



PARLIAMENT OF TASMANIA

TRANSCRIPT

HOUSE OF ASSEMBLY

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE

TT-Line Company Pty Ltd

Thursday 5 December 2024

MEMBERS

Mr Street MP (Chair);
Mr Behrakis MP (Deputy Chair);
Mr O'Byrne MP;
Mr Willie MP;
Mr Winter MP; and
Dr Woodruff MP

OTHER PARTICIPATING MEMBERS

Ms Burnet MP
Mr Wood MP;
Mr Garland MP;
Mrs Beswick MP; and
Mr Jenner MP

WITNESSES IN ATTENDANCE

Hon. Eric Abetz MP, Minister for Business, Industry and Resources, Minister for Transport

Damien Bugg KC, Interim Chair

Kym Sayers, A/Chief Executive Officer

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The committee met at 9 a.m.

CHAIR - (Mr Street) - I welcome the minister, the chair and the CEO to the committee today and also welcome other members of the committee. The time scheduled for the scrutiny of TT-Line is three hours. As is the practice of this committee, the time taken for any break won't be added, so we don't intend to take a dedicated break during this particular three hours. Members and witnesses also need to be aware of the practice of seeking information on notice. Either the minister or the chair needs to agree to take the question on notice and it then needs to be provided to the secretary.

I'll invite the minister to introduce any other persons at the table and then make a brief opening statement.

Mr ABETZ - Thank you, Chair. Good morning, everybody. On my left is Damian Bugg, the interim chair of TT-Line; and on my right is Kym Sayers, the acting CEO of TT-Line.

I'll make a brief opening statement. In general terms, we have a good ferry company balancing various interests of the Tasmanian economy as an enabler for tourism and our productive sectors in the primary and manufacturing areas. Customer satisfaction rating remained exceptionally high, with a survey customer satisfaction score of 94.31 per cent, a slight increase compared to last year. As an enabler, *Spirits I* and *II* continue to provide reliable services for the Tasmanian community. As has been arranged for many years, extra days sailings have been planned and will be added to based on demand. This is nothing new and indicative of a market responsive mindset, as was shown by the agility in the purchase and renegotiation of arrangements for the acquisition of *Spirit IV* and soon, *Spirit V*.

The situation of the port facilities, or lack thereof, in Devonport is beyond disappointing. While discussion and consideration of how this situation arose continues and others will undoubtedly have their say, I'm focusing on how to rectify this issue, which simply cannot and indeed should not be sugar-coated. To use the colloquial, you can't polish this thing that I found on my desk when I became minister. That said, owning, confronting and fixing the situation is what is rightfully expected of us and the TT-Line and that is exactly what is occurring. That's why, since becoming minister, we have worked night and day with others, including TT-Line, to help get things on track.

The government's focus is on getting the *Spirits* operating in Tasmania as quickly as possible and delivering the best possible return to the Tasmanian people. That's why we've got the best minds in Peter Gemell, Ben Moloney and Paul Kirkwood, plus others. It's why we have put in place a new oversight structure, the DSG (Department of State Growth) Project Oversight and Assurance Committee, that includes the Premier, Cabinet, Treasury and Finance, TT-Line, TasPorts and our infrastructure experts, bringing all the key players around the table. That's why we're exploring leasing options for *Spirit IV*, looking for the best possible economic return to be delivered to Tasmanians. Our focus is on getting the job done as quickly as possible.

I appreciate that the committee will likely have many questions they wish to put so I will end my remarks there.

Mr WINTER - Thank you, Chair. Thank you for being here today. My first question is to the interim chair. We've just heard the minister talking about the government owning,

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confronting and fixing this huge issue, the biggest infrastructure stuff-up in Tasmania's history, but on Tuesday we heard the interim chair of TasPorts deny that they had any responsibility whatsoever to ensure that the wharf was ready for the new *Spirits*. I'll read a few quotes. The interim chair said:

TasPorts was not responsible in any way for this failure.

She said:

I don't think we contributed to the issue. We believe that we took all possible steps available to us. It's a significant failure, but we do not believe we contributed to that failure.

Do you agree with the acting chair of TasPorts' comments? Was the fiasco entirely the fault of TT Line, your board and your staff?

Mr BUGG - I wouldn't agree with the chair. I've met with Amara on a few occasions and I have great respect for her. She, like me, was not in the position she now is, as I now am, when a lot of the relevant decisions and steps were made and taken.

I think it's fair enough for me to say that as far as TT-Line is concerned, with the benefit of hindsight and I suspect careful consideration at the time, the first mistake we made was to be involved in this project in the first place - that is, an infrastructure build - when we are and were a ferry company that is structured and staffed to run efficiently and leanly as a ferry company. Yet here we were embarking on a fairly complicated infrastructure task, and as we've seen with the Bridgewater bridge, it looked to be going fine until it tried to meet. All these things have complications and problems with them, certainly not within the contemplation or anticipation of a ferry company, so that was mistake number one.

Should we have taken it on? No. Should TasPorts have said, 'Get out of the way, we'll do it'? Yes. They are the port infrastructure entity. Now, is that a mistake? I think it is. Were they forceful enough? They say that they had discussions and I'm not going to sit here and try to attribute blame or truth-telling to either of the parties. My focus is on what's ahead.

What happened next? Well, were we ready for the program as it evolved? No, we weren't, and that's the view of Peter Gemell and Ben Moloney, whose judgment I respect. When they became involved and overviewed the program, they said by December last year we were underdone on resources for a project of that magnitude and complexity - mistake number two.

Mistake number three - we were overconfident. We had moved from Station Pier in Melbourne to Geelong and we were overconfident when you consider what we were taking on as a lean and mean ferry company - building two new ships on the other side of the world through the Ukrainian war and COVID, with the collapse of one shipbuilder and taking up a contract with another, moving from Station Pier to Geelong to a totally new port, undertaking an infrastructure build in Devonport, all from within a company that is geared to operate two ferries between Devonport and Melbourne.

What was our overconfidence? Geelong went well. It didn't quite go as well as everyone thinks because Paul Kirkland was helicoptered in - sorry, Paul Kirkwood. He was described as 'Kirkland' in one of the documents the department sent me. I apologise, Paul, if you're watching.

Mr O'BYRNE - I expect he is.

Mr BUGG - I hope he is.

The situation is that Geelong worked out really well, but we didn't build Geelong. We were a tenant coming into a build that was being undertaken by GeelongPort and its equity partners, therefore the degree of confidence we took from that exercise was one that we should not have attributed to our ability to continue to function as an infrastructure builder in Devonport.

The fourth mistake - we should have elevated the situation to a Cabinet level when it became apparent that we were falling behind schedule, but we had overconfidence, I think, within our ranks. Should I accept responsibility for it? I do, on behalf of the company. It's an embarrassment to us and it's upsetting for me because the people of Tasmania ought to expect better from their appointed representatives, and I'm one of them. I was there. I was on the board when this happened. I raised questions, but did I vigorously push them? No, I didn't. I didn't see it as my role as a board member at the time to do that.

Now, should we sit here and for what happened over two-and-a-half years, throw rocks at one another as two state-owned companies? No, I don't think we should. I think we should try to reassure you as the community's representatives that we're doing our level best to get on with it, embarrassing and disappointing though it may be. We've just got to get on with it. I can't put the egg back together. It is a mess, but what we can do is try and make the best of the mess.

I won't accept your invitation to engage in a debate as to whether or not you have been misled by what's been said. At the end of - as I said to someone coming into this House this morning, insurance companies tell you not to speak to the other driver after a car accident, and I think that is sound advice. If we did speak to one another, we would probably each accept some responsibility for what had happened and insurers do not like that, but the reality is the accident has happened. Let's get the cars fixed.

Mr WINTER - One of the pieces of evidence provided to a GBE committee last year, in fact, in the other place, was from the former chair of TT-Line, who told that committee that the new ships could operate from berth 1. He answered the word 'yes' when asked that exact question. Was it the view of the board and TT-Line 12 months ago that the new ships could operate out of berth 1? If so, how can you explain that fundamental lack of knowledge?

Mr BUGG - I do not think it was ever put to me as a board member that we would be operating out of berth 1. What was put to me as a board member - and if you view the annual report for 2023-24, which was still sitting in this House as a freshly delivered report this time last year, we were speaking about a dual operating facility in Devonport, and that was a facility which would operate with the old vessels and the newly arrived first vessel *Spirit of Tasmania IV*. It was always my understanding that what we were looking at was loading and unloading that vessel from berth 3, not berth 1. Berth 1 was a suggested stopgap alternative produced by TasPorts at first instance.

As we have discovered this year, from probably about a month after the minister took up his position until about 3 weeks ago, it was being intensively researched as to whether or not

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we could modify berth 1 to take the new vessel and then load it inefficiently and very slowly, and unload it inefficiently and very slowly. What you'll see is the board considering the prospect of what was called at-grade loading or around-the-world loading from berth 3.

That's as I understood it - as we were looking at it as a stopgap measure before the gantry was in place to operate. With the level of knowledge we now have for the way in which the whole saga has been investigated at a professional and very detailed level, I can't see how that could have happened, because the gantry has to be foundationed -that is, pile driven - and 1500 tonnes of steel settled permanently and evenly, and somehow or other you are taking ships in and out and loading them and unloading while that is going on. I can't see that it could have happened.

Look, I think that what we were looking at was perhaps, from an engineering perspective, not possible, in an expectation that is, 'We should be able to achieve this'. Well, anything's possible, but it really was not, with the benefit of hindsight.

Mr WINTER - You talked about one of the mistakes that was made being a failure to elevate the matter to Cabinet, but the evidence provided by the former chair is that, in fact, he elevated this to the minister responsible, the then minister Michael Ferguson, and he was told to go and learn to play better in the sandpit with TasPorts. Given the minister was warned about this and just directed the former chair to go back and play better in the sandpit, what mechanism, if there is one, would there have been for you to do any more than to warn the minister that you had TasPorts, according to evidence provided by the former chair, refusing site access to TT-Line? TasPorts disputes that, even on Tuesday. Can you explain what more you could have done in terms of alerting - you only had one shareholder minister -

Mr BUGG - Yes.

Mr WINTER - You told the shareholder minister that they were being, to paraphrase, recalcitrant. They weren't assisting you to develop this project. Can you explain what more you think you could have done, other than tell the shareholder minister, which I understand your former chair did?

Mr BUGG - Yeah. Elevate it to the highest level of government.

Mr WINTER - Is that the Premier?

Mr BUGG - Yes, the Premier, and ask that Cabinet look at it as a serious, whole-of-state issue. I asked the chairman to do that when I went to see him on Monday 29 April this year. I said, 'Look, this is reaching a point where it's got to be elevated to the highest level of government'. I was informed that the Friday before, there had been a meeting of what is now called the Cabinet subcommittee on QuayLink berth 3. I didn't know that at the time, but I said, 'Well, I'm relieved, because that's the only way we're going to cut through this and get something happening'.

Mr WINTER - Was that because of the response back from the former minister, Michael Ferguson?

Mr BUGG - I've got no idea. You should really ask the former chairman.

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Mr WINTER - It's a bit hard to do that now.

Ms BURNET - Thank you, Mr Bugg, for that oversight and stepping through those bits of where we went wrong. Clearly, reading most of the information that we've been provided through scrutiny on Friday 24 November, where there was a lot of backslapping - this was going to be 'the project to end all projects' -

Mr BUGG - It's sure done that.

Ms BURNET - I'm sorry?

Mr BUGG - I said it's sure done that.

Ms BURNET - There was clearly overconfidence. We can rake over coals, and you've already said there's a responsibility to the Tasmanian people.

I'm interested in the temporary berthing options for *Spirits IV* and *V*, and how they might be addressed. Only this week *Spirit IV* arrived in Leith. I'm curious as to what options and what ports in Tasmania ports were considered.

Mr BUGG - That needs to be considered in light of how we've had to look at it as a company. That is, do we bring it to Tasmania and dock it in a port or have it at anchor in a bay or a harbour, or a river, if we want to call the Derwent that. Or, having got it here, what's the marketplace like for us to try and achieve, if we can, an income source from that vessel?

It's pretty clear from the discussions we've had - and bear in mind this is all fairly recent because, until the decision was made not to proceed with the proposal to modify berth 1 to accommodate the new vessel, which I have to say -

Ms BURNET - I don't think we need to go into that.

Mr BUGG - All right. As the interim chair of the company, I'm very grateful that that effort was made because, quite frankly, we don't have the resources to go through the research that was undertaken. However, at the end of it, with disappointment, we could not practically or safely contemplate an alternative at berth 1. Therefore, we had to find -

Ms BURNET - I don't think we need to -

Mr BUGG - No, but you need to understand why it's proximate that we're only now, closely and in some detail, examining what we can do with the vessel. Do we park it in Tasmanian waters and leave it there for 18 months? Because we're talking about, at the least, having access to berth 3 completed to take freight and load and unload it, and passengers and load and unload it in October 2026. That's almost two years. We'd have to get the ship out here some months before that to complete the fit-out, which probably needs to be distinguished from 'local content', which has been joined together, but we can come back to that. So, do we bring it to Tasmania and leave it here where there really is no market and then meet the cost of taking it back to the northern hemisphere to try and obtain some charter or rental return on the vessel? It's not cheap to sail a vessel that distance and it's not easy to calculate a course when the Red Sea is as dangerous as it is, so we've got to come down the west coast of Africa. A course was calculated and the cost of that course roughly calculated with no degree of accuracy that I could

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sit here and tell you to the exact figure. We've got to move it to the northern hemisphere, keep it in the northern hemisphere and where's the safest place? If we leave it in the shipyard at Rauma, it will freeze over.

Ms BURNET - Yes, I know all of that, Mr Bugg. That's a very drawn-out answer. The question -

Mr ABETZ - The question was pretty drawn out as well.

