuel and oil, it was $75 million, near enough, and in 2026 it was just under $60 million. Can you explain that, particularly as you had four vessels not in full operation but part of the year there's been four vessels that have been using fuel?

Mr KANOFSKI - Yes, look, I hasten to say there's some numbers that I won't give you in open, but we'd be happy to share them with the Committee. But I'm happy to talk conceptually about the issue in open. So, there's a couple of issues here. One is we do hold hedges going forward. Those hedges, we had some material turnaround in the hedge position, so the hedge position was a negative position in the FY25 year. The hedge position's a significantly positive position in the 2026 year. And I'll just explain hedging.

CHAIR - Yes, do that, because I'll have a follow-up question for you.

Mr KANOFSKI - The reason we hedge is that we sell a ticket on a day and that person might travel the next day or they might travel in 12 months' time, and the fuel price could be materially different on the day that they travel to the day that they - and we can't go back and rebill them, we can't go back and hand them another -

CHAIR - Or give their money back if it was cheaper.

Mr KANOFSKI - You can't go back and hand them an invoice or give them money back. So, we hedge. We have a hedging policy about how far ahead we hedge and we do that. That's the concept of hedging. The concept of hedging is not to make money. We don't go into hedging to make money; we go into hedging to manage risk.

That said, in this year we had a couple of things materially happen that were unusual and were both beneficial to the business in terms of financially, but couldn't really be predicted. One was that we went into the fuel crisis quite heavily hedged. We have a range that we were in, and we were quite heavily hedged. And, of course, fuel prices went up quite substantially. Therefore, the fact that we were heavily hedged going into that process meant that we got a benefit from that. The other thing that happened is that we hedge based on the Singapore fuel price because there is no hedging available on buying bunker fuel in Geelong, which is where we buy it. The fuel price rose faster in Singapore than it rose when we were actually buying the fuel, so there was an arbitrage between the two. And that could have gone either way. This could easily go against us at some point in the future, but it went for us and we received a benefit, an unexpected benefit from that, so that's kind of the hedging position.

There were other factors as well, though. We actually used less fuel because I think this Committee would be aware that we started changing the schedule because people didn't necessarily want to get in at 5 o'clock in the morning. It didn't seem to make much sense to burn additional fuel to get people in at 5 o'clock in the morning when they didn't really want to get in at 5 o'clock in the morning, so we've extended the schedule so that the ships sail slightly slower and they use less fuel. So, there was a decrease in fuel usage. The other thing that's playing into the 2026 financial year is that the fuel prices for the first eight months of that year before the fuel crisis were actually very low, and so we got the benefit of those low fuel prices. So, there's some material numbers in all of that, and we're working through those issues. What

I would say is that there is no certainty going forward. In order to be true to our hedge position, we need to be in the hedge market now, buying hedges, and they are expensive.

CHAIR - I imagine they would be quite expensive.

Mr KANOFSKI - But we have to buy them, otherwise you're gambling. You're either deciding to manage risk or you're gambling. We've got to buy them because there's a chance that if fuel prices drop, which they did yesterday -

CHAIR - It's the US mid-term, I'd say.

Mr KANOFSKI - Yeah**.** Some of those hedges, we'll end up having to pay money on those hedges. But the reason we have them is, well, the fuel price could go up again, so we're managing risk. And also, there is no guarantee that that arbitrage, if you like, between the Geelong price and the Singapore price doesn't reverse on the way down if fuel prices do drop and one drops faster than the other. So, it's complicated.

Mr CARBONE - Chair, could I add, in the past week we've seen crude prices between $101 US a barrel to yesterday, at $88.18. The other thing I'd like to elaborate on is the fuel mix of the fleet is changing. So, in the past 12 months, we've had a combination of very low sulphur diesel fuel on the old ships. We've had a more traditional diesel running through the new ships and LNG purchases as well on the new vessels. The point I'd like to reiterate is it's not one single element; it is a combination of everything from consumption and fuel type that are flowing through the mix of those numbers.

