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THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON THURSDAY 27 MARCH 2025

INQUIRY INTO THE TT-LINE *SPIRITS* PROJECT

The Committee met at 9:30 am.

CHAIR - Thank you to all of you - Ken and your team - for appearing before the Public Accounts Committee today for our public hearing into the progress of the *Spirit* replacement vessel project, particularly with a focus on the Devonport berth at this point. We do appreciate there may be matters that you can't discuss at this moment, but we're happy to take some guidance from you around that.

It is a public hearing. Everything you say is covered by parliamentary privilege while you appear before the Committee, but that may not extend beyond the Committee hearing. If there is information that you are happy to share with the Committee of a confidential nature, you can make that request and the Committee would consider that, but we would prefer that to perhaps be toward the end of the hearing, so we can do it quite separately to the public hearing, if that is agreeable to you as well. Are there any questions before we start from anyone?

I'll get you all to introduce yourselves and to take the statutory declaration and then I assume, Ken, you're happy to provide an opening statement about where you're at this point.

Mr KEN KANOFSKI, CHAIR, **Ms KYM SAYERS**, ACTING CHIEF EXECUTIVE OFFICER, and **Mr PAUL KIRKWOOD**, PROJECT MANAGER, TT-LINE WERE CALLED, MADE THE STATUTORY DECLARATION, AND WERE EXAMINED.

Mr PETER GEMELL, and **Mr BEN MOLONEY**, PROJECT DIRECTOR, DEPARTMENT OF STATE GROWTH WERE CALLED, MADE THE STATUTORY DECLARATION, AND WERE EXAMINED.

Mr KANOFSKI - Thank you, Chair. I'd like to take this opportunity to acknowledge the Committee's role and, in doing so, provide a brief opening statement outlining the current status of the project to develop the new terminal at berth 3 in Devonport, the future home of the new *Spirit of Tasmania* vessels. The board of TT-Line is committed to the following objectives with regard to berth 3 in Devonport:

- Opening no later than February 2027 and if possible before October 2026 to take advantage of using the new vessels for the 2026-27 high season.
- Delivering a fit-for-purpose and high-quality terminal and berth at the lowest possible cost.
- Realising the economic benefits to the state of the new vessels.
- Restoring Tasmanian community faith in the company.

Recently, the project team has been focused on the design of the gantry structure and its marine foundations as these parts of the project present the biggest risk to both time and cost. The project team has developed some options which the board at its meeting on 17 March [2025] endorsed for negotiation with the head contractor, BMD, and its principal subcontractor

for marine works, Fitzgerald. Those negotiations have commenced and are being led by Peter Gemell and myself with the support of the project team and the Department of State Growth.

I understand that there is substantial interest in the time and cost estimates for this project. We will not be providing details today, other than to say, as per the Government's announcement last week, we believe that the alternative design solution provides good opportunity for meeting the earliest possible completion date and also to confirm that the project is under cost pressure. We will not be providing additional information because the time and cost issues are integrally linked to the current negotiation with BMD and this information, if released, would be highly prejudicial to the state's interest in the negotiations with the contractors. The second reason is both time and costs remain uncertain and are subject to the results of that negotiation. We do not have a properly tested and authorised estimate to release.

Cost and time is never guaranteed at any stage of an infrastructure project and it is not useful to release updated information every time something positive or negative happens. These things happen on a daily basis. Instead, it is normal practice to release authorised updates at key points in the project. Before authorising an update of time and cost, it will be normal practice for the board and/or the Government to consider a peer-reviewed design along with constructability advice, peer-reviewed cost and program estimates; a quantitative risk assessment of the time and cost that provides a range of probable outcomes based on the valuation of likelihood and consequence of the key risks typically stated in terms of a P50 and P90 probable outcomes; and opportunities for value engineering and/or scope optimization to improve time and cost outcomes.

The TT-Line board respects the role of this Committee. However, we have uncertainty regarding the current commercial negotiation outcomes. We are in the process of undertaking the tasks that I have just outlined in the last sentence, which will enable us to release a well-reasoned and robust estimate of time and cost. This is normal practice in the management of an infrastructure project. That level of rigor has not historically been applied in this project, however since the excellent work done by Peter Gemell and Ben Moloney last year, the new project team has been working hard to bring these normal disciplines to the project. We are not completely there yet, but we are well advanced and in far better shape in terms of project disciplines than we have been.

It is worth considering, with regard to the cost estimate that has been previously provided, that cost estimate was developed prior to the commencement of the design process of the current design and was prior to the previous Board's termination of works for the previous contractor on the site and associated costs. Thank you.

CHAIR - On that, as I said, the Parliament sent a reference to this Committee to oversee the work and just by way of process, we established certain points that we thought would be reasonable times for updates, roughly a quarterly basis. When do you reasonably think we could call you back to enable you to provide that information to the Committee?

Mr KANOFSKI - It is hard to put a definitive date on it, but I would have thought four to five weeks would be a reasonable timeframe. We are in negotiations with BMD right now.

CHAIR - Yes, I appreciate that.

Mr KANOFSKI - Mr Gemell and I were there with them earlier this week. The full technical teams from both parties are together tomorrow to work through technical issues. Once technical issues are sorted, then we will work through commercial issues. Time is of the essence here, we will be working pretty quickly. Once we have an agreed outcome to the negotiations, we just need to do the belts and braces of the quantitative risk assessment and things like that. I would have thought four to five weeks is the right timing.

CHAIR - Sure. Picking up on your point that when the previous cost estimates were developed it was prior to the design that is being worked on now and some of it, I understand, was also prior to understanding the nature of the riverbed, which we understand is quite problematic - is it fair to say then that those cost estimates would be completely unrealistic in terms of comparison at the moment because you know the situation you're dealing with now?

Mr KANOFSKI - I don't want to speculate on the dollar amount.

CHAIR - No.

Mr KANOFSKI - What I would say is the basis of estimate, if I can call it that, is far different now. We have a lot more information than we had at that time, particularly, as you say, the geotechnical information. We have been through a range of things with how to construct, what is the methodology to construct. It is a pretty complex project that will - sorry, one part of this project is very complex, the rest of it's, frankly, pretty simple.

The part of this project that is complex is the loading gantry structure and the associated guide dolphins and the piling and foundations that support that. As you say, I think when the current estimate was developed - I can't say for sure because I was not around at the time - but I don't think there was any Geotech, or very little geotech. There was geotech done, Paul will correct me, but a geotech done probably about six months ago.

Mr KIRKWOOD - Yes, there was early geotech done that was constantly refined and updated. The last round of major geotech work was done in July 2024. That was provided to the team and the engineers. It was on that basis that further design work had to take place.