Ms BURNET - The question was what ports were considered in Tasmania, and why is it over in -

Mr BUGG - I'm just explaining, I'm just trying to explain. If we brought it to Tasmania and there was no market, and it was sitting there, the member on your right would be on the front page of the *Mercury* every day saying, 'It's a disgrace that this vessel sitting here when it could be rented out'.

Mr WINTER - Is that why?

Mr BUGG - No.

Mr WINTER - Is that the reason?

Mr BUGG - No, because I am chair of a company that has a business operation to run, and if I've got an asset in the company that's not earning income, I deserve to be criticised. So, I've got to find a way for it to earn income. I anticipate criticism if we -

Mr WINTER - What does this have to do with me?

CHAIR - To be clear, Mr Bugg, please don't infer what other members potential reactions might be to a set of circumstances.

Mr WINTER - Point of order. Chair, I am a bit concerned at the answer. It appears that the acting chair is saying the reason the ship is in Scotland is because I might criticise the ship if it arrives here. I have been calling for it to come back.

CHAIR - Mr Winter, you can ask questions about that. I am going to move on to Mr O'Byrne.

Ms BURNET - Can I have my second question?

CHAIR - You had a second question, Ms Burnet.

Ms BURNET - I was explaining my first question.

CHAIR - You had a second question, Ms Burnet, I am moving to Mr O'Byrne.

Mr O'BYRNE - Mr Bugg, I acknowledge your career and contribution to Tasmania in the many roles you've had. That is of significance. But in this role, given the nature of the disaster that's unfolded in front of you, the blunt assessment of why you shouldn't have taken

on this task as a company and the situation we are now, how can you in good conscience continue on the board?

Mr BUGG - Well, that's a fair question and I ask myself that question on a fairly regular basis. I think at the time when some of these decisions were being made, we did not have what we now have, which is the benefit of hindsight.

Questions were asked whether we had the project management resources, or would have them, to undertake a task of this nature. At the time, we were contemplating entering into an agreement for a lease contract that would oblige us to undertake the construct that we did. That construct was described to us as above-pavement on both sides of the table - that is, from TasPorts and from us. So, why did we become involved in it? That seemed pretty straightforward to me.

Now, with the geotech work that's been done and we know that we have to ram piles down to 45 metres, you and I would quickly agree that that's not above-pavement. That's the extent to which this project, as it's evolved, has itself become more complicated and therefore more difficult.

In answer to your question, I think there were stages where this gradually evolved into the mess that it is where, with the benefit of careful reflection, I'm satisfied that I asked questions at the time, or was satisfied with the responses by the answers at the time, that we were proceeding accordingly. With the benefit of hindsight, as I've pointed out, that wasn't a fair assessment with that benefit.

Mr O'BYRNE - In answer to the opening -

Mr ABETZ - Mr O'Byrne, if I may, very briefly add a comment. That is that Mr Bugg and I, in fact, actually discussed the issue, given Mr Bugg's involvement in the board, whether or not it would be appropriate for him to accept the interim chairmanship. That was something that was consciously considered. I was clothed with a lot of information from Mr Bugg at the time, which gave me confidence that he could take on the role as interim chair. Thank you for allowing me that intervention.

Mr O'BYRNE - Chair, in answer to another question that you gave to the question put to you by the leader of the Labor Party, Mr Winter, you said it was not your 'role to ask'. You mentioned those words this morning, 'enduring the contemplation in the early days' and 'not your role to ask'. I'm assuming the chair at the time or whoever, if it's not your role to ask and you didn't ask those questions, and you didn't satisfy yourself, if you're the board that's got us into this problem, who is taking responsibility and how can you, in any reasonability, accept that you're the ones to get us out of the problem?

Mr BUGG - I thought in my opening statements I indicated that I was accepting responsibility on behalf of the company. As I've been a member of the company through that period, I'm accepting responsibility.

Mr O'BYRNE - It was the previous chair, you quoted an insurance company television ad. Did he just say, 'Don't backchat me, mate, I know boats'?

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Mr BUGG - No, that was never said. However, there's a level to which a board may be seen to be delving into what are, in some people's minds, management matters, and sometimes discussion and debate was deflected in that way. I've tried to convey to you the atmosphere and sense of understanding we were looking at. That is, a contract that's described as committing us to above-pavement works.

Mr WINTER - Chair, in relation to your answer earlier, I'd like to understand who's making the decisions as to where *Spirit IV* is berthed. Is that the board or the minister? As part of that, can you tell me whether having the *Spirits* in Tasmanian waters and the publicity of that has ever been a consideration as part of those discussions?

Mr BUGG - No, it hasn't. It's the pragmatism of, in the short term, keeping it close to the best markets we think we can explore. Bearing in mind, we haven't been in a position to do that until recently, that is, we were still looking at working the vessel in Tasmanian waters until the alternative solution of a modified berth 1 was abandoned.

So no, the embarrassment of the ships being here, I'd love to have them here. In fact, I'm happy to say to you that in a discussion with the Premier about four weeks ago, when we were starting to see that the berth 1 alternative was not going to be available, I assured the Premier that if there was any way we could bring that vessel into Tasmanian waters and have it here, I would do so. But it's got to be justified on economic grounds. I think we'd agree on that, would we not?

Mr WINTER - In terms of that, you started saying that you didn't have exact costs on bringing the ship to Tasmania, but it sounded like you had a ballpark amount. Can you tell the committee - I'm not asking you to give an exact cost on what it would cost to bring *Spirit IV* to Tasmania, but to the best available information you have, what would be the cost of bringing that ship here? And if so, why isn't it here?

Mr BUGG - The ballpark figure was provided as part of the calculations for the pros and cons of a berth 1 modification with limited use of the vessel. I'd ask Kym Sayers, our acting CEO, to answer that if she can.

Mrs SAYER - Thank you, chair. There's a couple of elements when you look at cost. There is the physical cost for the voyage out to Australia, which is significant. We had to consider that in terms of, as the chair has said, the market that we're looking at for a potential charter. We made the decision, looking at costs, in the short term to leave it in Europe to allow us to explore that, because if we brought it out and laid it up here in Tasmania or did something with it, and then got an opportunity for a charter, we'd have to sail it back, and those costs are significant.

Mr WINTER - The question was what is the ballpark figure on those costs?

Ms SAYER - The delivery voyage or laying it up in -

Mr WINTER - The delivery voyage.

Ms SAYER - It's in the millions.

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Mr WINTER - As I said, I understand you don't have an exact cost because you have a charter course, but in making the determination you must have had some idea and been working with a rough figure. What's the rough figure that the board and the CEO are working on?

Mr BUGG - I certainly don't have it to mind, and I'll take it on notice.

Mr WINTER - Further to that question, and to clarify your earlier answer to Ms Burnet, you referred to me standing next to the *Spirits* as being part of the decision-making process, so I want to really carefully ask this question, Chair, so I'm very clear. At any point during the discussions around where to put *Spirit IV*, has the discussion been had about the public relations impact of having *Spirit IV* in Tasmanian waters?

Mr BUGG - Not from my perspective.

Mr WINTER - But have you heard anybody during those discussions - has anyone raised that?

Mr BUGG - Not in the decision-making process which I've participated in as chair of this board and before that, but it's certainly been a topic because it's been out in the public, but not in the decision-making area that we're talking about.

Ms BURNET - I'll go back to the potential leasing of the ships. I'm curious - you're talking about Europe as one of the main markets. Have you actually locked in any lease arrangement for the vessels?

Mr BUGG - No. In fact, the first decision you have to make is how you explore the marketplace. The best way to do that is to be represented by probably the broker who has the best coverage of the world markets. That was quite a lengthy discussion that engaged the board. You have to decide whether you make a step to go to a broker and say, 'You're the broker we want, what can you do for us', and you build up expectations the moment you go to that person.

There are three levels of leasing or chartering. The first one is a time charter, the second is a voyage charter and the third is a bare boat charter. The bare boat charter involves handing over the vessel to the charter party and they then have it for the period that they will keep it under the charter and they will pay you the charter fee.

What are the impacts of that on your warranty, your insurance and other security and risk factors associated with the operation of the vessel? The voyage charter and time charter have much better protections for the owner of the vessel in terms of representation of the company on board, so you have to decide from the advice of the broker what guarantees you can get as the owner of the vessel.

Whilst this is a rambling answer, it explains why you can't come up with an immediate answer. How much could we rent this car for in Tasmania is a very quick solution. How much could we rent this vessel for in the Mediterranean, or in the North Sea? Where and what will it be used for? Will it be used for freight and passengers or just passengers?

Ms BURNET - That goes to my second question, if I might have a second question this time, Chair, thank you?

CHAIR - You had a second question the first time, Ms Burnet; you just disagreed with me.

Ms BURNET - Given the timeline - it takes a long time to charter - will there be enough time to lease the vessel, given we want the vessel back in Tasmania and running once the infrastructure is in place in Devonport?

Mr BUGG - I think you have been eavesdropping on my last board meeting, because that is the very challenging question we are wrestling with at the moment - don't bring it down here and try and make a decision about what you'll do with it in the northern hemisphere. Leave it there in the short term. Make a decision, and on that decision either bring it to Tasmania and anchor it somewhere, or try and do something with it as you bring it out. Bring it out laden; it is a vessel that will carry freight. All those things are exercising the minds of the board. It will be our decision, but in the back of that decision is my undertaking to the Premier that our first choice will be to bring that vessel to Tasmanian waters.

Whilst we are thinking about it and trying to make the right decision from a company perspective, it is best to leave it somewhere safe and somewhere less caustic from the point of view of the climate than Rauma shipyard, so we're in Leith. The feedback I am getting is that it's a good advertisement for Tasmania, but it -

Mr WINTER - I'm not sure about that.

Mr O'BYRNE - Chair, minister, Michael Grainger was asked to resign. The previous CEO finished his contract. They are the only people who have moved on in all good conscience, given the nature of the problems that this board has delivered us. The Tasmanian community really has lost faith in the management of TT-Line. Surely, in good conscience, should you and the board tender your resignations to allow fresh people to come in, as they have done with the infrastructure project?

Mr BUGG - I will answer your question quickly and I say no. This company's facing a serious challenge.

Mr O'BYRNE - Of your own doing.

Mr BUGG - Yes, I accept that as this has unfolded, the board is responsible. However, how do you repair it? Do you -

Mr O'BYRNE - Take responsibility?

CHAIR - Mr O'Byrne, please. Allow the chair to answer the question.

Mr BUGG - The minister's already told you that when he spoke to me about what was transpiring, I said, 'You need to think about this carefully', because I have been on the board throughout this but at least I know what the problems are. I can see my way clear to achieve a solution for the problem until - and I told him, 'I don't want to stay on this board as chair other than for a sufficient time for a new chair to be appointed'.

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When that new chair comes on and three new board members, which is the current exercise which is being undertaken, I will be a minority, but I will know what's happened and what steps I've taken since I have been chair to make sure that we can get this fixed. It was me who led the selection panel to pick Paul Kirkwood to come in to project manage this exercise. He is the one who came in to fix Geelong.

I am not there to hide what went wrong. I am there to fix what went wrong. I do hope when you say, 'Well, you should fall on your sword,' you would think, 'Well, isn't it better to keep a couple of people on the board who know what's happened and know what needs to happen to fix it?' That's the assurance I give you. If you don't accept that, then I will happily consider resigning. I can tell you what, I didn't sign on for the task that I have currently got, but I will stay there and try and fix it, and you ought to know that.

Mrs BESWICK - Minister, the dock contract from TasPorts was applied in August 2022 to start building that wharf infrastructure, which we know required reclaiming land and then building the terminal and the infrastructure on top of that. How was it in any way expected that that was going to happen in 24 months - that you would actually be able to build that wharf and the infrastructure on top of it?

Mr ABETZ - That is before my time; I'm not exactly sure. Chair, rather than counting it as a second question - I'm not exactly sure what the question is.

Mrs BESWICK - It just seems to me that from the very beginning - I mean, I know, chair, you've said there was this over-expectation, that you did have a bit of a grandiose view of yourself at the time. But, it does seem like for any infrastructure project to have expected that to have worked in a two-year timeframe, it just seems unrealistic and like there should have been something very, very clearly in place to make sure that it did not slip, and that like a week slipping would have been a big- an alarm bell.

Mr ABETZ - Look, I hear what you're saying and what you're directing to me. As the Chair has indicated, I think there was an overconfidence as to what could be achieved, there was an underestimation of the capacity required by TT-Line and the operation overall.

I think I've already said on the public record that on becoming minister, the incoming TT-Line brief - the written one - did not mention Devonport, and that was in May of this year. Not to mention, Devonport in the written incoming ministerial brief is something that I think is indicative of the mindset at upper levels.

Now, what you're asking me to do is go through that which occurred in the past, and other people are looking at that, working on that. Criticism about what occurred in the past is appropriate, has to be accepted, has to be owned, but at the end of the day, what I'm seeking to do is to fix this as expeditiously and as economically as possible. So, I think what is implied in your question is an observation that is hard to argue with.

Mr WOOD - My question is to the Chair. At what point did TT-Line write to the government re: their concerns with the delivery of the berth 3?

Mr BUGG - There was no correspondence that I'm aware of that went from the company to the minister - or to the government, to answer your question fully. We were represented at meetings with the shareholder minister, which occurred shortly after each board meeting, and

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any issues involving projects and the operation of the company that were a matter of concern were raised at those meetings. There's been abundant disclosure in terms of our minutes of those meetings, and the minister's account of what occurred at those meetings, and verbal evidence from the former chair and the former CEO as to what occurred at those meetings, but nothing in writing, that I'm aware of.

Mr WINTER - I'd note that the government is both saying there should be no further changes to the board, but also directing Dorothy Dixers designed to embarrass the TT-Line board.

Chair, I'd like to ask about the decision - one of the points that you made was in those four points of mistakes. It was a mistake to try and build the infrastructure yourself. Can you explain to the committee, at any point did you seek or receive a formal offer from TasPorts to do that construction, and explain why that didn't occur?