CHAIR - So, when a customer - and I've had some feedback that they're aware of this, and this is the period where the fuel levy was imposed, why was that decision taken when you had already hedged?

Mr KANOFSKI - No, no, no, because they are different things.

CHAIR - Can you explain to the people, because they don't see this? They see these numbers.

Mr KANOFSKI - I understand that, but this is the reality of it. The fuel levy was saying, 'Fuel is costing us a lot more today' - if we're sitting in April, 'Fuel's costing us a lot more today than it did two months ago and we're selling a ticket today, we're pricing that ticket today'.

CHAIR - But it might not be starting for 10 months.

Mr KANOFSKI - That might not be starting for 10 months. So, the theory of this - and this doesn't happen on a ticket-by-ticket basis clearly, right?

CHAIR - Yeah, I understand that.

Mr KANOFSKI - It happens on a macro level. But, in essence, the theory of that is that the fuel levy was there to recover some of that differential between the pre-fuel crisis price of fuel and the price in April. The fuel hedge is there to hedge on an average of about six to seven months, which is about on average -

CHAIR - Ahead?

Mr KANOFSKI - Yes, ahead. So, they actually do two different things. So, if we wanted to do a P&L, if you like, on the fuel price for an individual customer, (a) we can't, but even if you wanted to try and approximate that, we can't do it yet because they haven't sailed. Quite a lot of them haven't sailed, and we don't know.

CHAIR - This is the point a lot of them are making. They paid for their ticket back a few months ago, or whatever; they go on and look today and the fare that they bought is cheaper by a not-insignificant amount. These are people who are not wealthy people. They've got hard-earnt money trying to make it stretch as far as they can. So, they see what they've paid, they know that they're not sailing today, but the price today, if they book today, would be much less. Then by the time they sail, whenever -

Mr KANOFSKI - Can I say, though, all transport companies hedge.

CHAIR - But how do you explain to the people out there? You can say all of this, and I'm not disputing that what you say is true, but I think from the personal experience, the customer experience here, how do you explain to them why the fuel levy was imposed?

Mr KANOFSKI - The fuel levy was imposed because prices were materially higher at the point that we imposed it than they had been several months earlier, and we were concerned. There was an enormous amount of uncertainty. We were concerned about the financial consequences for the business of that. Some of the fuel hedging, we didn't even know what the outcomes of the fuel hedging was going to be. I mean, we were taking a prudent decision in uncertain conditions. Later on, we decided to take it off. Now, we took it off. It hadn't fully recovered, the amount that was set out to be recovered. It had recovered, at the time we took it off, $2.5 million less than the amount of the fuel price increase. Then, by the end of October, that had gone to $4.1 million less than the price. So, the reality of this is that the market price of tickets does change over time and we need to price those. We price them on a day at a price and we honour that price. That's the reality here, is that we offer a ticket for sale on a day at a price and people decide to buy that.

Mr CARBONE - If I could add, Chair, it's no different to a recent experience I had on a family holiday. I won't name the airline, but the reality was the airline dropped the price in the following days after I booked. It's very common practice. I'd probably add to the chairman's comments that we had our historical hedging program that went out two years in advance. We will not know the outcome of these hedges for many, many, many months to come. What you see in the annual report is reporting against the financial year, a 12-month period. And, again, these hedges need to be assessed over a much longer period.

Mr KANOFSKI - I think that's one of the fundamental problems here with reading the financials, is that the fuel levy and the pricing that occurs to that happens over a different timeframe than the hedging outcomes happen.

CHAIR - That's not how the customer sees it, so this is an opportunity to explain how it is.

Mr EDMUNDS - Can I maybe ask in a different way? You laid out the three factors about that: running the ship slower, the hedges are already in place, and I didn't write down

that one. So, yes, okay, that all makes sense. But then the window where the surcharge was actually applied was what? April through to the end of August [2026]?

Mr KANOFSKI - It was April to the end of August, wasn't it? Yes.