CHAIR - Is the geotech work completed?

Mr KANOFSKI - Just to add to that; we've subsequently done more geotech just recently because we wanted to understand more about the geology in that area. It really does inform what options are possible. We did that. It was completed three or four weeks ago?

Mr KIRKWOOD - Second week of March [2025].

Mr KANOFSKI - Second week of March. That geotech and subsequent design concepts are the basis for the negotiation with the contractor and will be the basis for the new estimates.

CHAIR - When we visited the site - to see not much, but that was the purpose, we went to see not much, so that we can go back and see more, hopefully, at a later time. There was discussion, and I think, Paul, you were talking about that, about the barge that was needed to be built to enable the drilling, that was unique. Can you update us on where that's at?

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Mr KIRKWOOD - Yes, the barge is complete. It was sailed across. It took about three days to sail across. It arrived on around 2 March [2025]. There was a small amount of fit-out work. We couldn't sail it across the Bass Strait fully laden. If you see it now, it's huge. They had to do some more fit-out work. That barge is now complete. It's vertical, it's in position, and it's ready to start piling next week. The first test pile is intended to be drilled next week.

Mr WILLIE - Equipment from Canada has come across as well.

Mr KIRKWOOD - The equipment from Canada; that arrived - it came in numerous deliveries, but it was over a three-week period between the middle of February and the first week of March. That equipment has now been assembled and is ready for use next week as well.

CHAIR - Initially, it's test piles to shore up what you think you know about the riverbed?

Mr KIRKWOOD - Sorry, no. The first test pile is to make sure everything's working before you start. You drill one, you check everything and then you go and drill the rest.

Mr WILLIE - Is it only 27 piles that you need for the gantry, still?

Mr KIRKWOOD - 27 piles is all of the marine piling. You have guide dolphins, stern dolphins, mooring dolphins for Lyons, and then the gantry foundations as well.

Mr WILLIE - The new scope of works, that doesn't change the piling required?

Mr KIRKWOOD - It's one of the areas that we're looking at; one of the areas of redesign based on the new information we have. The number on quantum of piles is something that's being discussed tomorrow in the technical meeting.

Mr GEMELL - I was just saying that it is a permanent pilot that's being done. It happens to be the pilots tested after it's complete to assure you of your ongoing process and method. Just by definition it becomes - various environmental agencies look at it, the noise performance, the whole -

Mr WILLIE - Just from our site tour for people who are watching, it's quite unique what you have to do, isn't it? You're basically tunnelling vertically to drive the piles in, which is why that equipment from Canada was needed.

Mr KIRKWOOD - That's correct. It's a very complex method of piling. It's commonly used around the world. It's not commonly used or used too often in Australia. It's a valid method of piling, but it is a complex method of piling. It does require an awful lot of equipment to set it up and get it ready. That equipment has to be ordered for the project and is on long lead time.

CHAIR - What's the cost of the completed unit?

Mr KIRKWOOD - I'd have to take that on notice to break it down. There's a lot of components, as you'd imagine. You have a barge, you have all of the equipment, you have the piling unit. I'd have to come back to you with a full breakdown of the cost.

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CHAIR - We might ask you to write about that and ask to take that on notice. Is there also any capacity to sell it once you've completed the work, to recoup some of the cost?

Mr KIRKWOOD - Yes. There are custom components that are specific for this project, but a large part of the equipment - the compressors and other related equipment - is industry standard equipment and does have a resale value.

Mr WILLIE - There might be some complex geotech not far from here where they need piling equipment.

Mr KANOFSKI - I think it is fair to say that. I absolutely agree that you don't get a lot for resale of that sort of equipment. Certainly, you don't scrap it, you resell it.

CHAIR - Could it be used on land? Not just in the river?

Mr KANOFSKI - Yes, absolutely. Correct me if I'm wrong, I think the barge is actually leased.

Mr KIRKWOOD - The barge is leased.

Mr GEMELL - Some of the large cranes are leased as well.

Mr WILLIE - Still a significant cost though, isn't it?

Mr GEMELL - Not all of the - there is an amount of bespoke equipment designed to the pile diameter. If you really want it, you have to make sure it's the same pile diameter at the next to make it useful again. They're very seldom exactly suited, if you know what I mean. That particular item. That item's a number of millions of dollars, not tens of millions - that particular down-the-hole hammer unit itself. The rest of it's quite detailed and elaborate, very bespoke and specifically done for location, distance from the barge, how you actually install them.

Mr WILLIE - It is extraordinary that you're only just understanding what the project entails after the delivery date of *Spirit IV*. Obviously, there were capability issues with the company, and it's taken some time to realise that. In terms of the escalation in costs, yesterday we heard from TASCORP that the TT-Line Chair met with TASCORP on 12 March [2025] and said that the East Devonport development scope and costing are currently being refined and will be available soon. 'Cost increases are expected but cannot be quantified at this stage.' I'm interested in when the company informed the Government and the Minister, Mr Abetz.

Mr KANOFSKI - With authorisation of material in projects, lots of things get talked about all the time. On a day-to-day basis, people talk about, 'We're under this cost pressure, under that cost pressure.' What we did was - you'd be aware we have a new board. The board actually went through a process of gathering all the information that it could possibly find. It doesn't give us a definitive cost, but gives us some information. It's where we decided to do this renegotiation. That happened on 17 March [2025] and the outcomes of that meeting were communicated to the Government after 17 March [2025].

Mr WILLIE - After 17 March [2025], okay - because he did appear before this Committee on 14 March [2025] and said that he was asked specifically: 'Have you received

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any advice that cost escalations are possible based off that work so far?' He said, 'No, I haven't', so that's an accurate statement from him.

Mr KANOFSKI - Yes. As I say, there's always speculation about cost and there's always discussion about cost, but it's important in projects that you have a process for saying what's something that someone with authority is saying - okay, so the board is now saying, with authority, 'This is under cost pressure, we're doing trying to do these things about it, we're going into these discussions with the contractor.' As soon as the board had made that decision, then we communicated that to the Government - I think on the same day, but certainly either the same day or the next day.

Mr WILLIE - Same day or next day?

Mr KANOFSKI - Yes, one of those days. Not sure.

Mr WILLIE - Are you able to clarify that for us and check the records?

Mr KANOFSKI - Yes, happy to take it on notice.

CHAIR - I want to go to a different area. In terms of the scope of the project, obviously there's various sections of it. There's the terminal building, some of it you said is stock standard wharf infrastructure - the gantries and the loading facility, whatever. I don't know what the complex technical terms for some of the equipment is. That's much more complex. You have all the car parking, laydown areas, all that sort of area, and the entries and exits onto the road, that [inaudible] support. Do you have separate arrangements in place already? Obviously, a lot of work's gone on in some of those areas - are they under separate contractual arrangements? How are they being managed?