Mr ABETZ - Chair, if I may briefly intervene - prior to the answering of the question - of asking a question, Mr Winter made a statement which is now on the record and is unable to be answered.

Mr WINTER - Is it not true?

Mr ABETZ - The simple fact is that we have a process in place that will see a new board constructed with four people joining - three people joining the board, and with the CEO no longer being director of the company -

Mr WINTER - We have backbenchers asking Dorothy Dixers designed to embarrass the board.

CHAIR - It is not up to you to infer what the intention is of a question that's being asked. Your job is to ask questions. You've asked your question. I'll now ask the chairman to answer the question.

Mr ABETZ - Thank you for that intervention. Mr Winter was most perturbed when the suggestion was made that an inference was made about him. Yet he's so willing to make inferences.

Mr BUGG - I've forgotten the question.

Mr WINTER - The question was about the decision points around whether TasPorts should build the berth facilities or not? I asked whether TT-Line had ever formally sought TasPorts to undertake that work or formally received an offer? I understand from the evidence provided on Tuesday that there was some kind of informal offer arranged. Was there anything formal between the two?

Mr BUGG - Not that I'm aware of.

Mr WINTER - Was there ever a consideration in the board, right back at the start of this about who would build this berth facility? Did the board just decide that it would build the berth facilities itself? Was that on the basis of TasPorts not being willing to do it or you're not trusting TasPorts?

Mr BUGG - No, that's a multi-faceted question. There was a concern about us taking it on and there were questions raised about whether we had the capacity, that is the project. I think I mentioned that earlier.

It was my understanding that we virtually had no choice. I gave evidence at PAC when I was very shortly into this role that my understanding was that we didn't have a choice in the matter. It was part of the negotiations for what was called the Agreement for Lease (AFL). That involved us taking on that infrastructure task above pavement and at a board level that was accepted as part of our approval that the AFL be signed.

Was there discussion about how complicated the construct would be? No, there wasn't. But there were questions about - 'we're taking on a build here, have we got the resources?' The response was, 'Yes, we have the project resources'. I'll try and assist you there, it's mentioned in the minutes of the meeting of the July 2022 board meeting. I wasn't at that meeting but that's when the board approved the signing of the AFL and I think there's a comment of assurance that we had the resources to do it.

Mr WINTER - There was a decision point back in March or April or somewhere around there to tear up the contract with the former contractor to build berth 3. At that point in time, the former minister following that said he was disappointed because he felt that meant that was the decision point and you couldn't complete the construction on time. We now know it's going to take a lot longer than six months and that wasn't going to occur. At what point did the board come to the realisation that this was years and years behind schedule rather than just a few months? At what point did you realise that the ships were going to be here and there was no way for the berth to be constructed?

Mr BUGG - I became really concerned about it and that was when I went out to see the chairman on 29 April. That was the week following the board meeting where we were informed that the preferred tender of status of the joint venture party that we were anticipating and signing a contract with was no longer on foot.

Mr WINTER - We now know that the development of this infrastructure is going to take at least two years and probably more like two-and-a-half years. This is a question I get a lot in the community when I ask about this. I don't understand how you didn't know that it was going to take two-and-a-half years to build the infrastructure. What advice was the board of the then CEO relying on to believe that this could be constructed in 12 months, as was the case at least one point during evidence or in less than in others? How is it that you didn't know it was going to take such a long time to construct the infrastructure?

Mr BUGG - There was a degree of confidence on what was being put to the board that whilst there was a delay in us gaining access to the site, we would still have a temporary or makeshift fix which would enable us to take the new vessel into the Mersey and load it at-grade and unload it at-grade, or around-the-world. We were accepting of that as what we would anticipate because of the delays in us getting access to the site.

Two years to build it - I think two years was never put as, 'That's how long this is going to take', because we were anticipating part of the development to enable the vessel to operate. That was the principle. We've got a vessel coming in. Will it get into the Mersey and work

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when it arrives? Yes, it will. It's not going to be completely satisfactory. It's going to be the stopgap measure at-grade round-the-world - full stop.

Ms BURNET - Thank you.

CHAIR - Before you go on, Ms Burnet, Mr Bugg, if you can just either sit back from your microphone a touch, or just move it away a little bit so we stop getting that distortion for Hansard, that would be great.

Mr BUGG - I'd hate to distort things.

Ms BURNET - In relation to returning the vessel to Tasmanian waters, whether that's for storage or just for service, would it be true that the longer you leave it the more costly it would be?

Ms SAYER - Sorry, to clarify, the longer we leave it where?

Ms BURNET - You talked about millions of dollars to bring the ferry home.

Ms SAYER - In Europe?

Ms BURNET - Yes. If you decided to sail it in two years' time, would that not likely cost more to sail?

Mr ABETZ - I would imagine marginally, with the wage increases for the crew and cost of fuel going up. I dare say there would be those marginal costs, but it's the opportunity cost of having the vessel in Europe and a potential charterer or lessee of the vessel, which is making or informing the decision that's been made and if we can get for the Tasmanian people, hopefully, I don't know, but many dollars more than the extra cost of sailing her out in 12- or 18-months time, that's the economic decision. I'll hand over to the CEO.

Ms SAYER - I would agree with that. It's certainly not within our decision-making right here and now because we haven't decided to leave it there for two years or we haven't made the decision on a charter option at the moment, so I think the marginal costs of a potential increase, as the minister has identified, wouldn't be a significant factor. It will be a factor when we present something to the board.

Ms BURNET - So, you haven't made that decision -

CHAIR - Just before you move on, Ms Burnet, Mr Bugg just indicated to me that he wanted to add to the answer as well.

Mr BUGG - There's a factor I want to put on the table so that you understand one of the tensions we face in looking at a new ship that's arrived in just recent weeks and we've taken possession of it and the meter is now ticking on warranty. It's got a 12-month warranty. We've got to work it and operate it in some way to satisfy ourselves that everything that's there is functioning properly, so one of the considerations that keeps pressure on us to do something is the warranty and the expiration of that 12-month period. If it sits in a dock in Leith and we do nothing with it for a period of time, it eats into our warranty period. There are a lot of factors at play.

Ms BURNET - I'm sure there are. Twelve months is not a very long warranty, but subsequent to that question about bringing the ferry home, have you exhausted the local markets for charter, like New Zealand, more local?

Mr BUGG - New Zealand were interested for a short-term charter whilst they took a vessel to Singapore for dry docking. All up we were looking at taking it to New Zealand for three months, which was really not attractive to bring it all the way from the northern hemisphere for a three-month charter. There's another company in New Zealand, which was planning what we're doing, that is, infrastructure builds at the wharfs north and south and replacing with new vessels. The quote was \$3 billion and the New Zealand government has withdrawn its support for that proposition. Was there an expectation we might get something there? There was. Nothing's been forthcoming.

Look, we're speaking publicly about a marketplace we're trying to make discreet inquiries in at the moment. The only one that was of interest was New Zealand. It was when there was a dry docking occurring in Singapore.

Mr O'BYRNE - Chair, at what stage did you lose faith in the advice you were being provided by the former chairman?

Mr BUGG - I didn't. The advice we were given was contemporaneous with factual situations which were to us achievable.

Mr O'BYRNE - At no stage you questioned the advice or the leadership of the former chair and delivery of this project?

Mr BUGG - I guess I did when I went to see him on 29 April and said -

Mr O'BYRNE - This year? April of this year?

Mr BUGG - Yes. I said, 'I think we've got to elevate this to a whole of government to get a solution'. He said, 'Yes, well we had a meeting on Friday, chaired by the Premier with the two ministers, the chair of TasPorts and CEO of TasPorts and me, and the CEO of TT-Line'.

Mr O'BYRNE - Is that the subcommittee of Cabinet?

Mr BUGG - That's the Cabinet subcommittee.

Mr O'BYRNE - So, you weren't aware of that committee -

Mr BUGG - No.

Mr O'BYRNE - Prior to that?

Mr BUGG - It met on the Friday. I was made aware when I went out to see the chairman on the Monday.

Mr O'BYRNE - Oh, goodness.

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Mr GARLAND - Berth 3 upgrades were delayed due to the preferred tenderer being rescinded due to alleged price increases in the offer by Hazell Brady JV. What was the lump sum offer from the preferred tenderer, Hazell Brady JV, for the contract of the berth 3 works that led to TT-Line's decision to go back to a competitive process?

Mr ABETZ - That might be -

Mr BUGG - I'm troubled about that, Mr Garland, in the sense that there may be some issues around commercial-in-confidence there. I don't want to obstruct your question. I appreciate it and it's a good one, but I just need to take some advice on whether I'm disclosing something that's commercial-in-confidence. I know there's been discussion about dissatisfaction because there was a price increase; I don't know whether there's been discussion about how much that price increase was. I haven't read everything that's been said or spoken about this matter. If you wouldn't mind, could I take that on notice?

Mr GARLAND - No problem.

Mr WINTER - I wanted to go to the cost of berthing the ships in Scotland. The question's to you, chair. Yesterday, the government announced that TT-Line will be paying around \$47,000 per week to park *Spirit IV* in Scotland, which is a touch under \$7000 a day. According to this document - which I assume that TT-Line contributed to - the cost of the berths for new vessels was more like \$20,000 per ship per day. I understand that the figure quoted by the government yesterday doesn't include ancillary costs.

My question is, what are the components of ancillary costs? What are the costs of those ancillary costs, and do you have a total figure for the amount we're going to be paying to berth these ships or this ship in Scotland?

Mr BUGG - I don't have a total figure because I don't know how long it'll be there.

Mr WINTER - Per day, then.

Mr BUGG - Per day it comes down the longer you're there. I'd really defer that, or deflect that question -

Mr WINTER - I thought you might, chair.

Mr BUGG - If I may.

Mr WINTER - It's just that I am not allowed to ask the CEO questions. I thought you might; it is quite fair enough.

Mr ABETZ - Either the minister or chair, but we can then deflect -

Mr BUGG - If I'd known that, I wouldn't have come.

Mr WINTER - No one expects you to know this answer, chair.

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Mr BUGG - No, look, it's a fair question. I can tell you that ancillary costs include the costs of wages of people who have to be on board. It doesn't have to be a full crew, obviously, once it's moored in a dock. But I will deflect - defer to the acting CEO.

Ms SAYER - Thank you, chair, I think. The figures that have come out are for the berthing costs as such and there is high costs in the first couple of weeks, like into a set-up costs, and then it becomes cheaper in terms of that weekly cost to berth there. The ancillary cost and why it seems like we can't give a total cost is that it's almost a dual charge. There are arrival and departure costs, depending on tugs and towage and those kinds of things that you don't quite know what you need until you get there and when you leave. Some of that's weather-dependent. Then there is the services that we may need to utilise whilst we're there.

Now, we didn't have any concept - not any concept - we didn't have the detail about what that might be. Do we need to undertake any works while we're there? The expectation is no. Fortunately, it was a very smooth voyage, but if there had been warranty issues or we need to bring contractors on to deal with some of that, then you pay fees to access support. If we needed a crane, you pay for things like that. We'll need provisions. We will need fuel because the vessel will be operating on the auxiliary engines the whole time. It's what we call a warm lay-up. We don't shut the vessel down. So, there'll be fuel and provisions. We will have some people, we've got people staying on board full-time. So, there will need to be provisions and those sorts of things.

It was not being vague about what are the total costs. It's just the big costs are known. It's the ancillary - I hope the ancillary costs are not big. As we go through the weeks and get a clearer understanding of how long we think we might be there, we can come back, and we will come back, and provide those costs.

Mr WINTER - In terms of the maintenance program that'll be used for the period the ship is parked in Scotland, do you have an idea of what that looks like - sorry, through you, Chair - and what the cost of that will be?

Ms SAYER - There's no set maintenance program. I guess when you first take a brand-new ship out, you expect there to be teething problems, as the team have called it. That's why we have warranty periods. We actually had - I'm going to say 'technicians' and I don't mean to - we had people from Rauma Marine Constructions (RMC) travel on that initial voyage, their technicians, in case something happened. We had our own IT people because you expect there to be some teething problems. Fortunately, we haven't had many, but that's the expectation. There's no planned maintenance program at this stage, other than keeping the ship warm and running, and continuing to test all the systems. We'd expect the - we'd always planned that the delivery voyage out to Australia would be a good shakedown, as we call it, to flesh out all those issues.

Mr WINTER - Through you, Chair, while the ship is in Scotland, how many staff are going to have to be on the ship during that time, approximately how much is the staffing cost going to be per diem, are they TT-Line staff, are they Australians, Tasmanians?

Ms SAYER - The majority - there was a number of questions in that.

Mr O'BYRNE - Tasmanians are Australians.

Mr WINTER - The Tasmanians are even better than Australians.

Ms SAYER - But they're all our crew, regardless of where they reside. I need to be, not careful, but we are still in the discussions with the unions in terms of what is the core crew that remains, if it's a longer term, how many that number is. Our initial thoughts were six. There's more than that there at the moment for those first few days, and there was obviously more than six on the initial voyage. We're looking at about six, but I have to preface that with we're still in discussions with unions. They obviously potentially have a different view on how many.

Mr WINTER - What's the approximate cost for having six workers?

Ms SAYER - I don't have that in front of me. I'm happy to take that on notice and provide it.

Mr WINTER - Thank you, I appreciate it.

Mr ABETZ - Chair, if I may quickly, to provide absolute clarity to an answer of the chair. I'm not sure what the former chair of TT-Line said to the interim chair in their discussion, but the discussion on 26 April was more in the nature of an informal discussion between TT-Line, TasPorts, the Premier and the ministers. The first formal meeting of the Cabinet subcommittee occurred on 6 May, just for complete clarity. So, the meeting on 26 April -

Mr O'BYRNE - But had it been established prior?

Mr ABETZ - Sorry, it had not been established prior, but that was the discussion and 6 May, I'm informed, was the first formal meeting of it.