Mr EDMUNDS - And then conditions, or potentially, as I think you've explained it, future hedges have become more challenging, but the levy has come off. I'll just finish the question because I think you hopefully can explain it. It just doesn't ring true that, as your hedges into the future are going to cost more, the surcharge came off. So, people were paying a surcharge because it felt like fuel was costing more, but it actually is costing more after the levy came off.

Mr KANOFSKI - Yeah, look, and the timing differences make this stuff difficult to assess, I accept. But there's another whole factor in our decision-making around the fuel levy which we haven't talked about, which is it was unclear what it was doing for demand as well because, obviously, it was adding to the apparent price of the ticket. That had to be weighed as well in the mix. I think the biggest thing for us, when we applied the fuel levy, was the amount of uncertainty. We were faced with a very uncertain set of circumstances, and my view is that it was the right decision to apply it, faced with the circumstances that we had, and it was the right decision to take it off when we took it off because we had more certainty at that point.

Mr EDMUNDS - The point you make about, tickets cost, every time you do anything - whether you're flying to Melbourne or getting a boat, the issue I was interested in, and you will probably go to this in a minute, Chris, is that the fuel surcharge was applied at a time when it felt like things were actually good. But you're saying it was the uncertainty potential was why it was put on. Right, okay. And then the conversation about how a customer feels about that is completely separate, but it's important for us to hear why and then we can lay that out.

CHAIR - Can you talk about whether there were any discernible impact on passenger bookings as a result of that, and has that eased with removal?

Mr CARBONE - Chair, I recommended to the board that we remove the surcharge when we did and one of the key reasons for that - thank you for your question - was the surcharge was not popular and it was absolutely having an impact on demand and bookings. Hence, we determined that, from the material point of view, removing the surcharge was going to have an overall positive benefit, assuming prices remained constant. Now, we don't have a crystal ball. None of us knew how fuel prices were going to move. But certainly, I do want to acknowledge it was materially impacting demand and, hence, we saw an increase in bookings activity –

CHAIR - Were there cancellations as well?

Mr CARBONE - There was cancellations. But what I'd say is, when customers make a decision, the same as they do on airlines, there's multiple factors that impact demand and bookings. But I will acknowledge it was unpopular and definitely had an impact on demand.

Mr WINTER - You previously talked about the covenants over your debt with TASCORP and you were in breach of some of them. We do have some of this information in confidence, but as much as you can in public, can you talk to us about the new debt arrangements, what, if any, are the new covenants on those and whether or not TT-Line is currently in breach of any of those covenants?

Mr KANOFSKI - Are you happy to take that one, Chris?

Mr CARBONE - I actually might let the CFO take this one, but what I'd say is we've worked through a constructive process with TASCORP in relation to removing of the temporary limit on our facility. As part of that, we made some modifications to the master loan agreement. They did include some changes to the covenants. If you'll indulge us for a second, we'll just bring up the detail so we give you an accurate answer. Or if you're happy, Chair, we can come back to it. I just don't have the detail in front of me, but we'll bring it up shortly.

Mr WINTER - Maybe in the meantime, there's been a lot of concern from the trucking industry around what they see as issues at Devonport. We understand there's been transport companies or drivers that have been warned to move on or risk getting a fine from police. Can you explain what, if any, consultation happened with the Tasmanian Transport Owners and Operators Association before, for example, the new footpath and landscaping were designed and this new situation was put in place?

Mr CARBONE - Thank you for the question. I've had no direct contact with them. What I can say is for the last approximately two years - and Mr Kirkwood might be able to correct me - there's been a working group in place that involves the old State Growth, TasPorts, Devonport City Council, SeaRoad, TT-Line, to work on the traffic management issues in the precinct. There's no doubt we saw a situation recently where one of our competitor vessels operated materially behind their schedule, approximately 12 hours or more, and that caused a lot of congestion in the precinct. So, to answer your question, I've had no direct contact with them. Having said that, I've spoken to, I would say, quite a number if not most of our large freight customers in relation to entry and exit. We've asked them all not to double-park as such because of the potential implications for road safety. I believe, in terms of the working group, I spoke to TasPorts in relation to this issue this morning. They've indicated to me that they believe we are very close to implementing a new solution so that SeaRoad traffic, instead of banking in Wright St and turning left, will use part of our old Terminal 1 entry/exit point, cut through what is now a park area, so that they can come down Wright St in the opposite direction and turn right into that terminal. I believe that is close to being implemented.