Mr KANOFSKI - All of those works are currently under BMD's scope. Paul can talk about this. There are several subcontractors on site, who are subcontractors to BMD that are undertaking those works that you currently see on the land. They are all part of that BMD head contract. None of those are the subject of the discussions that we're having with BMD at the moment. The discussions we're having with BMD at the moment are about the difficult bit of this.

CHAIR - Yes, I understand that.

Mr WILLIE - Are they strained discussions with BMD?

Mr KANOFSKI - I wouldn't describe them as that, no. We've had an initial meeting with BMD. It was a positive meeting. We had that on Tuesday. Then we're having another meeting tomorrow with all the technical people in the room. The first one was a more limited audience meeting, you know, senior executives from both sides. Then tomorrow we're having a technical meeting, because we want to sort through the technical issues associated with the design. I wouldn't describe them as strained.

CHAIR - What are the arrangements in underpinning the work that's already happened under the head contractor, being BMD. Obviously, people are getting paid to do the work.

Mr KANOFSKI - Absolutely.

CHAIR - And there's a lot of resources being used to build and construct those areas. What are the arrangements there, if there's no - unless there's a separate contract for the more challenging part. I'm just trying to understand the legal and contractual arrangements here.

Mr KANOFSKI - I'll let Paul elaborate, but in essence, under the incentivised target cost contract - the contract at BMD, as the contractor is paid for the work as they do it. In essence, the subcontractor would put a claim in to BMD and say, 'These are the works that I've done.' BMD would authorise that, they'd send it to us.

Mr KIRKWOOD - There's a single contract between TT-Line and BMD, and that is for all of the works that are happening on site.

Mr WILLIE - A fixed price contract?

Mr KIRKWOOD - No, it's not a fixed price contract. It's what's called an ITC (incentivised target cost) model contract. It's a fully reimbursable contract, so the contractor is reimbursed for works that he conducts on site, and they are working to a target cost. This is one of the complexities of this type of contract, is there isn't a fixed price lump sum. That leads to some of the issues that Ken has spoken about before.

BMD as the primary contractor then subcontracts to other contractors various components of the work. Fitzgerald are subcontracted to provide marine works, BridgePro are doing the ramp that you saw under construction, and then we have a range of other smaller contractors. I couldn't tell you how many contractors are exactly subcontractors, but there may well be 10 or 12 overall working for BMD. All contract links and all payments are made through BMD.

CHAIR - If there's a delay to reaching an agreement on the more complex part - the gantry, et cetera - what will that mean for the head contract?

Mr KIRKWOOD - The contract continues. There's flexibility within the contract to allow for change and variations, and we're using those mechanisms at the moment. The works on site are proceeding; there is no delay to anything that's currently underway on site. The marine works, which are starting, will start next week. The areas that are under particular review for design aren't due to start for several weeks or months, and so -

Mr WILLIE - Will they require variations in the contract or the nature of the contract?

Mr KIRKWOOD - Yes, they are likely to require some form of variation, but that has to be worked through the commercial discussions to happen next week.

Mr GEMELL - Can I just clarify - a lump sum contract would have been really difficult in the circumstance of this project because of the nature and the complexity of the geology. A lump sum contract, when you encounter what's typically called a 'latent condition', that's unexpected or reasonably unanticipated conditions under the normal forms of contract. If it's so significant, which the variation here is, very local, very immediate turns from clays and broken rock into basalt (they probably pointed that area out to you when you were there), the actual location and the reason for the extra testing that was discussed before is that your whole success depends on exactly where it is, not approximately where it is. When they do the tender, it's approximate, and they have to make assumptions. Like on Bridgewater Bridge, where we

made assumptions about the geology at the location of the piers, that's what people had to do for the purpose here.

The form of contract here allows you then to modify it without the contractor then suddenly being at large and affecting the redesign and all the processes that go with you. This is a process where you actually can influence and control that outcome, whereas in a standard lump sum contract, things such as time and cost at large become sort of there and apparent for significant change.

While it takes a lot of effort from the state's side to manage that contract well - and that was one of the issues of having the right resources to do that - part of the process now is that process of adapting to the actual conditions and then making sure the design is effective both from time and cost.

I suppose now, with the current governance and management, it's now a controlled process. The systems and resources and people we had before were not sufficiently skilled or capable with embedded systems enough to actually do that with any confidence. Now, that's completely different.

CHAIR - In terms of the risk to the project, the cost risk as well as the construction risk, are you saying, please correct me if I'm wrong, when you get this final price it will have considered the complexity of the riverbed at the particular point where the pier is going to be sunk, so we shouldn't get any surprises where, 'Oh, hello, it's going to cost us another \$100 million'?

Mr GEMELL - From that point onwards, is that what you're talking about?

CHAIR - Yes.

Mr GEMELL - I think that the process we're going through now is ensuring that we're optimising the project objectives. In that sense, it's time, cost, quality, fitness for purpose and then the other performance objectives that go with that. Our objectives are to ensure that, where there's an opportunity to modify the design to accommodate what's actually there and, in some cases, will be cheaper or more expensive, either way there are definitely ups and downs.

That is the purpose of tomorrow's session. We will have 30 odd people in the room including designers and all the contractors and everybody involved - reps from TasPorts as well - to try to go through and get to a technical landing on what we can do to optimise those outcomes. That's the process, and it's shifting from what was the assumed design at the contract to what can be now actually built, and the issue there and that's the -

CHAIR - There's obviously a contingency factored in here, yes?

Mr KANOFSKI - Yes. If I could go to your question, this is not a fixed-price contract, so at no point will you say this is the certain number. What you will get is progressively more and more assured that we understand what the number is. What we will provide after we've done this bit of process of negotiation and we get more surety around what's going to happen is we'll do what's called a probabilistic quantitative risk assessment of that - because there are still risks, and we will value those risks and we'll come up and we'll say the P50 cost estimate is this and the P90 cost estimate is that. What we will say is, 'We believe, based on the

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information that we have today, there is a 50 per cent chance that this project will be delivered for this dollar amount or less,' and we'll say, 'We think there's a 90 per cent chance that it'll be delivered for that dollar or less.' At -

CHAIR - But we won't know till the project's finished? The actual cost.

Mr KANOFSKI - The point at which you will know the exact dollar cost of this project is the day it's finished. That is the nature - to be fair though, fixed-price contracting is not fixed-price contracting.

CHAIR - There are always variations to the contractor. Anyone who has built a house knows that.

Mr KANOFSKI - I've been building infrastructure for 30 years and there is no such thing as a fixed cost.