Ms BURNET - I want to look at the Berths for New Vessels report, and it's about Berth 3E. It looks at the TT-Line's preliminary business case about leasing the new vessels to another operator until Terminal 3 becomes operational. It says:

By generating revenue through leasing, TT-Line could enhance cash flow and optimise asset utilisation, potentially allowing for a smoother transition once Terminal 3 is operational.

It goes on to mention warranties and maintenance, and possibly costly repairs. Then it says:

Overall, while leasing may offer -

Mr ABETZ - What page are you on, sorry?

Ms BURNET - Page 34, at the bottom. It's really quoting the TT-Line's preliminary business case:

Overall, while leasing may offer immediate financial benefits, the potential risks and long-term implications highlight why this option may be less favourable compared to the base case of storage, or the alternative case of upgrading Berth 3.

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I am wondering how the board or TT-Line has done a matrix or risk assessment, because I can't understand why one scenario might be to bring the ship here versus Leith as an arrangement. Can you take me through the thinking as to why those alternatives were proposed as better?

Mr BUGG - What was in the scales when we looked at that and made the decision to go to Leith really was - look, it's a really good advantage to have a long sea voyage and run the vessel with a warranty period that is at risk of not having a full operational 12-month period. That brings it to Tasmania, but it takes a long way from what our perceived and actual feedback was: that the market for short- and long-term leasing is in the northern hemisphere. So, we're taking it away from the marketplace.

The advantage of bringing it: a long operation. Leave it there in the short term to explore it, explore the markets, and if the market isn't there, or it's a market that we don't feel justifies exposing the vessel to risk, exposing the vessel to wear and tear that we can't achieve back from, if it was a bare lease, then there are real risks, which we were exploring at a board meeting this week. Quite frankly, I have to tell you I am not prepared to expose a valuable company asset such as that to any real risk.

They're the things that were in the scales, which made us take it to Leith.

Ms BURNET - Following up from Mr Winter's question about the number of crew required, if it were to be moored in Hobart, for argument's sake, what would be the crew required, shore crew or shore staff required?

Ms SAYER - I wouldn't think there'd be shore staff and crew. In terms of on board, there'd need to be a full complement of officers, if that makes - not the retail and hospitality crew that we have when we're operating, but there'd need to be a full contingent of engineering crew.

Ms BURNET - A number?

Ms SAYER - I would suggest about 18 to have it laid up.

Mrs BESWICK - My question is along those lines. My understanding is that around this time last year, you were training a spare ship's crew of engineers, et cetera, to take on the fact that you would possibly have three ships running, or something along those lines, for a period in preparation for the new ships. Could you advise if these staff are still employed, and are they being utilised in the *Spirit* for looking after in Scotland. I feel that you're not quite sure which ones are there at the moment, but just in general within the company.

Ms SAYER - You said we were training up a -

Mrs BESWICK - Some engineers and ship's crew.

Ms SAYER - No, we weren't training up crew. We obviously have access to crew that we utilise on the existing vessels, so we've certainly been looking and when we were exploring options around berth 1 and potentially operating three vessels, crewing was a key factor to us in terms of whether we would be able to access enough crew without putting our two existing vessels at risk. That certainly raised concerns with us, but we weren't training up crew to do

that, but the crewing model and whether we have enough was certainly something we looked at.

Mrs BESWICK - You didn't grow your team this time last year?

Ms SAYER - We've done some additional sea safety courses to get qualified people, but not specifically for potentially operating three vessels. In the last peak season, we really struggled with crewing and the double sailings, because it takes a while to get people certified to be able to work on the ship. Also, throughout COVID, we were limited in the number of sea safety courses that we could run which gets people certified, so we've done a big catch-up on that to ensure we have a pool of more casuals to support us through the doubles because we've had some tough years in terms of numbers, but we never actively trained people for a potential third vessel operation.

Mr O'BYRNE - Chair, you say you became concerned about the project from basically April of this year. There's a number of pieces of information in the public domain which would have flagged earlier concerns about the delivery. For example, in two trade journals, *Inside Construction* and *Vendor Marketplace*, after an event where I think TT-Line and TasPorts hosted the Premier and Infrastructure minister at the time, the articles quoted an expected completion date by early 2027, so that indicates to me that people knew that this was going to be delayed. Why did it take so long for the board to twig onto that?

Mr BUGG - I do not recall 'early 2027'. You must consider that midway through this year we signed a contract with BMD with a completion date for early 2026. That's a contract signed midway through this year. When you say 'concerned', concerned to elevate it to the point of going to see the chairman and saying, 'Look, we've really got to try and break through this impasse', which was we were having difficulty, as relayed to the board, in gaining access to the site to undertake geotech surveys and, as it turns out, when we did finally get access to it, the geotech survey showed something quite different to what the provided surveys were indicating.

The access to the site was being mentioned to us at board meetings, I suspect from about June last year: 'We're not getting access to the site. We can't get access to the site'. I know that's disputed, but that's what was being reported to us and I had no reason to doubt it because in fact that was being reported to us by a person we had in the field who had a senior position with the project, and that person accompanied me to the Public Accounts Committee when we appeared in early September - the 9th, I think it was - to give that very evidence.

Mr WOOD - Minister, we've heard a lot from certain quarters about the capacity and passenger numbers and noting that we still have two perfectly good ships operating Bass Strait, can you please provide the committee with an update on bookings over the coming summer period and perhaps through to May?

Mr ABETZ - I can provide some assistance in that regard. Up to May, we're looking at around 167,000 passengers. Between now and the end of May 2025, the *Spirits* are going to continue with the schedule of sailings, which includes day sailings, which they've been doing for years, and that is based on some scheduled day sailings and then adjustments based on demand. It looks as though there'll be 138 day sailings until the end of May next year. The figure that I mentioned of 167,000, the full figure is \$167,274 which is 3299 more than the same point in time last year, so that's a good result and provides a net benefit for all Tasmanians, because out of those bookings, whilst they're nearly all return bookings, pleasingly 78 per cent

of this financial year's bookings for the period commence on the mainland coming to Tasmania. That's people travelling to Tasmania and these travellers are going to spend their money in Tasmania, helping our economy. Out of that 78 per cent, I'm advised that 3572 are international travellers. The balance of the bookings from Tasmania. You are quite right, Mr Wood, the ferry service that the TT-Line has now run for a number of years is still operating and still doing a good job.

I might quickly deflect to Mr O'Byrne's question in relation to the board and getting rid of everybody. There was still a fundamental operation important to the Tasmanian economy that needed to be run and operated whilst also dealing with the Devonport situation. As a result, keeping that going as well and the enhancement of passenger numbers is something we ought to be celebrating and expressing our appreciation to the TT-Line staff.

Mr O'BYRNE - There's a difference between strategic and operational.

Mr WINTER - Minister, the question is to you. You attempted to clarify the formality of the meeting held in April and then you said formally it was first held in May. I got an answer to a question on notice in Estimates to the Premier. My question was when was the Cabinet subcommittee for the *Spirits* project set up? The answer from the Premier was:

The Department of State Growth has advised that Cabinet established the TT-Line ship replacement committee on 24 November 2015.

Your advice earlier was that the first meeting was held in May this year but the Premier says it was actually held on 24 November 2015. Are you able to clarify for the committee the Cabinet oversight, because obviously this is a huge stuff-up and I'm interested in the oversight provided by Cabinet subcommittees? Are you able to clarify further what you meant by saying the first one was held in May?

Mr ABETZ - Absolutely. What occurred in 2015 is not within my knowledge base, but what I can tell you is on becoming minister, the first meeting of that Cabinet subcommittee occurred on 6 May. Whether there were previous manifestations of that committee prior to my taking the position of Minister for Transport is something I would need to get back to you on. I suspect that the Premier's answer, with his knowledge, background and length of service, would be more accurate than that which I may have portrayed just then. What I was talking about was since I became minister, the first meeting was 6 May.

Mr WINTER - Chair, my question is to you. I'll quote what you said in an earlier answer:

I'm not prepared to expose a valuable asset to any real risk in terms of leasing arrangements.

I agree that we shouldn't expose a valuable asset. We're talking about potential lessees that, like any lessee, don't own the infrastructure, have no real obligation and don't have any real incentive to keep our half-billion-dollar ship safe. How can you have said that you don't want to expose it to any real risk but at the same time be considering leasing out our ship? Doesn't just leasing it expose it to real risk?

Mr BUGG - Quite right, just leasing it, put like that, but I take you back to my answer where I distinguish between the three levels of leasing or chartering. The issue for us is what

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is the effect of a bare boat lease where we don't have someone on board overseeing the operation and management of the vessel on our warranty and our insurance. And it would, we're seeking advice about that because of the three levels of charter.

With the other two, my understanding is that we would have on board the vessel people of the level of seniority who would have not a management, but be there as owners' representatives and overseeing the management and operation of the vessel in a way that we would have a high level of assurance.

Look, I fully agree with you. It worries me, but we've got to explore ways and means for achieving some return to the company of what is a valuable asset. If we can't achieve it by bringing it to Tasmania, and the cost of bringing it here used up against a short-term charter, it doesn't look like a sound business decision. So, we will explore these other ones and we'll talk about it. We won't put it in an envelope and bury it. We will say, 'look, we've explored it, it's not feasible, it's not possible, therefore it's coming to Tasmania and we will try to do something with it here.' I don't know what because there aren't too many places we can bring it into a berth. We could take it to Geelong because that's been designed to take that ship.

Mr WINTER - Couldn't go very far, though.

Mr BUGG - Sorry?

Mr WINTER - Couldn't go very far.

Mr BUGG - No. Well, you could, and one of the things that seriously has been considered is whether we can take a passenger voyage from Geelong. Is there somewhere in Sydney we could take it? Is there a market for it? Do Victorians want to go to New South Wales? But you know, we've got, to be serious, we've got to explore everything. And I agree with you: it's not something you do lightly.

I should just say in relation to those sailing schedules that we speak about, some of the double sailing schedules that are put on to meet a demand, it's usually at one end of the voyage. If we bring a ship in daytime from Geelong to Devonport, we've got to take the ship that's in Devonport to Geelong, and sometimes that means the other vessel voyage is not very well occupied and loses money. As a business, we've got to weigh that as well.

Mr WINTER - Minister, the prerequisites for leasing the acting chair spoke about, and they're quite a tight set of prerequisites, if you consider those obviously there's concern about the condition of the ship and making sure it's okay.

Do you accept that it's highly unlikely, almost impossible, that any ship owner would want to charter a vessel like this under that scenario for such a short period of time? How likely do you believe it is that you will actually be able to lease this ship? Or is this just a ruse so that you don't have to bring the ship home?

Mr ABETZ - Well, unlike you, Mr Winter, I don't indicate to the public that I've got some specialist knowledge on all these matters. That is why we rely on good advice from brokers and others as to what the world market might actually provide to us.

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Can I comment on the detail of those matters? No, I can't. But what I can categorically reject, and I know it's a cheap political point that you seek to peddle on a regular basis: the only reason, as you've been told now on a number of occasions, that the vessels are - or the vessel, the one vessel is in Leith, is that we are exploring the market in the northern hemisphere -

Mr WINTER - You must have an idea of how likely it is that that could actually occur, though. It seems incredibly unlikely.

Mr ABETZ - and the likelihood is a hypothetical question.

Mr WINTER - It's not a hypothetical, though.

Mr ABETZ - We are exploring -

Mr WINTER - It's happening.

CHAIR - Mr Winter.

Mr ABETZ - the possibility and the opportunities. As you were informed by the CEO, it makes good economic sense. And on a cost-benefit analysis, that which has undoubtedly been done, is that it is better to keep the vessel in the northern hemisphere - which is the most likely market for a charter or a lease - keep it there for a month to see whether we can or not lease the vessel, rather than expend - where we expend tens of thousands of dollars each week.

Having the vessel in Leith, that's understood and accepted, but to bring her to Tasmania and then return her, we would be talking multiplicities of millions of dollars, and therefore, on a cost-benefit analysis, it makes sense to keep her there, and to say that we are trying to, you know, hide the vessel, is ridiculous. The Premier is on record saying that if she is unable to be leased or chartered, she will be coming to Tasmania.

CHAIR - Ms Burnet.

Mr WINTER - I've just got one more on this, and then I'm happy to take one less in the next rotation, if that's okay. Just in relation to an answer given.

CHAIR - You're testing my patience, but I'll allow it.

Mr WINTER - I appreciate that, Chair. You do a fantastic job here.

Ms BURNET - I don't mind either.

CHAIR - Flattery will get you everywhere, Mr Winter.

Mr WINTER - Thank you.

Mr O'BYRNE - On reflection, Chair, I'm not sure if that works.

Mr WINTER - In your answer just then, minister, you referenced keeping the ship there for a month or so. Is that a commitment you're making that the ship will be there for a month - you'll give it a month to decide whether or not to - you can actually lease it and then

bring it home? What is the period of time you're prepared to wait to get a lease agreement before you bring it home?

Mr ABETZ - So, you misunderstand the way the GBEs and state-owned corporations actually work. Keeping the vessel in Leith is an operational matter for the *Spirit of Tasmania* personnel to determine, and I won't try to be a sort of 'shadow director' telling the Chair or the CEO -

Mr BUGG - I was just packing up to go.

Mr ABETZ - Yeah, yeah - as to what to do. They will make -

Mr WINTER - Well, I think the lack of oversight has actually been the issue, to be honest.

Mr ABETZ - They will make those operational decisions, and I'm not there negotiating the port fees or the crewing numbers-

Mr WINTER - Frankly, I think this hand-off approach from your government has been the reason we got to this place.

CHAIR - Mr Winter, could you stop interjecting?

Mr ABETZ - The crewing numbers, or anything of that nature. That is for the personnel that are engaged by TT-Line to make those determinations, and those -

Mr WINTER - I think you just explained how we got here.

CHAIR - Ms Burnet.