Mr WINTER - Great, thank you.

Mr CARBONE - Again, thank you for the question because we have been concerned about road safety and the double-parking.

Mr WINTER - Sure. Got an answer on the covenant issue?

Mr WHELAN - Yes. The master loan facility agreement was amended on 16 October 2026. That retired the existing covenants and replaced that with a new covenant. So, at 18.10 of the agreement, the new covenant is referred to as 'the adjusted funds from operations-based ratio'. It's a free cashflow divided by total interest expense.

Mr WINTER - Is that the only covenant?

Mr WHELAN - Yes.

Mr WINTER - So there's only one covenant you got. And you're currently meeting that covenant?

Mr CARBONE - We're currently meeting that covenant that the CFO's just outlined.

CHAIR - What other covenants were retired?

Mr WHELAN - The interest coverage ratio was replaced by what I've just read out, and 18.11, the financial leverage ratio, was also annulled in the agreement.

Mr CARBONE - To further answer this question, I think we've had some very constructive engagement with both Treasury and TASCORP and, as part of the engagement with TASCORP, we've agreed to assume enhanced reporting requirements, some enhanced quarterly reporting with some additional detail. That's been asked for by TASCORP and it'll be forthcoming.

CHAIR - Will Treasury also get the reports, or is it just TASCORP?

Mr CARBONE - No, both. We've worked with Treasury as well on an equity assurance plan. So again, for both Treasury and TASCORP, there's enhanced levels of reporting that we fully support. I think in terms of a more fulsome answer, happy to take part on notice and give you a more detailed written answer.

CHAIR - Sure, that might be helpful. In terms of the expected governance reform, from the government, that there be quarterly reporting, what's your expectation? I mean, it's been interpreted vastly differently by different state-owned businesses, or government-owned businesses. What is your expectation of what you will provide quarterly under those requirements in terms of financial reporting?

Mr CARBONE - Chair, it's quite detailed in terms of the reporting we'll provide, but it's everything from cash flow to how the business is performing. I mean, I guess -

CHAIR - So, a full set of financials, yes?

Mr CARBONE - That's correct.

CHAIR - And then risks associated with what your expectations are?

Mr CARBONE - Look, Chair, our equity plan is in line with our corporate plan, which is in line with our budget, which is in line with our reporting back to TASCORP and Treasury, so reporting against the same metrics.

CHAIR - Some of the reporting that's been done hasn't been reporting against budget, against expectations, all that sort of stuff.

Mr CARBONE - Chair, I want to reinforce that we've intentionally aligned those metrics so we can transparently report both to my board and our lender and Treasury, and shareholding ministers against it.

CHAIR - I think we've mentioned that we'll probably have you back quarterly anyway, so it'd be helpful for that to be provided to the Committee as well.

Mr WINTER - Just in terms of the conversion, the retirement of the former covenant and the creation of a new one, does the Treasurer or the minister for Infrastructure sign off on those changes?

Mr CARBONE - I think it's really a matter for TASCORP.

Mr WINTER - Okay. It just seems strange to me that - well, not strange perhaps, but it's certainly one way to deal with it. If you're in breach of the debt covenants, the debt covenants have now been scrapped and replaced with one that you are meeting.

Mr CARBONE - I think TASCORP's better to answer that. But I probably have the opinion that, in fact, the reporting requirements have been enhanced, not reduced.

Mr WINTER - But the interest cover ratio, for example, that you weren't meeting has been replaced.