Mr WILLIE - It's more like a cost-plus model?

Mr KANOFSKI - No, this is not a cost-plus model. What's currently structured is what's called an incentivised-target cost, so it is full-cost reimbursement. To be clear, all of the costs incurred will be paid by TT-Line as the client. What there is there's a gain-share/pain-share incentive put in place at a certain dollar cost figure with the contractor and that's there to incentivise them to try to help you manage the cost. It's not cost plus, but it's an incentivised target cost. It's a pretty well-worn collaborative form of contract; it is a collaborative contracting.

I think, to Peter's point, one of the things about collaborative contracting is it requires a sophisticated client. You need a sophisticated client because the client has to be quite involved in the process and has to be quite expert in what they're doing. I think we now have a team in place that can fulfil TT-Line's side of a collaborative contract. That probably wasn't always the case. I don't want to speak for things that happened before I was here, but it appears to me based on all the evidence I've seen that that wasn't the case. Certainly, both Peter and Ben have written reports on that basis.

CHAIR - Do you know when the contract was put in place, and if it was authorised by the Government or Shareholder Ministers?

Mr KANOFSKI - The date of the contract - you could help with -

Mr KIRKWOOD - The contract was executed on 1 July 2024.

CHAIR - Was it approved by the Government and Shareholder Ministers?

Mr KIRKWOOD - It was before my time. I don't know.

Mr KANOFSKI - I'd have to take on notice because - I don't know, is the honest answer.

CHAIR - We have heard from various Ministers involved in this that they believe that they perhaps weren't provided with all the information they needed. It's arguable and we're not

here to be arbiters on that, but it would be helpful to know if it was actually approved by the Government at the time through the shareholder Minister.

Mr KANOFSKI - We'll take it on notice. We'll provide you with an answer.

Mr GEMELL - The question before about contingency though, and the description that Ken was giving - over time the range between the P90 and the P50 closes as you pass those risk milestones. You either realise the cost and the time, or you don't. Typically, that's what occurs. What it is, it's a closing of that expectation. The process we are in at the moment, is part of that closing process to turn from what would arguably be the longest date and the maximum cost position, it really is now a position where we're looking at a much more specific and lesser bandwidth of risk.

The risk doesn't diminish, it either occurs or it doesn't over time. The information we have, the sessions we're starting tomorrow and the sessions we've had already with the contractor are all about how we optimise and minimise the cost and retain the functionality in the minimum time, and that's always the focus of what we're doing. At the same time it's reducing the value of - and you use the word contingency - the contingency then, either turns into an expenditure or a saving, and we're in that process now of looking at what that contingency number and the provisions for risk are and translating it now back into a more certain cost for an actual expected outcome, much better defined. That's the process.

Mr WILLIE - Will this be defined enough? Yesterday we heard that the finances are under a significant amount of pressure. You have a borrowing limit that will get you through to September this year.

CHAIR - A perfect storm that we've sailed into.

Mr WILLIE - The chair of TASCORP said it was more likely than not that you will require some assistance from the state Government. Will this be defined enough to develop a business case and a refinancing proposition in the next few months?

Mr KANOFSKI - Yes. What we've agreed with TASCORP - I met with the CEO of TASCORP - what I agreed is that on 31 March [2025], which is next week, we will provide them with draft financial forecasts with various scenarios because it's not just the capital cost here. The capital cost plus the time plus the sale value of the old vessels - there's a number of variables here that will dictate what our capital requirements are. What we are in the process of finalising for submission is draft - and they will be draft - forecasts under a number of scenarios, ranging from a really pessimistic scenario where everything goes wrong -

CHAIR - Hasn't that, so far, been the case? Is there something else that can go wrong? Well, actually, there is.

Mr WILLIE - There is always something else that can go wrong.

Mr KANOFSKI - I've been around this long enough to know there is never certainty but what we'll be providing is a range of forecasts, basically. That will enable them to stress test our ability to service debt. They will go through a process of assessing that. That was - one of my purposes of meeting with the CEO was to make sure that we could meet their timelines. As you say, on our current forecast, probably October [2025] is when we think we would hit our

current debt ceiling, although, again, it might move one way or another a little bit. The purpose of my meeting with the CEO of TASCORP was to ensure that we had time - that they had time, that we were giving them as good of information as we could and that we would progressively update them. As we knew more, we would update those drafts, but they could do their assessment.

It's typical in a - and TASCORP is, in my view, is probably no different from any other financier. They will go straight to the worst-case scenario and say what can you afford under the worst case scenario. That's what you expect a financier to do. That's what commercial banks do. They will make an assessment of what our borrowing capacity is. After they've made that assessment, then we'll need to decide what, if anything else, needs to be done.

Mr WILLIE - Part of your draft proposal - will that include the state Government picking up some of those variable propositions that could happen?

Mr KANOFSKI - Our draft proposal currently doesn't. It says TT-Line continues to do what TT-Line continues to do.

Mr WILLIE - It doesn't include an equity injection or a dividend holiday?

Mr KANOFSKI - No. We're not at that point at this point. What we're doing is providing, projections which show what our capital requirement might be. We'll then go to TASCORP. TASCORP will assess that. My understanding of the process in Tasmania - and forgive me, I'm not as familiar as with other jurisdictions - is they will then decide what our borrowing capacity limit is. We currently have one, I think, which is \$990 million.

CHAIR - Which is backed by a letter of comfort by the Government?

Mr KANOFSKI - Yes, absolutely. Right at the moment, they are unsupported borrowings in the sense that we are considered investment grade corporation. There are a few steps; there are a few possibilities here. One is that they could say, 'That's fine, you can borrow some more money, and you can borrow up to x limit,' and we say, 'Yep, that's sufficient.' In an unsupported capacity, they could say, 'Well, actually, we think you can do that, but we think you need more Government support for that,' in terms of guarantees and the like. That would be supported borrowing as opposed to unsupported borrowing. Or they might say, 'No, we actually don't think you can borrow that much,' and therefore you need equity. There's a process to be gone through there.

My initial goal on taking over was just to make sure we have enough time to properly go through that process with TASCORP in the first instance, and, if necessary, with Treasury. The second bit is 'and, if necessary.'

Mr WILLIE - You're constrained, too, because we heard yesterday from TASCORP that the next replacement round would be a factor as well, in terms of the terms of the loan and how much you can borrow and how much that will limit the company's capacity into the future.

Mr KANOFSKI - Yes. Certainly. I don't want to speak for TASCORP, but what TASCORP will look at is when do you pay this loan off by - what's the life of these vessels? - and, therefore, will they have to buy another set of vessels and hopefully not build another berth?

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CHAIR - I did mention that yesterday.