Ms BURNET - Thank you, Chair. To the acting chair, bigger ships have obviously been the order of the day, and I'm just curious to know, given the greater width of the ship - so, I believe *Spirit IV* has a 31-metre beam, and given that the Leith dock entrance canal is 31.6 metres in width, was that considered in relation to berthing it at Leith?

Mr BUGG - Yes, it was, and I had a wonderful description of it last night from Leith - I say last night; the board meeting went for quite a while and that was from Dick Hall, our General Manager, Marine Operations. He said there was 300 millimetres on either side of the vessel as it went into the berth.

Ms BURNET - Oh my goodness.

Mr BUGG - Yeah. It's calculated. He said he's never seen such manoeuvring skills as was achieved from the person at Leith who was piloting the vessel in. It was under tow, as well, and these berths are in what is tidal water - sorry, it's in still water. So, you're not working with a flow challenge, but you are working with a real challenge. But, it was part of the risk assessment that was undertaken when it was determined that Leith would take the vessel.

Ms BURNET - Alright, okay. Well, there's luck and there's luck, I suppose, but -

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Mr BUGG - Good management.

Ms BURNET - Minister, a question for you. So, I wrote to the Minister for Infrastructure on 9 October and received a reply from the next minister on 28 November, and in that letter, it stated:

In response to concerns raised regarding layup berthing rates at the Port of Hobart, the rates quoted by TT-Line are in line with TasPorts' schedule of port charges. However, the schedule allows for negotiated rates for layout periods longer than 14 days upon application. TasPorts has not received any applications regarding negotiated rates from TT-Line. I am just curious to know why there wasn't a quote asked for - and maybe it goes to the acting chair - but why there wasn't a quote asked for in relation to berthing at Hobart?

Mr ABETZ - That is not within my knowledge base. I will defer to the chair if he knows something about that or the CEO.

Mr BUGG - There are two aspects to that question or two aspects to the answer and really, you have got to look at the date of the answer and could you repeat that again?

Ms BURNET - The answer came back on 28 November.

Mr BUGG - October - 28 November?

Ms BURNET - 28 November, this year.

Mr BUGG - One of the things we have to consider when we bring the vessel, the one that we are talking about in Leith to Tasmania, is that there is an unfinished fit out that has to happen. That involves some table tops, mattresses, numbering on cabin doors and artwork, all of which is not part of the \$100 - up to \$100 million commitment in the contract with Rauma. We have to contemplate the vessel being held in Hobart while that happens when it first comes to Tasmania. We may not have looked beyond that period of time, that is a fortnight, which is the sort of anticipated period, maybe a little longer than that. That is the first thing, if we are looking at quotes.

At the time that quote was first sought, we were just examining the likelihood that the options for the modified use of berth 1 were not available to us. It was to get a price indication, not a term of location indication, I think is the best way to describe that. That is the explanation and the acting CEO agrees with me.

Mr GARLAND - I want to talk about the existing *Spirits* now. Given that they have got to go for another couple of years, is the maintenance being scaled back on the ships?

Mr BUGG - No.

Mr GARLAND - It hasn't?

Mr BUGG - No, in fact, part of the meeting last night was to discuss - and I mentioned that to the minister this morning - to discuss the strict adherence to a maintenance schedule

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which our engineering and maintenance people are satisfied with and we have to be attentive to that. We will have an extra week in dry dock in July to attend to some matters which were not attended to - they are not critical to the operation of the vessel.

Yes, it is a very good question. A lot of people anticipating the sale ease off the pedal on maintenance. That is not something this company has ever done.

Mr O'BYRNE - Through the chair - is it acting chair or chair?

Mr BUGG - I am interim chair, I don't know why, but it means that it will come to an end.

Mr O'BYRNE - You know my views. Interim chair, how would characterise - as the board - because you are basically saying and portraying that you did ask questions, maybe you should have asked questions earlier. It is very important for - that is a paraphrasing - it may not be exact, but I am trying to get to the point of my question being, when the chair reported back to the board on his discussions with the single shareholder, effectively the Treasurer and Infrastructure minister, Michael Ferguson, how did he characterise those conversations? Did he give the board confidence that the then minister was all over this and was engaged and was assisting, or was he doing other things?

Mr BUGG - Over a period of, let's say six months, from mid-last year to the end of the year it was reported to us at the next board meeting because we had the minutes of the meeting.

Mr O'BYRNE - Last year?

Mr BUGG - This is last year, yes. Say we had a meeting in July, immediately after the meeting or soon thereafter, there would be a meeting with the CEO and chairman and the minister and the company secretary general counsel - minutes were taken and they were part of the board pack for the next meeting in August. As a board member, you would read those, and there would be a brief covering report of the ministerial meeting by the chairman. It was reported to us about the sandpit comment, so that's not something - I understood precisely what he meant by that, that there was some distance between us and TasPorts and we had to get on and be more cohesively cooperative.

I was encouraged when it was reported that an integrator was to be appointed, and I think that was reported back to us in November, so five months before I spoke to the chairman at his office in late April this year. There was reporting back that the minister was being informed of our problems gaining access to the site. I was comfortable with that - that the minister was aware of it and that it was being properly reported.

I reached a point of concern when I became aware that the preferred tenderer status was no longer in operation and that we were contemplating undertaking effectively a retender between two parties.

Mr O'BYRNE - Would you characterise the relationship between the chair and the minister as becoming hostile, so the minister was not an ally for TT-Line in this position?

Mr BUGG - No, probably my state of awareness of that was at the August board meeting, when the chair of TasPorts and the CEO of TasPorts had appeared before PAC on the same

day as the minister. There was media coverage of it. No one, as I understood it, had properly read it at that stage, but there was comment by the chair about that. There was some discussion prior to the meeting starting and there was later discussion during the meeting about it. That was probably the first time I think I would have said, hand on heart, that the chair and the minister were not getting on at all.

Mr O'BYRNE - To put it lightly.

Mr WOOD - Minister, what's the value of Tasmanian goods and services purchased by TT-Line? How does TT-Line help promote Tasmania and Tasmanian producers?

Mr ABETZ - As we speak, the two *Spirits I* and *II* continue to ply the waters of Bass Strait and provide an important service, and whilst providing that important service they promote all things Tasmanian, such as the Tasmanian Market Kitchen. I'm advised that in the last 12 months over \$61.5 million of Tasmanian-sourced goods and services were purchased by TT-Line, and that is up on the \$36.7 million that was purchased the previous year. It is an important part of our Tasmanian economy, providing a source for goods and services in literally the tens of millions of dollars - \$60 million in the 2022-23 financial year.

Mr WINTER - I'll ask a similar question to what I asked the minister, who reflected back that it would be the board and the organisation to decide about the leasing arrangements. How long is TT-Line prepared to leave our ship in Leith without a signed lease agreement before it decides to bring it back to Tasmania?

Mr BUGG - I couldn't answer that with any degree of accuracy, but there is a degree of urgency in the steps we are taking to one, understand our exposure to risk around the three levels of charter leasing. The worst - that is the bare boat charter - we are concerned about. Getting some legal advice about the effect of each of the charters and feedback from, at this stage what we are indicating is a preferred tenderer and I'm not prepared to mention the name of that organisation now.

Mr WINTER - Sorry, the preferred tenderer for - what?

Mr BUGG - Sorry, the broker. I said tenderer.

Mr WINTER - Oh, so you haven't actually got an agreement with a broker yet?

Mr BUGG - We haven't got an agreement with a broker.

Mr WINTER - Right. Correct me if I'm wrong; I thought that it had been announced that you'd engaged a broker already.

Mr BUGG - We'd engaged with a broker, and that broker has given us some indications of market, but we feel that to be completely thorough, we should explore a range of brokers and what their field of coverage is. We made that decision at a board meeting yesterday.

Mr WINTER - So, you have advice from a broker and you're now seeking effectively a second opinion from a different broker?

Mr BUGG - No, it's not a second opinion. It's a broader coverage of the global map on available markets, because some brokers don't cover the whole field.

Look, we're not going to sit in Leith. I assure you we're moving to deal with and cover all the information we need to make some properly informed decisions that I would like to think the community and the parliament will be confident have been the right decisions.

Mr WINTER - In terms of the advice that you received from that broker, can you outline for the committee a summary of what that advice was? What I'm really wanting to know is how likely is it that this ship is actually going to be able to be leased, according to that broker?

Mr BUGG - On what we had to date from that broker, I would have to say not a strong likelihood, because we have limited coverage back from that broker. At the time we made the enquiry, we were not in a position to provide an open commitment to have that person market what we were available to market when we are -

It was a tyre-kicking performance, to get some sense. You're frowning, but you understand what I mean. It's an initial enquiry. What's the market like? Are we really wasting our time? No, we're not. Let's take it to Leith and let's do it properly.

Mr WINTER - Well, to go into this question, you just said that you're not wasting your time, but also to paraphrase you - and correct me if I'm wrong - you also said it's unlikely, according to that first broker, that you'd be able to lease this ship. If it's unlikely you'll be able to lease the ship, why is it still in Scotland? Why can't it just come home to Tasmania?

Mr BUGG - We had one company which had seven or eight people go to inspect the vessel at its berth in Rauma over a period of some two weeks, and that was a serious indication from a big operating company that they were interested in leasing the vessel, and to some extent that caused us to pause to reflect, because we thought, 'We've got a really interested party'.

We had a negative response from that party, so our initial inquiry of a broker to see what the thoughts were around the market moved to a situation where we were actually approached, because of the level of international publicity that there is about our position - almost bad publicity being helpful in one sense. We were so encouraged by the level of interest they were showing. You don't just fly seven or eight people into Finland to have a look at a vessel and ask a lot of questions around capacities and what have you and inspect the fit-out and so on.

Ms BURNET - Interim chair, I'm interested in knowing about the contracts awarded to Tasmanian and Australian firms. Could you describe how many contracts have been delivered, and how many, either completely as part of the build or fit-out?

Mr BUGG - I can't answer that question but I know the acting CEO can, so I'll deflect.

Ms SAYER - I don't have the exact number. I've got lists of contractors, and I understand that we are going to supply through parliament - please correct me if this is wrong - a list of local content, what has been supplied under the RMC contract to date, but also what TT-Line has contracted and/or committed to, in terms of that fit-out. We will be providing the detail of that and the dollar spend to date.

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Ms BURNET - Okay. Was that taken on notice or - how is that going to occur, minister? And that's not my second question because it's procedural.

Mr BUGG - It sounded like a question.

Mr ABETZ - I think that was in relation to an amendment to a motion in the House, moved by Labor - by Mr Winter, in fact; now my memory comes back - and I moved an amendment which you and Labor unkindly voted against but a majority agreed that we would be given until 10 December to provide that list. That was a vote of the House of Assembly.

Ms BURNET - Was that just for fit-out, or was that all the contracts?

Ms SAYER - My understanding is that was a point-in-time update on what has been spent in relation to meeting the commitment of up to \$100 million of local content. That is my understanding of that agreement.

Ms BURNET - Okay. I'm curious to know if there were any conflicts of interest? How does a board look at contracts for Tasmanian companies and how do you declare conflicts of interest?

Mr BUGG - Thank you. That's a question that - you're all going to shudder - requires a slightly longer answer. If it was local content and it was up to \$100 million between the two vessels - which was not a figure of our choosing, it was a figure that was put to us - and we imposed that clause into the contract with Rauma, it's up to Rauma to negotiate and enter into the contract.

The fit-out contracts, which you quite rightly distinguished, are the ones that I was talking about - the mattresses, the artwork and so on - and they are contracts that have been negotiated between TT-Line and the suppliers. They follow an ordinary process of tender and assessment and evaluation, so I would have to say that if there was any potential conflict in those it would be examined, but the other contracts were between Rauma and whoever the supplying party was, be it here in Tasmania or on the mainland. I don't know what steps they took to test perceived or actual conflicts, if there were any.

Ms BURNET - I wonder if you can take that question on notice, in relation to providing information -

Mr BUGG - What Rauma did?

Ms BURNET - No, information about how the board and senior management looks at any conflicts of interest in relation -

Mr BUGG - Generally, or in relation to these vessels?

Ms BURNET - In relation to these vessels.

Mr BUGG - So, that would be the fit-out contracts that we mentioned - that is, artwork, mattresses -

Ms BURNET - Well, no, it's anything that was from a Tasmanian or Australian supplier.

Mr ABETZ - I think what the chair has explained is that there are two lots of contracts, and the first one is between the shipbuilder in Finland and Tasmanian suppliers, so that would be something that is negotiated between those two entities between Finland and Tasmania, over which - and correct me if I'm wrong - TT-Line would, of necessity, not have oversight until the end of the contract, when there has to be an accounting to TT-Line on whether the shipbuilder had fulfilled the terms of the contract for the local content.

Mrs BESWICK - Minister, obviously we've had some concerns here about board membership. In terms of the selection of new board members, how are you managing their skill sets and expectations there?

Mr ABETZ - Good question. I'll be corrected by the chair, I'm sure, but the Department of State Growth, Premier and Cabinet are on the selection, as is Treasury, an external member from the premier's office of Victoria and the chair. That has been undertaken as a result of advertising and I understand whatever these search companies do to try to attract as many as possible, without saying too much I can say I have been somewhat warmed by the number and quality of the applications. There was going to be a selection committee meeting on Tuesday, which I think got deferred until this afternoon, so that is well and truly underway and I look forward, as does the Premier, to receiving advice and making appropriate decisions, after which we will have a majority on the board of new, fresh individuals.

Mr JENNER - Minister, I raised a question in parliament - and I know it's been raised today as well - about the potential of the warranties and the new *Spirits* being voided if the vessels were leased out. You reassured me that that wasn't the case, but new ships typically come with several different warranties. They include whole, structural, mechanical, electrical, operational and performance warranties. If we lease them out, will any of these warranties be voided? How long are these warranties for, because they're each for a different time period?

Mr BUGG - It's a good question. As you say, there is a range of warranties and we're seeking legal advice based on one, the lease, and there are three categories. You weren't here when I mentioned them, but -

Mr JENNER - I was watching.