Mr KANOFSKI - I think there's a - you also need to, I think, because I've chaired private businesses where acceleration from covenant breach is an issue that's got to be managed - I think the reality here is, the debt, from a TASCORP perspective, is guaranteed by the Treasurer. Therefore, acceleration doesn't have the same kind of impetus, if you like, in this style of agreement, in my view, because commercial lenders aren't sitting with a guarantor sitting behind the debt.

Mr WINTER - So, the new covenant is an adjusted funds from operations ratio. Under this new structure, what's the new ratio that needs to be met, and where's TT-Line currently sitting?

Mr WHELAN - We don't have a measure of it, given that it's just been introduced on 16 October, and we haven't closed off our final position at 31 October [2026], as at today. But the measure of success needs to fall below 1.5 times.

Mr WINTER - 1.5 times?

Mr WHELAN - To be compliant.

Mr KANOFSKI - Pre-cash flow over interest.

Mr WHELAN - Pre-cash flow divided by interest expense, including equity injections of the borrower, falls below 1.5 times.

Mr WINTER - Okay, thank you.

Mr CARBONE - I can elaborate now that I have the MLFA up, if it's helpful for Mr Winter.

CHAIR - Sure. That'd be good.

Mr CARBONE - Within 28 days following the end of each of the first three quarters of the financial year and within 45 days of the June quarter, TT-Line provides TASCORP with the following documents, and they include quarterly financial performance reports. That includes to the chair's call out actual-versus-forecast reporting, liquidity metrics and the board-endorsed solvency and liquidity assessments.

Mr WINTER - Just in terms of the detail that's in your statement of corporate intent, you've set some targets for yourself there, which I believe you're currently in breach of. How does that statement of corporate intent work in with your debt covenants with TASCORP?

Mr WHELAN - The debt service coverage ratio of 0.42 was the target for FY27. I don't have our year-to-date position on that to share. That's our full-year target.

Mr CARBONE - But we did finish the last financial year at 0.45.

Mr WINTER - What's your target for the debt service coverage ratio, then?

Mr WHELAN - 0.42.

Mr WINTER - That's the target for - okay, sorry. What's your forecast for the debt service coverage ratio going forward?

Mr WHELAN - I don't have a forecast number beyond the target that I can share. That's our full-year forecast figure.

Mr WINTER - In terms of the way that's operating, is this saying that you're producing less than around half of the amount of revenue you need to repay your debt?

Mr WHELAN - The definition of the ratio is further down that document there: cash receipts, the amount of cash payments from operating activities divided by interest paid. And, at 0.42, yes, that's what it has. We have 42 cents of the interest bill covered by net cash flow from operations.

Mr WINTER - Can you explain that a little bit for the Committee?

Mr WHELAN - Cash receipts and cash payments from operations are purely the operating cash flow of the business, and then when you divide that by the interest paid per annum, you end up with a ratio. You can see there, in the targets there - where can I refer you to? You've got an EBITDA figure there of 17,979, an operating cash flow of 26,851. If you divide that by the interest paid figure, you'll come up with a ratio of 0.42.

Mr CARBONE - Can I make the point too: that it's a year of transition, so the current financial year we're talking about is a year in which we will have four vessels for a large portion of the year. We also have the transition costs of old to new ships.

Mr KANOFSKI - Can I maybe lift that discussion up a little bit, because we've been clear on what the equity injection is there to do, which is to keep the -

Mr WINTER - Well, a little bit, because you've actually also said, as part of this, that you're considering using the equity to actually pay down the debt. Is that correct?

Mr KANOFSKI - Yes, but we may draw some - it's an ins and outs argument. You may use it to pay down current debt but then draw some longer debt. If we take a step back from it, the equity injection was timed and designed to stabilise the amount of - to stabilise the peak debt at around its current level because, obviously, there were times when we were forecasting it to be significantly higher than that. So, it was to stabilise it, and to keep it stabilised and falling slowly until the end of the forward Estimates period. By which time, it is our view that the business will be sustainable in terms of being able to manage the debt.

Mr WINTER - What period of time is that?