Mr WILLIE - I suspect the next vessels will be designed for berth 3.

Mr KANOFSKI - I won't be around, but I would certainly hope so. They'll look at the life of that because it is necessary for a business-like TT-Line to start to build up some cash reserves before it gets into vessel replacement so that it's not all borrowing at that time. In fact, we did do that, Kym could tell you a number, probably.

CHAIR - But you did have a dividend holiday to facilitate that.

Mr KANOFSKI - Did we?

Ms SAYERS - We paid dividends into the vessel replacement fund, so in essence, yes, they were locked away.

CHAIR - You didn't pay them to Government, you paid them into TASCORP, into a specially established fund in there, which is now fully expended.

Ms SAYERS - Yes, we did contribute. We had cash reserves way back when. They were utilised.

Mr KANOFSKI - The other thing they'll look at is obviously standard metrics in terms of debt to equity, loan service ratios, all of those sorts of things, and make an assessment on a standalone basis - is this company able to sustain this level of borrowing? That's the assessment they'll make. Then after they've made that assessment, we'll work from there.

CHAIR - I'm just stepping back a little bit again - with the subcontractors, do you have a list of subcontractors that are on site and doing what particular bits of work?

Mr KIRKWOOD - We can provide a full list. I can give you sort of some headline names, but there is quite a long list of contractors.

CHAIR - Yes, it would be helpful to have that, and what part of the project they're responsible for.

Mr KIRKWOOD - Yes.

CHAIR - It may be obvious, but not necessarily.

Mr GEMELL - Probably down to a limit of capital works, worth more than \$100,000.

CHAIR - Yes, something like that.

Mr KIRKWOOD - You probably don't want the cleaner.

CHAIR - No, the ones that are doing the serious construction work is what I'm interested in.

Mr GEMELL - They have been very clearly targeted using local subcontractors on what they call the 'land ramps.'

CHAIR - There's a lot of community interest in this. There's a lot of community of people who live in the north-west who can see it. People from the south don't know so much because they don't go up there because it's too far to go, isn't it, really? The trouble is, when I drive across the bridge, the railings is in the way, so I can't quite see it if I'm going to watch the road at the same time. Because of that amount of interest, there's been a lot of people saying to me, 'Why don't they just work 24-hours a day and get it done?' Do you want to talk to that a bit?

Mr KANOFSKI - I'm happy to and then talk to Paul. There is no point in accelerating the current works that are happening on the site. The critical path for this project is the marine piling and gantry. There are two elements so that. One is getting the piling in place and the second is getting the gantry manufactured, getting it tested, getting it here, all those sorts of things. If we went to 24/7 working on the current work, it would simply be incurring extra cost for no benefit. It would not bring the date forward at all. The critical thing is getting the marine works done. The rest of it is under no time pressure whatsoever. Paul?

Mr KIRKWOOD - The critical path, as Ken said, is through the marine works; the gantry and the piling. We've been waiting for international deliveries and manufacturing of barges to happen. The work that's going on, on the land, we could have worked 24/7. It would have incurred extra costs. There are safety issues for 24/7. We would have finished that work sooner and then stopped work until the next piece arrives. The work you see going on on-site, while it's definitely not 24/7, it's achieving that balance of progress versus cost efficiency and labour efficiency. That's what's going on.

As we go into marine works, yes, you will start to see periods of 24/7 working. We will then start to accelerate where we can. Marine work and 24/7 working, again, presents its own safety risks and we have to balance that. Working crews continuously 24/7; you can do it in short bursts, but once you start doing longer periods of 24/7, the safety risks go up. Again, that's something we factor in to discussions with the contractor about how we can accelerate and how we can keep people safe as well.

Mr KANOFSKI - There are also issues with, obviously, environmental impacts, night works with noise and the like. Contractors are working with the EPA (Environment Protection Authority) around approvals for the night works that will be necessary. There will be night works necessary and we're working on the approvals for those.

CHAIR - It is an industrial area. It's immediately where the works are undertaken, but over the river - and noise travels quite well over water - there are residential areas just up on the hill there on the other side of the river. What engagement have you had with the local community to inform them? A lot of people want to see 24/hour-a-day work, but perhaps they don't fully understand the impact on their lives while it goes on.

Mr KANOFSKI - I'll let Paul answer in more detail. We're only just in the process of the modelling. In essence, you do noise modelling for a start and that will tell you, at least in theory, who the affected parties are. Then you go into a consultation process with those. On infrastructure projects there are a range of mitigations that you can apply to that. I'm not saying any of those mitigations are necessary here. We just simply don't know at this point. There are a range of things you do on big infrastructure projects. I've double glazed houses and put people

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up in motels and done all sorts of things. Not saying any of that's necessary here, but you make an assessment of the noise, you model the noise, and then you go and talk to the people who are affected.

Mr KIRKWOOD - That's exactly it. The noise modelling has been finished. The noise modelling was conducted by the contractor. They built their models. It's then a discussion process with the EPA to see whether the EPA is satisfied with the quality of modelling and the output and how that's been put together. We did receive, yesterday, agreement from the EPA that we can proceed. When we talk about the test pile next week, that's when we get to see whether the noise matches the model and whether everybody got the modelling right.

CHAIR - Then you'll do some consultation with potentially impacted neighbours?

Mr KIRKWOOD - Yes, we will. The noise modelling will identify where those potential risk zones are with neighbours. BMD has been very active in the region. We did have a very low-level complaint about some noise and BMD. To be fair to them, we're very proactive in finding out about that. The complaint actually went directly to Council and BMD got in contact with that affected person straight away and then to work out what they could do.

We're very conscious. Noise is the one thing if 24/7 working is something we all want to do but you have to manage the noise in order to do that.

CHAIR - I know it's not finalised work, but what do you expect the construction period to be where there will be 24-hour works in the marine space as well as with the gantry et cetera?

Mr KIRKWOOD - It's difficult to say because the area of redesign that we're considering is almost directly connected with the noisy works that we're about to do. It would be months, not days of night work just because we're trying to catch up, we're trying to accelerate and there's a lot of work to do in the river. We would expect the night works and the noisy works to be in the order of months, but at this point until that redesign work has gone through, we don't know the full extent.

Mr KANOFSKI - That is one of the purposes of looking at it. Clearly, time and cost are things, but when we're looking at the design of these works community impact is one of the factors as well. Infrastructure projects exist with a community licence to operate essentially, and regardless of that you might have an approval to make noise, that doesn't necessarily mean the community is going to thank you for making noise.

CHAIR - It is a time limited project though. That's the point here.

Mr KANOFSKI - The good thing about this - and I've worked on projects where people have experienced noise for four years and impacts, dust and traffic and all sorts of things for years. This is a relatively short period, but it is one of the considerations in finalising how we're going to go about this work is to try and minimise the impact on the community while at the same time balancing cost and time.