Mr BUGG - Okay. There'll obviously be different effects legally in relation to each of those and the level of supervision and oversight that the company still retains depending on the nature of the lease, therefore there's a bevy of legal advice that we've got to get.

Mr JENNER - Also the length of each one is individual, obviously, to the vessel.

Mr BUGG - Yes.

Mr ABETZ - We will seek to protect to the very best of our ability the interests of the Tasmanian investment in these two new vessels. As I think I try to say in parliament in answer to your question, decisions will not be made that might prejudice or void the warranties, because that is fundamentally important.

Mr WINTER - I want to go to the bailout. Last financial year, TT-Line executed an agreement to provide an additional €50 million to RMC. I'm looking at the annual report and

I'd like you to point me to where it actually says what the amount is for that payment to RMC, because I can't find it. It's mentioned in the introduction by the CEO and chair, but in the financials, I'd like to see where it's actually disclosed.

Ms SAYER - That number in itself wouldn't be disclosed in the financials. It's represented in the work in progress on the balance sheet and in the future capital commitments note, but that references all capital commitments and contract commitments, of which the big ones would be the vessel replacement and what we had in place for the Terminal 3 project, you wouldn't normally call out one component of a contract because it was a change in contract - contracts - price for those.

Mr ABETZ - It is in there in a global figure.

Mr WINTER - This is my point. When we asked when the Public Accounts Committee raised this with the former chair, he said, 'Well, it's up to the government to disclose it'. The government didn't disclose the bailout of the Finnish shipbuilder. In terms of the global to our global, the way that our government businesses operate, there was no requirement for TT-Line to ever disclose that they've been negotiating with a foreign entity, the Finnish Government, with RMC to provide a €50 million bailout figure and there's still no actual figure in the annual report.

The question to you, minister, is do you think this meets community expectations, that you can have a company bailing out a Finnish shipbuilder and it is not clearly defined in the financial statements of your annual report?

Mr ABETZ - First of all, in relation to your terminology about bailing out a Finnish shipbuilder, let's be exceptionally clear that but for that payment, the people of Tasmania would have been faced with a lot higher cost in relation to the provision of these vessels. That is a decision, unpalatable, distasteful though it be, in all the circumstances. I think we would have to agree that it was the right decision.

Mr WINTER - Why'd you cover up then? If you're so proud of it, why did you cover it up?

CHAIR - Order.

Mr ABETZ - Well, which answers your own question because it was not a bailout, as you say, but in fact a support for getting these vessels at a cheaper rate than otherwise - there is absolutely no reason why anybody would seek to cover this up. I have said previously that I thought it was a deft-footed movement by TT-Line to be able to achieve this outcome with the underwriting of the Finnish Government, with the escalating cost of ship steel - or whatever the terminology is - given the shelling of the Ukraine steel mill by Putin et cetera. In all the circumstances, they made the right decision. Was there a need or a desire or even a thought to cover up? Absolutely not, because it would have been something which the TT-Line, or indeed the government, could have said was indicative of the deftness of TT-Line.

That said, the government has embarked on a reform process for the GBEs and the sort of reporting to which you're suggesting should be included in the documentation. It is something which, on the face of it, and subject to further advice, I'd be willing to say would be a good idea and would be something that should be in future reports to the parliament. That is

going to be part and parcel of the total GBE reform restructure and the way that reporting is done to the people of Tasmania. I think a valid point by you, Mr Winter, in relation to greater transparency, accountability et cetera. However, the unfortunate terminology that you use around it, I think does you no credit.

Mr WINTER - It is the very definition of a bailout, minister. I'll give you another example. Two years ago, I sat across this table with TT-Line and asked whether there had been any increase in cost for the ship build and the answer back from the minister was that there hadn't been, and there'd been an \$8 million euro increase and it wasn't disclosed in the annual report, again. This is now a history of the Tasmanian Liberal Government and TT-Line refusing to honestly disclose the amount - the payments.

Mr ABETZ - Here we go. Look, I am sorry, there are no TV cameras in the room, Mr Winter.

CHAIR - Order.

Mr WINTER - This is really important. Firstly, do you think it's appropriate that TT-Line engaged with the Finnish Government as an entity on itself, without engaging with government departments, apparently - during caretaker mode - without activating caretaker mode? Do you think that's appropriate? And do you think it's appropriate that it was never going to be disclosed until Labor asked questions about it in parliament?

Mr ABETZ - You're now trying to give yourself an accolade which it does not necessarily follow. I believe it was appropriate for TT-Line to move very quickly and effectively to secure the completion of *Spirits IV* and *V* which may well -

Mr WINTER - You're happy with your government businesses to negotiate with foreign entities. You are so hands on you let them negotiate with foreign entities.

CHAIR - Mr Winter.

Mr ABETZ - not have seen the *Spirits* completed and the negotiation with the Finnish Government was to ensure that should there be any further shortfalls, the Finnish Government, in other words, the Finnish taxpayer, would underwrite the extra costs for the benefit of the Tasmanian taxpayer. I cannot see where the difficulty is in that the TT-Line sought to provide the support from the Finnish Government. Could there have been greater communication by the TT-Line with government at the time? That is for other people to talk about, I wasn't in the place at the time, but we might have our own personal reflections on that.

Ms BURNET - Interim chair, I'll go back to my previous question. Can you provide what processes were undertaken to ensure that there were no conflicts of interest with either board members or senior TT-Line staff with the provision of fit-out and materials for the ship build?

Mr BUGG - I can provide you with the policy of the company as it applies to conflicts of interest or the details of the policy and as far as any contractual arrangement between the company and any person who may or may not have had a conflict or engagement which may have caused a conflict of interest. As I said, that limits me to the fit out because Rauma is the company.

Ms BURNET - I'm just about to get to that question. It's my understanding that RMC were shrewd negotiators, they make ships all the time and have their own suppliers for the fit-out and ship building. How is it that they were negotiating directly with Tasmanian or Australian companies? Was that at the behest of TT-Lines?

Mr BUGG - Look, I don't know the precise arrangements. All I know is that prior to this - the acting CEO would know or have some understanding.

Ms SAYER - When the announcement was made or the commitment by the Premier at that point in time that there would be up to \$100 million of local content included, that was included in the build. We did lobby very strongly to include the TT-Line component of the vessel replacement project in that number but within the contract with RMC, the way that we could meet that commitment, is that we required RMC in their contracts to commit to up to \$100 million of local content. That's their build. TT-Line have employed a procurement manager to work directly with RMC to try and facilitate that, obviously being local and based in Australia to try and support RMC to deliver on that contractual commitment.

In terms of RMC, RMC do the build, they engage with the contractors in terms of, say that TT-Line might have over that, at a high level there is a makers' list where TT-Line can approve a list of suppliers that may be used, not in everything but at a high level. We could say as an example - I have to be careful what I say publicly - there might be an area where we would not want engines to come out of. For example, we could say no companies from that region would we accept on the makers' list but it is up to RMC to determine who they use.

They do contract directly with local, being Tasmanian and/or Australian suppliers, if I can just add in terms of the question around conflict of interest. At every board meeting there is the declarations of any conflicts of interest and that has certainly been discussed in terms of the RMC building. Is there a policy associated with that? Is there a written policy in relation to conflicts of interest?

Ms SAYER - Internally, in terms of TT-Line, we have procurement policies that require declarations of conflicts and/or potential conflicts that need to be documented.

Ms BURNET - I wonder if you could take it on notice to provide that, please?

Ms SAYER - Yes, happy to.

Mr ABETZ - Yes. Taken on notice, Chair.

Mr O'BYRNE - It was becoming apparent in the community towards the end of 2023 that without a lack of physical progress in Devonport, the project was going to be delayed or hadn't commenced. We heard in evidence on Tuesday that TasPorts took no responsibility for that. The previous minister said it was not his fault; he did all he could. There was clearly a relationship breakdown, as you say, later in the relationship between the chair and the minister in August 2024.

Mr ABETZ - 2023.

Mr BUGG - August 2024 - this year.

Mr O'BYRNE - Given your blunt assessment this morning -

Mr BUGG - Which one? Sorry.

Mr O'BYRNE - The biggie. In relation to your actions and the actions of the board, what interactions did you have in that period of time with the then-minister - the single shareholder, who was treasurer and Infrastructure minister - and what assessment would you make of those interactions in terms of the seriousness of the circumstances facing not only TT-Line but Tasmania?

Mr BUGG - That's a good question. The only interaction I had with the minister - as minister - and as a director of the company, because remember I said the chair and CEO would meet with the minister after board meetings, they're called RMMs, regular monthly meetings -

Mr O'BYRNE - Yep, I used to do them.

Mr BUGG - I didn't attend those meetings.

Mr O'BYRNE - I understand that.

Mr BUGG - However, when we travelled to Geelong on what you might call the maiden voyage of one of the current vessels into the Geelong port for the first arrival, the minister and his wife travelled on that ferry and I spent quite some time talking to them. It was about the Geelong port, the development of it, and the fact that we were underway. At that stage, we'd not hit the hurdle with the financial problems with Rauma in Finland. I think it was later that month or early November that there were questions asked. Look, I just can't remember, but we didn't discuss relationships between board members and the minister. We had pretty frank discussions about where the company was sitting as far as the development in Geelong was concerned. We were all looking forward to it, as we were for the development that was being undertaken, because by that stage I think we had the letter of commitment with HBJV.

I think an indication of what my expectations were at about that time and running through to what's just been raised about the 50 million euros extra payment - if I'd been really worried about our capacity to accommodate that new vessel when it was finished, it would have played into our hands to prolong the completion of the vessel by not paying that €50 million. In other words, we're not going to have berth 3 ready so let's do what we can to delay it. I was -

Mr O'BYRNE - The lack of the 50 million wouldn't have been a delay; that would have been a collapse and a loss.

Mr BUGG - Oh, yes. We would not have been confronted with an issue. When the 50 million was raised or negotiated and finalised, I didn't see it at that stage as causing an imminent embarrassment or problem for us because we wouldn't have a facility ready for the vessel to be utilised in the Mersey. That was February/March. I'm talking to the minister on the ferry in late-ish October the year before, so four to five months before. At that stage, it wasn't a thought process that was troubling me - that is, will we have berth 3 or something ready in the Mersey for the new vessel?

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Mr O'BYRNE - There are a couple of schools of thought. It's either that TT-Line were completely incompetent or you had a disinterested minister who hung you out to dry? Which one is it?

Mr BUGG - I'd like to put another one in there, if you wouldn't mind? That's like the 'When did you stop beating your wife?' question, isn't it? You said, we were either incompetent or we've been hung out to dry.

Mr O'BYRNE - That is the reflection of the community debate.

Mr BUGG - Oh, sorry.

Mr O'BYRNE - I'm saying the community debate is either that you are completely incompetent and everyone else is pointing fingers at you, or as the previous chair and others have said, they've been hung out to dry by the minister because he was disinterested and incompetent. They're the two scenarios that are before the public. We need to work out what's happened.

Mr BUGG - Well, as I said at the PAC, I didn't attend those meetings. We have minutes of the meetings that have been tendered and are available for you to examine. The then chair of the board and the then CEO have each given evidence which is on record and available to be evaluated. The then chair of the TasPorts board and the current CEO have given evidence and so has the minister.

As far as I'm concerned, that's a decision for this committee to make. I can't add to it, other than to repeat what I said at the outset, which is said with the benefit of hindsight. Were we foolish to take it on? What were our choices to not take it on? The negotiated position we were faced with was take it or leave it, that's the agreement for lease, and in that agreement for lease we were responsible for the above-pavement build, which includes that which we are now pile-driving. I believe we're up to about 30 piles driven in Devonport. You don't drive piles above pavement, you drive them into the water and into the ground, so were we wrong to do that? The loose description of it being, 'You're responsible for above-pavement', and the fact that we really didn't have a choice, and I said that at PAC and I'll say it again, does that make us incompetent? We've got a ferry to company to run and the only way we're going to get those new ferries into the Mersey is to play ball with TasPorts. The proposition that was put to us was, 'Look, we'd like to do this infrastructure build but we'd love you blokes to take it on instead'. That didn't happen. If it had, I can tell you now we wouldn't be sitting here trying to explain why we have the mess that we have.

Mr ABETZ - Quickly to add, the minister's concern, I think was well and truly able to be noted by the appointment of an integrator in November 2023. The integrator advises -

Mr O'BYRNE - It's a bit late.

Mr ABETZ - Yes, but the integrator, interestingly, was told by TT-Line that things were in place for August 2024, so armed with that sort of information -

Mr O'BYRNE - Who paid for the integrator?

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Mr ABETZ - I'm not sure; I can take that on notice. I believe it was DSG, but allow me to try to get back to you before the end of this hearing.

Mr GARLAND - Mr Bugg, you stated that in June 2023 last year TT-Line were not getting access to the site, as reported to you. TasPorts tabled a timeline on Tuesday that says:

May 2023 - TasPorts facilitated TT-Line access for geotechnical investigations.

Can you table the reports that TT-Line was not getting access to the site, or any correspondence?

Mr ABETZ - Before he answers, can I quickly indicate State Growth commissioned the report? Thank you.

Mr BUGG - I can report that on a regular basis - well, every board meeting - we'd be given a berth 3 update and it was reported to us that we didn't have access to the site, and that that was a disputed position with TasPorts. Not the first couple of occasions, but I think in response to a question - I'm surmising - but why aren't we getting access? Well, TasPorts say they have given us access, but they haven't because we can't get access to the area which we need to do the geotechnical studies. There's a dispute there.

What was meant by access? We say, and the people who were reporting to us were saying, 'We can't get access to the site and that's holding us up', and that was being reported to the minister.

Mr WOOD - Minister, given some of the commentary provided by others at this table today on the purported need for 150 extra day sailings additional to the extra already being provided. Could you please provide the committee with advice on how double-double sailings affect our freight and primary producer sectors?