Mr KANOFSKI - By the end of the forward Estimates period.

Mr WINTER - So, in four years' time?

Mr KANOFSKI - Yes. And that's how it's been designed.

Mr WINTER - And that's how far your statement of corporate intent goes to then?

Mr KANOFSKI - Correct.

Mr WINTER - Because the one I've got, I've only got one year. So, you're going four years in the future?

Mr KANOFSKI - Sorry, Mr Carbone's got an update on the Statement of Corporate Intent.

Mr WINTER - That would be great. Thank you.

Mr KANOFSKI - In terms of the signing of it and the like.

Mr CARBONE - I think, Mr Winter, if I'm not mistaken, you might have the 2026-30 final corporate plan.

CHAIR - We do. That's in camera.

Mr CARBONE - And so, the 2026-27 Statement of Corporate Intent, as I understand, is unsigned by the Ministers. Once it's been signed, we will then publish it.

Mr KANOFSKI - We'll publish it.

Mr WINTER - So, we have a version -

Mr CARBONE - Which I think might have been the confusion.

Mr KANOFSKI - Yes, I think that's the confusion.

CHAIR - Yes, because the one we've got, obviously, hasn't -

Mr WINTER - So, what's happened? Okay, we have got a copy, the corporate plan has been signed but the statement of the corporate intent has not?

Mr KANOFSKI - Has not yet been signed.

Mr CARBONE - Which I think was the earlier confusion, and -

Mr KANOFSKI - Yeah, so that's what's causing confusion. Our apologies for that.

Mr WINTER - I've got some of it in camera and that's why I don't ask you about -

Mr KANOFSKI - I understand.

CHAIR - So, the statement of corporate intent that we've got that's not signed won't be the one that will be signed because it's only got the -

Mr KANOFSKI - Yes, the one that will be signed has three years of forwards. And it has been adopted by the board and is -

Mr CARBONE - I think in camera we can talk in some more detail to it.

Mr KANOFSKI - All right, let's do that.

CHAIR - All right, we'll come back to that in camera. Before we go there -

Mr WINTER - The ministers, obviously, have asked for a longer period in the statement of corporate intent. Was there any other feedback they provided in relation to the document?

Mr CARBONE - Just trying to pause and reflect. I think there was some additional requirements, as I recall, asked by the ministers in terms of metrics to report against, and some of those were financial and non-financial. That's my recollection.

Mr KANOFSKI - They asked for some more additional performance indicators, is my recollection.

Mr WINTER - The big picture item for Tasmanians, a lot of them, is passengers. But the part for business is around freight. When I look at the statement of corporate intent, it appears as though you're forecasting a drop in TEU over the course of the year. Can you speak to how that's occurring?

Mr CARBONE - I think I've outlined at every PAC hearing it's an incredibly contested market between Strait Link, SeaRoad and TT-Line. I think it's been well documented that SeaRoad have a material amount of additional tonnage coming into the market. It's certainly my hope we'll grow our freight volumes, but I think we need to be realistic that it's a highly, highly contested market.

Mr WINTER - We saw a new ship yesterday - and for the record, thank you for the tour. It looks like they're about to invest as well - or they are about to invest in a new - is that another risk to TT-Line?

Mr CARBONE - I think it's been a well-documented risk that we took into account.

CHAIR - That's factored into your numbers, isn't it?

Mr CARBONE - Factored into account in our -

Mr WINTER -Okay. So, does the forecast include the -

Mr KANOFSKI - It includes our view - and obviously we don't want to talk about it too much outside of camera, but it includes our view of where we would hope to, or expect to get to in the freight market.

Mr WINTER - I guess the expectation from Tasmanians would've been that with this new ship, we'd actually be transporting more freight, and the number used has been 40 per cent more freight.