Mr WILLIE - Reflecting on some of the things said around the contract you entered into in June, the first contract, obviously there's a lot of political pressure around that time. The Minister issued a Ministerial direction in June, which included trying to operate from Berth 1, which, I think, Mr Gemell had already pointed out that it might not be economic and

challenging to do that. Was the first contract entered into in much of a rush? It sounds like the company didn't understand the project then.

Mr KANOFSKI - I couldn't really comment on whether the contract was entered into in a rush. What I can say is there's a range of things, and as I've said, in this project that haven't been managed in a manner that I would expect to see an infrastructure project managed and we're trying to regularise that.

But in terms of the specific circumstances around entering into that contract, I don't know. I wasn't here, I don't know.

Mr WILLIE - Perhaps the acting CEO could answer that question. There was a lot of political pressure at the time - a Ministerial direction was given to the company. Did that cause the first contract to be entered into too early before you understood the project?

Ms SAYERS - No, nothing to do with that political pressure at all, I think. It's been discussed at length and in the public in terms of the capability, our understanding of the project at that time wasn't where it needed to be. I think we could spend hours talking about the mistakes that were made, we can only move forward now, but no, the direction we were given had no impact on entering into the contract.

Mr WILLIE - It's just interesting that the direction was given that month and then you're entering into a contract without understanding the project.

Ms SAYERS - The work leading into signing that contract had been going on for some time. It wasn't a sudden decision or as a result of the direction, there had been work going on in that space and consideration of entering into that contract for some time.

CHAIR - The Minister when he appeared couple of weeks ago provided an organisational chart. I don't know if you've seen -

Mr KIRKWOOD - That's the project team organisational chart.

CHAIR - I assume this is the team that exists and will continue to take the project forward?

Mr KIRKWOOD - In the main, there's obviously changes as projects progress and evolve, but broadly, yes.

Mr GEMELL - Once we get through the development change process though, we discussed last time two processes in parallel. One was recovery and the other was delivery. It's just to get where we should have been and then continue on like that.

The second part of the project, once design is settled and methodology settled and chain settled, then it's a management process to optimise - all the time, try and do it better next time, learning curve, get it quicker, faster, that sort of issue. Your team does change. You are much more conscious of closing, of getting the evidence of compliance, it's all about delivery and that monitoring process. Part of the process Ben is doing is making sure the reporting is consistent with Government reporting practice and best practice in that sense. It does change though, from the amount of energy and intellect, it turns into something of process and product.

Mr EDMUNDS - What structure does that governance and oversight take?

Mr GEMELL - If we talk about the governance and oversight, I think there is something we've prepared for you on that.

Mr KANOFSKI - Ben, if I can table that and then that is probably - through you, Chair?

CHAIR - You can table that and give it to someone, if not, we'll pass it around. It is just that, for example, on this organisational chart, you're not there, Ben, and neither is Peter, Paul is.

Mr KANOFSKI - It's probably worth though, Chair, and I will throw to Ben, but it's probably worth really understanding the differentiated roles between TT-Line and State Growth. Can I say at the outset though, we have taken, as have State Growth taken, a very collaborative approach to how we are working together on these things, but we do have different roles. I will let Ben talk about that.

Mr MOLONEY - To perhaps explain the organisational chart that you are referring to before is really the organisational chart of the delivery team itself. That's the team that's responsible for managing the contractor, resolving the design and the likes and then that project team, through the Project Director, reports to various Committees, in particular, in terms of the document of which I have just circulated, which is the overall projects, governance and oversight, in the middle column there is the Devonport Terminal 3 steering and oversight Committee.

The Project Director reports to that Committee, the Chair of TT-Line, Ken, is the chair of that Committee. In relation to that Committee, it has both executive members of TT-Line that are involved from the perspective of understanding the operation of the completed project and also from the delivery of the project. There is also a number of board members on that and 10 other members of that Committee include myself, on behalf of the Department of State Growth and Government, providing a review and assurance role, providing assistance based on the experience that I have had with major projects, both here in Tasmania and elsewhere. Peter Gemell is also in attendance of those meetings at this stage.

As things get more settled, it might be that Peter Gemell's presence may drop off if we get into business as usual, but the intention would be that the Department of State Growth continues to have participation at that Committee so that we can continue to see the nuts and bolts of how the project is being delivered. That provides very hands-on participation in oversight. That particular Committee reports with the chair of TT-Line to the actual board of TT-Line so that the TT-Line board can make the formal decisions it needs to be making in terms of strategic decisions around the projects.

That goes to some of the things that Ken has mentioned around determining the allocated budget and making decisions around value management calls, on what to invest in and not. In order to provide Government oversight so that there is informed information being provided to the Sub-Committee of Cabinet, that is not just, say, the views of the TT-Line board, we also have what is in the left hand column there, which is the Spirit Quay Terminal 3 Project Review and Assurance Steering Committee. That's something we, I think, discussed at the previous hearing, but at that stage it was the Q-Link Review and Assurance Committee.

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As at the end of last year, when it was determined that we would not be proceeding with modifying Terminal 1 as a temporary berth pending the completion of Terminal 3, the terms of reference to the Committee changed so that we really did put our focus on the most efficient delivery of Terminal 3, which is referred to as Spirit Quay.

CHAIR - The steering and oversight Committee turned their mind to that?

Mr MOLONEY - The one on the left-hand column, which -

CHAIR - Right, so the Spirit Quay Steering Committee?

Mr MOLONEY - That's correct. With that one, representation there is by senior executives within Government. It is chaired by the Secretary of the Department of State Growth. There is senior representation from other Government departments, including the Secretary of Treasury and the Associate Secretary of Premier and Cabinet, as well as representation from CEO of TasPorts and the acting CEO of TT-Line as well. So far to date the Chair has also been attending.

CHAIR - On that, that Committee has bureaucrats on it, which is fine. Where's the reporting to the Shareholder Minister? Ministers - there should be two, but anyway.

Mr MOLONEY - That's correct. The governance diagram shown on the right-hand side describes that there are two pathways of information that come up from the steering and oversight Committee. The steering and oversight Committee ultimately has accountability to the board, but it also provides information to the review and assurance Committee, which is effectively the Government's Committee that then looks at the issue. That way both the board representing TT-Line are ultimately accountable for the delivery of the project, but the Government can be assured that it is receiving advice through the review and assurance steering Committee as to whether or not the recommendations being made via the company are supported or otherwise. That's where Peter Gemell and myself are actively involved in undertaking project assurance reviews of different material that's coming up so that there can be that semi-independent perspective of the board itself. That's how we've structured it so it can ensure that there is timely advice being provided to the Sub-Committee of cabinet.