Mr ABETZ - Thank you for that question. It's a very important consideration in discussing TT-Line that you consider the tourism sector, and that also our producers and freight forwarders rely on TT-Line quite extensively. That is why when the motion to which I made reference earlier was considered in the House of Assembly, part of the amendment that I moved included adding in 'and producers' after the word tourism or descriptor of tourism, because the producers are a vital part of the Tasmanian economy that rely on TT-Line to get their produce to market overnight.

Where does all that come into with double-double sailings? It gets the rostering system, as I understand it, crewing system out of whack as well, which makes it difficult to get rostering right with crew fatigue, et cetera. What it also does is get the timetabling out of whack, and then the producers can no longer get their product over Bass Strait. The timing is vitally important. Some of the producers rely on TT-Line to get their product across Bass Strait and immediately from the port straight to the international airport for flights overseas. Therefore, sometimes even an hour or more delay disrupts that chain of delivery.

Double-double sailings, which have been suggested, might be and would undoubtedly be beneficial to one sector of our economy, but could seriously prejudice another part of our

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economy. I was well informed on that by participating in a roundtable in Devonport relatively recently with our producers and our freight forwarders.

I think what you have indicated, Mr Wood, is a very important consideration in all this discussion - that we consider the producers just as much as the tourism sector in trying to schedule trips across Bass Strait.

Mr WINTER - In that answer, minister, you've said that we need to consider producers and freight forwarders, and that producers are vital. Can you tell the committee what date you became aware that our new *Spirits* would not be sailing this summer, and what date you told those producers and the freight forwarders that you say are a vital part of our community?

Mr ABETZ - Look, I would like to think in my involvement in public life over a number of years, the producers of this state would be aware that I have always sought, to the best of my ability, to champion their cause and to look after their interests. In relation to when I was - what - officially -

Mr WINTER - When you first became aware.

Mr ABETZ - Became aware of?

Mr WINTER - That our new ship would not be sailing this summer.

Mr ABETZ - I will have to take that on notice. I'm not sure that there is a particular date embedded -

Mr O'BYRNE - After the election, though?

Mr ABETZ - In my mind, but, Mr O'Byrne, sort of nearly there. It was after the election that I had to turn my mind to these matters when I was given the portfolio of Transport, and I then was given briefs and information. As to the exact date, look, can I say, in rough terms, I think it would have been April or thereabouts.

Whilst the new vessels mightn't have been here, the important thing was to ensure that the current vessels continue to provide the excellent service that they do in ensuring that our producers and freight forwarders have a reliable shipping service, and that has not changed.

Is there a delay in the provision of the new vessels? Absolutely there is, and I made my observations about what I think of that in my opening statement. I don't need to add to that. Suffice to say that keeping our producers gainfully in the - to keep them viable is vitally important as well. That has been front and centre of my considerations along with the very important tourism consideration. If you can have two favourites at the one time, for me it is tourism and the producers.

Mr WINTER - The rest of my question - I haven't forgotten it, even though your answer was very long - was when did you tell those producers, freight forwarders and tourism operators that our ships weren't going to be operating this summer?

Mr ABETZ - Look, that I don't know -

Mr WINTER - Because it didn't happen, did it? You never told them.

Mr ABETZ - They are more than aware of the situation. How they became aware of it and whether they needed me to tell them as opposed to somebody else - I'm happy to try to have a look at the record if that is the case.

Mr WINTER - What's clear now is the Premier says he found out on 22 April. You say it was around April that you found out. What's clear is that the Tasmanian businesses were still investing and planning for our ships to be here right up until August, and in some cases, September. Some found out on the news. We talked to a freight forwarder early this week. I said what would you say if I told you the Minister for Transport was aware of this in April? He said, 'I'd be disgusted'. That's how I feel about it.

SeaRoad is taking one of its ships off the run around 20 December this year, which I understand is the peak time for freight across Bass Strait. Can you explain what your department or TT-Line is doing to ensure, with the short-term exit of that ship from the run, at a time when we were expecting 40 per cent more capacity, that we will not run into major problems in terms of transport across Bass Strait?

Mr ABETZ - That was one of the discussions at the roundtable that I referenced before that I attended in Devonport. It's an important consideration. I must say, I was genuinely impressed by the cooperation because we had TT-Line, SeaRoad and SeaLink there represented and discussing with the freight forwarders as to how they could cooperate with each other and assist. I can also let you know that - I hope I'm not disclosing anything too much here - I did ring up Mr Kelly of SeaRoad and asked him whether there was the possibility of deferring the dry docking that's all locked in, and unfortunately that cannot be changed and altered.

Mr WINTER - If you had told someone back in April that the ship wouldn't be operating, they might not have put it in dry dock. Isn't that the point?

DEPUTY CHAIR - Mr Winter. Sorry minister, one second. As has been my practice when chairing these, I'm giving flexibility for follow-up questions, for supplementary questions, within the ratio of what the allocation is. If members aren't satisfied with answers or if they have follow-up questions, I'm allowing them to be asked within reason and within fairness. But if Mr Winter can ask his questions in silence, he can then listen to the answers in silence.

Mr ABETZ - No, he can't ask his questions in silence.

DEPUTY CHAIR - Sorry, if he could be heard when questioning - he asked his question in silence and can then hear the answer in silence. If he's not satisfied with the answer, I have been affording members more than three questions and two questions at a time, so long as they're within the ratio. If Mr Winter can let the answer be heard, I'll give him a last question, then we'll go to Ms Burnet. Thank you.

Mr ABETZ - As part of that discussion at the roundtable, TT-Line and Strait Link were of the view that they could help in accommodating the shortfall of shipping services, given that SeaRoad will be in dry dock. There was also the request made by the shipping lines, and it's a bit like doctor's appointments. You may hear them on commercial radio from time to time. If

you're going to cancel an appointment, please tell your doctor so that the doctor can book somebody else into that slot.

Unfortunately, as I understand it, what occurs from time-to-time, freight forwarders might, let's say, book in 15 trailers, but then only provide 12 trailers, leaving three spaces. What freight forwarders have been asked to do is to try to get the best possible estimate of the trailer numbers required for a particular sailing so that backfilling can occur from other freight forwarders. And as I said before, I was genuinely pleased at the spirit of willingness, of cooperation to help each other out in this situation. It was, if I might say, Tasmanians at their very best and it was an honour to be part of that meeting.

Mr WINTER - I understand that there is likely to be some significant pressures with the SeaRoad vessel going offline during this time, at a peak period. Is TT-Line doing anything specifically to ensure that there's a prioritisation during this period, particularly around refrigerated products or products that have a real need to get across Bass Strait? Can you outline, through yourself or the chair, CEO, exactly what TT-Line is doing to manage this situation, which I think has some very serious risks?

Mr BUGG - We're aware of it and I'll hand over to the acting CEO. But my understanding, when I was made aware of this issue with the SeaRoad vessel, is that this is a necessary dry-docking for survey purposes, that there's no flexibility around it. It's got to occur at this time. An attempt was made to put it off, delay it, but it's absolutely necessary. So, we've known this has been coming. It wasn't a date that might have been flexibly moved. I hand over to the CEO to let you know what the waterfront is doing about it.

Ms SAYER - As the chair said, when I became aware of the concerns from industry, I contacted our freight manager and they knew all about it. For them, it was business as usual in terms of the various vessels at various times go into dry dock, and we all support each other to ensure that there is that continuity of supply.

Internally, our position was that we thought that we could accommodate what was needed. We added day sailings around that time in relation to that to try and push all of our tourism over-height space onto the day sailings, because freight generally don't travel on the day sails. It doesn't suit their logistics networks.

When we attended that roundtable, as the minister said, SeaRoad, Strait Link and ourselves were there, with a really good representation from the industry. They were very forthright in their concerns around that. The three of us, as main providers, I think through that discussion, were very confident. Yes, there's going to be challenges. As the minister said, we pushed back a little bit and asked something back of the industry to allow us to make it work. But I felt, because I was there, the consensus was, yes, there's still concerns, but they were comfortable that between the three of us working together we will ensure that supply.

Mr WINTER - The question was quite specific: what is TT -Line planning to do in terms of prioritisation or anything else to help manage this situation?

Ms SAYER - I guess I didn't answer that directly because that's what we do every day. So, continue to do what we do every day in terms of understanding that demand. At that time leading up to Christmas we put on the extra day sailings. But we are aware that there's going to be an increased demand from freight supply with SeaRoad, so we've allocated the space on

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the vessels that we think is going to be adequate for that and we will work with Strait Link and SeaRoad to ensure all that demand is met.

Ms BURNET - I am curious to know what checklist or matrix was utilised in order to determine value for money, good investment and warranty or life of products supplied to the vessels?

Mr BUGG - The new vessels?

Ms BURNET - Yes, particularly for the Tasmanian product.

Ms SAYER - If I can answer that in terms of - and again I think we've hopefully clearly articulated, there's the RMC procurement and then there's the TT-Line procurement. We obviously have specifications for what TT-Line procure. We know what we need, we know the marine grade specifications that we need. In terms of our buyer supply matrix, we have a number of criteria that needed to be met and then the recommendation comes back to us to say: this is what we need, we've assessed the different options and this is what we're recommending that we procure, based on that.

Ms BURNET - Does that include value for money on Tasmanian products as well?

Ms SAYER - I'd have to have a look at the matrix.

Ms BURNET - Perhaps I could ask that that be tabled as well, or we can take that on notice, minister?

Mr ABETZ - Sorry, I was otherwise -

Ms BURNET - The procurement matrix for Tasmanian product.

Ms SAYER - I'm happy to take that on notice.

Mr ABETZ - If the CEO's happy, I'm happy.

Mrs BESWICK - Minister or chair, how many upper-management staff are based in Devonport, how often do senior staff come and go, and how often do the boards go out and about and visit all of your different sites?

Mr ABETZ - There are two sites, I think, Devonport and Geelong. Do we have a split between staff and high level?

Ms SAYER - I'm doing the numbers in my head at the moment. It's not an even slip, but it's very close in terms of senior management. I'm happy to take on notice to give you an exact number because it might take a while for my tired brain to come up with that number.

When you say, 'How often do they come and go?', I'm assuming you mean visit other sites, as opposed to turnover?

Mrs BESWICK - Yes.

Ms SAYER - Okay, just to clarify. It depends on the role. The CEO normally would travel very regularly between, and getting out and about on the ship. The others, it just depends on need. Our weekly leadership team meetings are generally we've got half in one room, half in the other. But I'm not sure I could answer. A lot is my answer in terms of getting between the sites.

CHAIR - Just to be clear, are we taking that question on notice, minister?

Ms SAYER - In terms of the actual split of senior management at both sites?

Mrs BESWICK - Thank you, yes.

Mr O'BYRNE - Chair, the annual report indicates that there were \$274,000 of executive bonuses. While some of the staff listed are clearly to do purely with more domestic and the current operation, a number of those staff members would be in some way involved with the vessel replacement work. Do you think it's appropriate to be paying those kinds of bonuses in this kind of environment when such a thing has happened?

Mr BUGG - I think you've got to understand that I regard the fact that we have got one ship in possession and one close to it, that you're looking at the performance of the company across both its operation and the, I think, rather excellent effort that was ultimately achieved in navigating through, if I can use that term, all the pitfalls that were presented at Rauma Shipyard in Finland.

If you if you want to then equate performance with the berth 3 development, which is our problem, then that's a different matter. How many people at a senior level of the office were involved in that? Very few. I think one of them doesn't receive a performance bonus. That is the CEO.

Mr O'BYRNE - I understand that.

Mr BUGG - Sorry?

Mr O'BYRNE - I understand that.

Mr BUGG - And so the rest are involved with the operation of the ferry and you should understand that since being in the chair, the program that we've set up for the oversight and the operation of the berth 3 developmental project, that's overseen by a committee established by the company or by the board, and that directly reports to the board bypassing management in an attempt to leave the company operating as business as usual as a ferry company and having the board receive direct reports from that committee which is overseeing the project at berth 3.

I think you'll probably find that most of the people who received the performance bonuses were connected with the operation of the company and the delivery of the vessels or the production of the vessels.

Mr WINTER - Chair, in relation to those bonuses on page 31 of the annual report, it talks about this issue in particular. Did your staff actually meet those requirements for gaining bonuses?

Mr BUGG - Yes, they did.

Mr WINTER - So, the company must meet its overall KPIs for the satisfaction of the board that triggers STI availability. This is in a financial year where you've failed to build the berth and you're saying that your metrics around your KPIs still allowed you to pay bonuses despite all of that?

Mr BUGG - Yes.

Mr WINTER - Can you explain how that could possibly be that you didn't have any metrics around getting the berth ready for our new ships?

Mr BUGG - Well, I'll go back to what I said earlier about where we got to with this. We're talking about an evaluation that was made at the end of June 2024. How many people on that list received a bonus for the work which they did which was their allocated task in the company and had nothing to do with the berth 3 development.

Mr WINTER - But point 1 is: The company must meet its overall KPI -

Mr BUGG - Sorry, what page are we on?

Mr WINTER - Page 31 - Incentive Payment Measures - The company must meet all of its overall KPIs to the satisfaction of the board that triggers STI availability.

And, as I understand, in your answer, the board believed that the company did meet its KPIs at the end of June. Is that correct?

Mr BUGG - It's KPIs as an operating ferry company, yes, it did.

Mr WINTER - But, at the end of June you knew that TT-Line had fundamentally failed to deliver its key objective and yet, at the same time, this is in the end of June - this is a couple of months after you had the sort of light bulb moment that something had gone drastically wrong - and then you're paying people bonuses or incentive payments on the basis of having done a good job. Can you explain how those two things go together?

Mr BUGG - The light bulb moment that something had gone drastically wrong was a conversation I had with the chair at the end of April where I said, 'Look, we've got to elevate this or we're going to have a problem'.