Mr CARBONE - The point I'd make, Mr Winter, is that the freight market has many sub-segments that include, as you hopefully saw - and again, I want to thank equally the PAC Committee for coming on board the ship and seeing the site. TT-Line traditionally operates in a much smaller sub-segment of the freight market, so roll-on roll-off, primarily refrigerated. We are very optimistic about that growing. Certainly, we're not as optimistic in terms of conversion to containerised freight and so forth. But again, I'd probably prefer, given the highly competitive nature of the market, to take the detail in camera. Certainly, there is far more capacity, and we would expect all the timely produce - the seafood, the berries, et cetera, we see that as a growing market for us.

Mr WINTER - How does that compare with capacity, then? So, the amount you're targeting to take out, how much additional capacity do you have above and beyond what you're actually carrying?

Mr CARBONE - We've said many times we've got a minimum of 40 per cent additional capacity for freight. We think we'll grow into that over time and, certainly, the forward forecasts do indicate growth, albeit -

Mr WINTER - So, freight's about about 60 per cent capacity at the moment. Is that right?

Mr CARBONE - Approximately.

Mr WINTER - What about passengers? What sort of capacity at the moment?

Mr CARBONE - It varies month by month in terms of the forward bookings. But again, given the detail of the question, happy to take that on notice. What I can say is that we've seen really strong passenger bookings in October. They were up 15 per cent year-on-year. We've certainly seen similar, in fact higher, percentage increases in passenger bookings for the first few days of November. We've got no caravan waitlist. There's some other sub-segments that are -

CHAIR - Are caravans and campervans used in some of the notional freight areas as well?

Mr CARBONE - Chair, they're not, because we still have far more capacity to fill for caravans.

CHAIR - Even for caravans?

Mr CARBONE - But I can probably talk to some of the detail. I mean, it's not just those areas where we're seeing strong growth; it's in motorbikes, it's in RVs, it's in the various other sub-segments.

Mr KANOFSKI - The new vessels have substantially more over-height capacity. It's 300 per cent, isn't it? Three times as much over-height.

CHAIR - Which is part of the problem with the caravans in the past.

Mr KANOFSKI - That's why we've been able to clear the caravan booking waitlist.

CHAIR - Maybe people won't need to book as far in advance.

Mr KANOFSKI - Well, I think there's a couple of things. One is it gives them more choice because they're not dictated to by when we've got availability but, (2), is it gives them confidence that they'll be able to come and go at -

CHAIR - Pretty much when they want?

Mr KANOFSKI - At times that suit them. I think that will be a lasting benefit, frankly. It's difficult to know because you don't know what the counterfactual is, but I think that will be a lasting benefit for the business in that I think people who perhaps shied away from Tasmania in high season because of that shortage will now feel confidence to book. It's a really important part of this whole package.

Mr WINTER - Anecdotally, we've heard evidence from people who would book one-way, but then actually not be able to get back.

Mr KANOFSKI - Yeah. Not get back at a time of their choosing. They can't get back till the end of the season.

Mr WINTER - One gentleman told me he'd waited for a couple of weeks, not intended, on the other side. Are there any sailings that are actually fully booked at the moment?

Mr CARBONE - I don't believe there's any sailings that are fully booked. There certainly, as I recall, last time I checked there was five sailings where we had no more caravan capacity. But what we do have is, on either side of those five days, substantial capacity, and certainly there's no block-out periods. I've got some statistics, if you'll indulge me just quickly: motorbike forward bookings are up by 1,000; we've got 2,500 additional motor vehicle bookings; motorhome forward bookings are up 547. So, there's certainly -

CHAIR – Per cent?

Mr CARBONE – No, in raw numbers. I'm just flagging that, from a segment point of view, we're seeing really strong forward bookings, which is fantastic, because we can accommodate it. And I'm sure, if anyone's listening out there, get on and book. We've certainly got space to fill.

Mr KANOFSKI - And what we do know is that people who come on the *Spirit*s and bring their caravan or their camper stay longer and visit more places in Tasmania. So, it's really important for an economic point of view.

CHAIR – They're ones leave for the winter and take their business to the mainland. Anyway, we will wrap up the public session so we can discuss a few matters in camera.

The public hearing concluded at 11:14 am.