CHAIR - On that point, when you say timely advice, it might be variable as to when advice is provided, but is there a set expectation around how often the reporting occurs to the Sub-Committee of cabinet or is it on an as-needs basis? How is that determined?

Mr MOLONEY - Both set and as needed. The actual Sub-Committee of Cabinet has been meeting quite frequently, but at this stage, ideally, I think, looking to get into a rhythm of monthly meetings of the TT-Line Sub-Committee of Cabinet. Each of the other two steering Committees I mentioned before, the one which is effectively TT-Line's steering Committee, and the Government steering Committee, they're meeting basically on a fortnightly basis.

In any given month, at the moment, you could anticipate basically five meetings; two of the Government steering Committee, two of the TT-Line steering Committee and then also the other meeting of the TT-Line Sub-Committee of Cabinet. As material comes to hand that is of critical importance, we can either arrange for a special meeting of the TT-Line Sub-Committee or any of the other Committees. We're also able to distribute information out of session. On

occasions we have issued out-of-session papers to make sure timely advice is provided to Government.

CHAIR - The Devonport terminal 3 steering and oversight Committee doesn't report directly to the Sub-Committee of Cabinet; it goes through the board? Is that correct?

Mr KANOFSKI - Correct. In essence, the board then reports to the shareholder Ministers. Both of the shareholder Ministers are part of the Sub-Committee of Cabinet. We brief the shareholder Ministers in our normal shareholder Minister meetings as well.

CHAIR - How often are they happening now?

Mr KANOFSKI - They're about once a month because clearly, we don't want shareholder Ministers to be surprised by what we're briefing their colleagues on at Cabinet Sub-Committee. There's a kind of formal process and there's also an informal briefing process to keep people informed. Ultimately the board is accountable for delivering the project and we report to the shareholder Ministers and then that's overseen by the Sub-Committee of Cabinet.

CHAIR - Clearly if things weren't proceeding smoothly, you would notify the Sub-Committee and your shareholder Minister?

Mr KANOFSKI - Absolutely, and indeed we're under a Ministerial direction, which makes that very clear what our obligations are. We will take that Ministerial direction very seriously. To be frank, even if we didn't have that direction, smart boards keep their Ministers advised.

Mr WILLIE - Does the company have a view on multiple shareholder Ministers? Do you see that as a positive step? Some of the evidence we heard yesterday from TASCORP, we had the former treasurer, who was also the Minister for Infrastructure and Transport, approving borrowing limits that were being requested from the company he was a shareholder Minister at in 2022.

Mr KANOFSKI - I would say, in general, in governance of state-owned corporations - I've had a lot of experience in state-owned corporations - as a general proposition, I would say yes, you should have two shareholder Ministers. That would be my general proposition. Now, clearly that's a matter for Governments, right? It's a legislative matter for Governments, and not my place to tell Governments how to do their job. My long observation of this is that you would generally have two shareholder Ministers. In most jurisdictions, it's the portfolio Minister plus either the Treasurer or the Finance Minister, if there is a Finance Minister.

In some jurisdictions, in fact, in New South Wales, they have a slightly different construction in that you have the Finance Minister and the Treasurer are your shareholder Ministers, and then you have a separate portfolio Minister who's not a shareholder but is the portfolio Minister. So, there's a range of different models, but as a general statement, I would say, should you have two shareholders? As a general statement, I'd say that's the preferable system.

Mr WILLIE - It creates a competitive tension between financing and a portfolio.

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Mr KANOFSKI - And the portfolio, yes. It's a natural balancing position between trying to achieve good public policy outcomes but also maintaining fiscal discipline.

CHAIR - You probably don't have it now, but would you be able to provide a schedule of meetings that have occurred under this arrangement?

Mr KANOFSKI - Yes, we'll take that on notice.

Mr GEMELL - I wanted to make the point, just briefly, that the engaged work I do for Ken and Kym and Paul at the moment, in terms of engaging the subcontractors, is completely outside that governance. It's under my standing role with ESG as a special adviser in that space. It is there just to support them in that change process where it's very - you know, it takes a lot of effort, and you've got to have specific skills in that space of what we're doing at the moment with the contractor, for example.

Mr WILLIE - I have another topic, if we're ready to go to a different topic?

CHAIR - I thought we might just take a short break. I would also like to get a bit of an update on the *Spirits IV* and *V*.

Mr WILLIE - Sure.

CHAIR - We'll come back at 10.45 a.m., if that's alright. Thank you.

The Committee suspended from 10.33 a.m. to 10.46 a.m.

CHAIR - Thanks for coming back. It's always good when you don't leave. We'll continue on, but I don't - you want to go to a different area too, Josh?

Mr WILLIE - Mr Abetz, when he appeared on 14 March, he said that you'd be able to provide us an updated breakdown of all the costs for storing *Spirit IV* in Scotland up to date to now, not to December [2024]. He said that you'd be able to provide that when you appeared.

Ms SAYERS - I can. I think we previously reported that up to the end of December it was \$1.005 million total costs. As at the end of February we are \$2.733 million. I think Mr Abetz was asked to provide a breakdown of what - I can provide that separately in terms of the detailed breakdown.

Mr WILLIE - Okay, so you'll take that part on notice?

Ms SAYERS - Yes.

Mr WILLIE - In terms of planning for it to come to Tasmania, have you an answer from TasPorts on where you'll store it?

Ms SAYERS - Yes, TasPorts has presented a number of options that we're working through. The most viable are, and I might get the name wrong, Mac 2 and 3, I think, are the berths in Hobart. They're most viable in terms of not needing extra work for the ship to come alongside. If we were going to look at operating in any capacity, there would need to be work done.

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The challenges for us and TasPorts are cruise ships, obviously, need to utilise that berth as well. We're just working through: will we stay alongside? Will we go out to anchor? What uses? We're going to fully explore what we can do with the vessel in terms of revenue. Generating opportunities, which again, may impact how long and how often we might need to be alongside the berths. Hobart is the most viable option for a permanent or semi-permanent berthing arrangement.

Mr WILLIE - Are you looking at opportunities for Tasmanians to have a look at the new ship? Obviously, if it's here then -

Ms SAYERS - Absolutely.

Mr WILLIE - If it does move to -

CHAIR - Paid tours.

Ms SAYERS - Revenue-generated opportunity.

Mr WILLIE - I don't think that'll put a dent in.

Ms SAYERS - Every little bit helps, Josh, every little bit.

Mr WILLIE - If it goes to anchor, that's down where the other ships anchor off Tranmere.