Mr WINTER - Understood. And then two months later, you were giving bonuses to -

Mr BUGG - No, no, we've got to elevate this to a higher level or otherwise we have a serious problem on our hands. Light bulb moment. We were not progressing as I thought we should. I was not conceding that we had a disaster on our hands. We had the potential to have a disaster on our hands. We were just about to sign a contract with a new contractor who would have a finish date of the beginning of 2026 which still had, on my understanding, the capacity for the new vessel to be accommodated, albeit inconveniently, in the Mersey, and what aspect of our performance as a ferry company could I fault when with all the operation that we'd undertaken had been successful, that is, of the two ferries we had, their operation and their delivery of our expected outcomes?

CHAIR - Sorry, Mr Winter, I allowed four questions then. I'm moving on to Ms Burnet.

Ms BURNET - Thank you. On Page 30 of the annual report, there's a table which looks at the asset revaluation recognised in profit or loss and it says that the improvements and periodic maintenance in 2023 was 9.812 deficit -

Mr BUGG - That's millions.

Ms BURNET - Yes, \$9.8 million, okay. In 2024, it's \$6.54 million. Can you just explain that difference please?

Mr BUGGS - I think one of them we had a dry dock, didn't we?

Ms SAYER - Sorry, I missed the page number.

Ms BURNET - Page 30.

Ms SAYER - Is this the financials?

Mr BUGG - Second line, it's the maintenance costs for the vessels. I think we did not have a dry dock that year. We actually berthed the vessel in Hobart -

Ms SAYER - Then we had two the following year, a dry dock and a wet dock before that.

Mr BUGG - So, you might remember the vessel was tied up in Hobart and that was because we'd lost our slot in the dry dock. The dry dock in Sydney is available for naval vessels as a matter of priority and we lost our slot that year so we did essential maintenance whilst tied up in Hobart.

Ms BURNET - Okay and in relation to - so, if we go to page 26 now in the financial assets, (b)(2), so we're looking at the asset platform operating liabilities, the derivative asset for fuel and foreign currency hedge. So, the hedge fund arrangement was \$10.8 million in 2023 and then in 2024, it was \$0.7 million -

Mr BUGG - \$785,000. I will happily hand that one to the CEO who was CFO when that happened.

Ms SAYER - So, I guess those move - they can be quite big movements in those balances depending on, I guess, the foreign exchange rate at the time, but also, as we were moving towards potentially utilising new vessels with a different fuel type, our hedged position was reduced to an extent so that we didn't hedge a commodity that we weren't going to use. So, that's part of the movement. But there can be quite big swings in terms of how we revalue those.

Ms BURNET - It seems like significant swing. Are you concerned about that as a figure, a comparative figure?

Ms SAYER - No, we report on our hedging limits and values every month to the board and that's in compliance with our risk mitigation strategies within our Treasury policy.

Mr O'BYRNE - My question is, and you may have obliquely answered it, but it follows on from Ms Burnet's question around Tasmanian procurement. Obviously, marine life raft systems providing life rafts to the new vessels, how is that dealt with in terms of the relationship between TT-Line as a company and RMC, and how was that reported and managed to your satisfaction internally? Because that's obviously - that's a biggie.

Mr BUGG - Yeah, well, at some point, Mr Grainger notified the board that his company had been approached through its European office - I think, yes, European office - and that he declared that potentially there was a conflict of interest if there was any negotiated outcome with life raft systems between Rauma and his European office.

Mr O'BYRNE - Did he disclose that they had previous relationships with RMC in terms of business with other ship companies?

Mr BUGG - Look, I can't recall that. He certainly - I mean, it's an international company. It would probably have had relationships with them. But as far as this particular transaction is concerned, we were made aware at a board level that Mr Grainger, the company he has an interest in and is general manager? Chairman?

Ms SAYER - Managing director.

Mr BUGG - Managing director.

Mr O'BYRNE - He runs the show, it's pretty clear.

Mr BUGG - Yeah, they were negotiating - that is Rauma would be negotiating - with him for the installation of the Liferaft Systems Australia (LSA).

Mr O'BYRNE - When you say at some stage, can you recall?

Mr BUGG - Afterwards, we'd shifted from FFG to RMC. That is, Flensburg, the German company which had had problems - and moved to RMC at some point after that. I mean, we'd negotiated with them to build the vessels and sometime after that there was an announcement that the company was negotiating with Liferaft Systems and Mr Grainger declared that to the board.

Mr O'BYRNE - Is that included in the Tasmanian provisions in terms of the minimum amount of Tasmanian content?

Ms SAYER - In terms of the \$100 million local spend?

Mr O'BYRNE - Yes.

Ms SAYER - Yes, it will be.

Mr ABETZ - For what it's worth, on page 43 of the 2022-23 annual report there is this statement:

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During the reporting period the company paid \$384,840 for the provision of goods to Liferaft Systems Australia. Mr Michael Grainger, a director of the companies, is also a director and shareholder of Liferaft Systems Australia, for which he received remunerations.

Ms SAYER - That's part of our ordinary business.

Mr ABETZ - Yes.

Mr BUGG - On that hedging question, look at the amount we spend each on fuel.

Mr ABETZ - Read it into the record.

Mr BUGG - In relation to the extent of that hedging impact on those figures you mentioned, in 2023 we spent \$70.4 million on marine fuel and oil, and in the following year, 2024, the one just finished, \$73.3 million. It's a big item on our expenditure.

Mr O'BYRNE - When you were made aware of the conflict, what did you do?

CHAIR - I am sorry, Mr O'Byrne. You will have to ask that one when the call comes back to you.

Mr WINTER - My question is to the minister going back to the issue with SeaRoad temporarily exiting one of its ships from the run over the course of December through to January. I've asked what TT-Line is going to do. Can you also explain, as Minister for Transport, State Growth's involvement with TT-Line or anyone else in terms of how you are expecting to manage these pressures and how confident you are that we're not going to run into major issues over the course of that period?

Mr ABETZ - To the best of my ability and understanding, and the acting CEO was at the meeting as well, the roundtable in Devonport that I referenced, there was a breakout of goodwill and cooperation between producers, freight forwarders and the shipping companies. As indicated, TT-Line will be putting on extra day sailings during the period that SeaRoad is in dry dock. Can you predict the future? No, but there has been a goodwill mindset on the part of TT-Line to ensure it does everything it can reasonably and possibly do. That is part and parcel of it. If you're asking me to rule out that, let's say, SeaLink breaks down or one of the TT-Line ships breaks down, I can't do that, but everything being even and equal, the assessment is that it is manageable.

Mr WINTER - I'm hearing some concerns, particularly from the producers, around this. What coordination role, if any, is State Growth playing in all of this?

Mr ABETZ - I can take that on notice. That's not a question for a GBE hearing of the TT-Line. That's an Estimates question, but I will seek to take that on notice as a matter of courtesy and in the spirit of Christmas.

Mr WINTER - That is wonderful of you.

Ms BURNET - On pages 41 and 42, we come to the executive remuneration and we also have the director's remuneration on page 40. I see that the former chair was on a pretty good

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base salary and over the course of the 12 months, there was a \$23,000 overall increase in that arrangement. Can you -

Mr BUGG - Do you mean the former managing director, or - because we're looking at executives, not -

Ms BURNET - The executive remuneration, so Mr Dwyer -

Mr BUGG - Yes, so not the chair.

Ms BURNET - Oh, sorry - Mr Dwyer, yes. My apologies. So, page 42 is 2023, and 2024 is the previous page - \$23,000 extra. For all of the executive remuneration, there's a total of \$4 million. I'm very interested to know how this figure for the executive, like the CEO, is arrived at.

Mr BUGG - Well, it's based on the Treasury guideline that we follow and we can't exceed. In what sense? Any increase that occurred - I see that there was an increase in salary of \$13,000, which represents about -

Ms BURNET - Which would have been considered by the board.

Mr BUGG - Yes, it is.

Ms BURNET - Did you have any concern about awarding an increase at that time?

Mr BUGG - No, it was consistent with increases that were being awarded across the board for CPI increments. This is not a bonus; that's a salary increase.

Ms BURNET - It's a very generous salary increase.

Mr BUGG - It's about 3 per cent.

Mr O'BYRNE - Just back to my previous questions around Liferaft Systems and conflicts, and I understand that was a previous year's figure, but obviously, the new contract for the new vessels is a significant one. How was the potential conflict declared? Obviously, just declaring it is not the end of it. How was that managed by the board?

Mr BUGG - It was declared when the negotiations were occurring. What was mentioned was that Rauma appeared to be about to enter into an arrangement with Liferaft Systems. That was some time later - look, I couldn't tell you the time. I must say, I said at the time - I believe it was me - I said, 'Well, that would go towards' - and we were struggling to find Tasmanian content through the intermediary we'd set up. I said, 'Well, that must go towards Tasmanian content'.

Mr O'BYRNE - But what was the nature- how was the conflict dealt with by the chair? Did he attend negotiations with RMC? Did -

Mr BUGG - I asked him about that, and he said it was negotiated and settled with their European office. They have an office in Europe. Now, that doesn't, obviously, sever the

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connection, but my understanding is he played no direct part in it, as that response indicated to me. Now, did we manage it any more closely than that after that? I don't believe so.

Mr WINTER - I just wanted to go to the issue of debt and the issues that were outlined by TASCORP on Tuesday. You're now in breach of your debt arrangements with TASCORP. The evidence provided indicated that TASCORP believes you will be unable to get within the interest cover ratio until such time as the new ships are in operation, which is a long way off. What's the board's approach to managing that debt, and in particular, are you going to need to go and ask for additional funding from TASCORP in order to pay some of that interest?

Ms SAYER - We've been in constant conversations with TASCORP in terms of keeping them up to speed with where we're at. Obviously with the Terminal 3 project, we're undergoing a very detailed review in terms of cost and scope, and once we land on that, the board will determine what's our strategy to deal with that, and we will provide TASCORP with updated financials, including a number of different scenarios which will then determine, subject to board approval, what our borrowing requirements are going to be going forward and what strategies are we going to implement to try and manage that. As we sit here today, we have not gone to TASCORP and asked for an increase in that limit.

Mr WINTER - Chair, it seems almost inevitable though, that over the course of the next couple of years, you're going to need to go to TASCORP and seek to borrow more money. Is the board considering asking for an equity injection or any other means of financial support from government in order that the business stays afloat?

Mr BUGG - We haven't done that yet. As I just said, we'll have to deal with that when it arises, when we know what we're looking at and how we've got to deal with it. We'll have to develop a strategy to take to TASCORP.

Mr WINTER - What is the projected financial outcome for TT-Line this financial year?

Mr BUGG - We don't have the most recent -

Ms SAYER - We need to understand what we're doing with the Terminal 3 project to give you an accurate and - it will be material. We're working through that at the moment. If I gave you what the latest forecasts were that don't include the outcomes of what we're doing in relation to the Terminal 3 project, it would be misleading -

Mr WINTER - Can you provide that number with the disclaimer that it doesn't include potential changes? Because I think people would understand that.

Mr ABETZ - We can take that on notice and consider it.

Mr WINTER - I would appreciate that.

Mr BUGG - I would need to see how that was worded. I'm sorry, what you're asking for - may I seek clarification, Chair?

CHAIR - Yes.

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Mr BUGG - Thank you. What you're asking for is effectively our business case, absent the impact of berth 3?

Mr WINTER - No, I was asking for your projected financial outcome for the 2024-25 financial year and the acting CEO just said that there may be significant changes because of the berth 3, I said, 'If there was a disclaimer on it that it may change, I think we'd be understanding of that'. If you're happy to take it on notice.

Mr BUGG - We'll take that on notice.

CHAIR - I'm sorry, Ms Burnet, but to even up the rotation that I've got here, I'm going to go to Mr O'Byrne.

Mr ABETZ - Can I quickly indicate as well there was no penalty imposed in relation to that breach by TASCORP.

Mr O'BYRNE - Thank you, Chair. I'll be brief to allow Ms Burnet to ask her question. My single question is, looking at the cost of travel, international travel - of course, it was up because of the nature of the business. Does that include - and I'm not reflecting on - but does that include paying for the wife of the chair to break the bottle on the bow?

Mr ABETZ - Yes.

Mr BUGG - Yes.

Mr O'BYRNE - Do you think that's appropriate?

Mr ABETZ - Well, that's a value judgement, but -

Mr O'BYRNE - It's not an employee. Minister, she wasn't an employee and I'm not going to reflect on the Graingers, but on this, but it is a decision to pay for travel. I get that for staff. This is a question for a non-staff member. I think that's - taking out the names - that is a principle that I think is a legitimate one.

CHAIR - I'm sorry, we've only got one minute to go and the minister's indicated that he would like an opportunity to correct the record on -

Mr O'BYRNE - Well, he can.

Ms BURNET - I wanted to ask a question, but anyway. That's alright.

Mr BUGG - You are asking me the question?

Mr O'BYRNE - Yes.

Mr BUGG - At the time when it happened, I thought it was appropriate to be quite honest, because we'd been through hell to get to there with that ship. Mike Grainger was one of the people who led the company through it. It was not easy to - he did superb negotiations with FSG to get us out of a contract that was signed at a time, when the ship owners were at

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the whim of the shipbuilders. To get us out of that and into our RMC and have a vessel finished was fantastic.

Mr O'BYRNE - I am not arguing with that.

Ms BURNET - At least the Governor did it the next time.

Mr ABETZ - It's for the Chair but yes, we can take that on notice. In fairness, what I can do is correct the record in writing and allow Ms Burnet a final question. Just the provision of goods and services, I mucked up the amounts and years.

Ms BURNET - Thank you. I'm interested to know how many logging contractors are using the *Spirit of Tasmania* currently?

Mr ABETZ - I should have corrected the record. If only I could have known.

Mr BUGG - Could I take that on notice?

CHAIR - Time. You can take it on notice, but the time for scrutiny has expired. I thank everybody for their attendance.

The witnesses withdrew.

The committee suspended at 12.00 p.m.