Ms SAYERS - I assume it would be in the vicinity. I couldn't tell you exactly where. I'd have to ask the marine folk where they've considered. It may be for a period of time, not permanently.

Mr WILLIE - You're still expecting it in June or July [2025]?

Ms SAYERS - Yes.

Mr WILLIE - Which, June?

Ms SAYERS - At this stage, the delivery date is anticipated to be in June. Will it slip out to July? We'll work through that.

Mr GEMELL - I think we gave an undertaking that would be by July and it will be by July. That's the undertaking and it'll be met.

CHAIR - In terms of the costs associated with - we heard it was \$4 million to transport the vessel out, roughly - the cost of either putting it at anchor or alongside at one of the wharves in Hobart, what are the costs there? Do you know what those costs would be?

Ms SAYERS - In terms of crewing costs?

CHAIR - Crewing and also any cost you have to pay to TasPorts?

Ms SAYERS - I guess, what the Government has said, that TasPorts won't charge us, is just in relation to what we call 'berthing fees'. There are, and I know you hate the term, ancillary costs in terms of pilotage and electricity and other services that TasPorts doesn't necessarily control. So, there will be cost. It won't be free to come alongside. The big cost for us is obviously the crewing levels and fuel. We still run the engines. We need to keep the engines running. They are the big costs. I think we've said before that the likely number of crew that we will need in Tasmania will be significantly more than we have on the ship in Leith.

CHAIR - Why is that?

Ms SAYERS - I guess, we're not going anywhere in Leith. We are stuck at the berth and we don't need to move on and off the berth. We don't really need to operate the vessel in a normal capacity. The requirements of AMSA within Australia are higher. If we were to come along to the berth, we need to be prepared, most likely, to move off for whatever reason - whether it be for a cruise ship or something else, we would need to have the manning available to be able to safely and legally operate the ship to move it on and off. Whether that's 18 or 22, we're working with AMSA on what that looks like.

CHAIR - In terms of those people being, almost, from what you're saying, effectively on-call, can they be utilised anywhere else in the business while they're on call?

Ms SAYERS - Yes, that's what we're working through. We'll have a number of vessels that they can potentially operate on. That's the model. We're working with ASP, which is our main contractor for officers and engineers who are the key crew, if you like, for those operations. We're working with them around that manning. It's obviously one of the reasons we made the decision, or the recommendation, that we don't bring *Spirit IV* back right now is that we're in the middle of double sailings, so we don't want to risk the operations of the existing vessels with crew challenges. That's why we recommended the end of May to allow us to have the spare crew, so to speak, in our quieter season to do that. We'll work through the most effective model of crewing, but the way crewing works is that you only have a very small casual pool, if that makes sense, you're kind of paying them for days on and days off.

CHAIR - Is it fair to assume then that there won't be double sailings when *Spirit IV* arrives to enable that staffing capacity to be met as needed on *Spirit IV*, or -

Ms SAYERS - I wouldn't rule it out. At this stage we have no day sailing scheduled for that initial period, but getting into our peak period again, yes, we would have double sailings. We have more time to work with ASP to ensure what that crewing level is.

In terms of the double sailings, the bigger contingent of crew that we need is the retail and hospitality space, and we have a bigger pool there as opposed to the officers and engineers who are the - I don't want to say base crew, but that we would need to have alongside in Hobart. The retail and hospitality crew would be a lot less, unless we were going to undertake activities with passengers.

CHAIR - When you say you're looking at other opportunities to raise revenue, can you elaborate on what sort of things are on the table for consideration there?

Mr KANOFSKI - Can I say, while we will look at and are looking at that, I really think we need to set the expectation that I think it is highly unlikely that we will come up with

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commercially viable alternative uses. I think we need to be clear, there's talk of using her as a passenger ship, she's not designed as a passenger ship. It's designed to do one-day sailings.

CHAIR - It's a ferry.

Mr KANOFSKI - It's a ferry, it has very specific - it's designed to do what it does very well. We could look at whether there are any options for freight and things like that, but there's already capacity there in the freight market. We'll look at all of those options because that's what we should do, but the reason we were exploring leasing options in the Northern Hemisphere was because we thought it was far more likely that we would find a revenue generating source there than here; that's the reason.

CHAIR - Can the people of Tasmania perhaps be assured that you won't undertake a non-commercial activity with the vessel?

Mr KANOFSKI - We have no intention of undertaking a non-commercial activity with the vessel.

CHAIR - Acknowledging there are costs with it sitting there?

Mr KANOFSKI - That's right. Well, it's uncommercial in the sense of sitting there doing nothing, but what I would say is, we will try to minimise the net cost of having that vessel here. Anything that we did that was revenue-generating would have to net-net improve the position. That's the board's position on it.

CHAIR - Sure. I think it's important to be clear about these things.

Mr KANOFSKI - I agree.

Mr WILLIE - In terms of *Spirit V*, have you directed RMC to slow down construction there? I think the first seed trial was due 7 April [2025]. That's still on track? You haven't waived penalty clauses and told them to take their time.

Ms SAYERS - We have not told them to take their time.

Mr WILLIE - Okay. What's the plan with *Spirit V* when its sea trials are completed and you take delivery of it?

Ms SAYERS - We are still exploring charter options through our broker for *Spirit V*.

Mr WILLIE - It's highly unlikely that *Spirit V* will be leased as well.

Mr KANOFSKI - I agree, for the same - if we could have offered a long-term lease, to be really frank, if we could have leased *Spirit IV* to someone for four years, we would have been able to lease it. The real issue was, we wanted a lease but only on our terms, which was for this specific amount of time. There was a lot of interest in the vessel and if you offered a long-term lease you'd lease it out, but we don't have the capacity to offer a long-term lease.

CHAIR - One would think that the worst thing for TT-Line's reputation would be to have a berth ready to go and no vessel to put in it.

Mr KANOFSKI - That would be a pretty big own goal, yes.

Ms SAYERS - We were very clear with the brokers that that was a priority.

Mr KANOFSKI - I think the feedback from the brokers was that that was the thing that was most holding back being able to lease the vessel, was that we were very clear - 'This is the amount of time that we can guarantee. We might be able to go month by month a little bit after that, but that's kind of it because the vessel needs to be here and ready, absolutely, as soon as berth 3 is ready.'

Mr WILLIE - Will that come to Hobart too?

Ms SAYERS - We'll work through that.

Mr KANOFSKI - Not decided yet.

Mr WILLIE - Some other matters, in terms of outstanding matters - the local content commitment from the Government - we've had some of the figures provided to the Committee previously. Part of that was the way the ships were fuelled with LNG. Is that still going ahead?

Ms SAYERS - The ships are dual-fuelled so we can utilise LNG.

Mr WILLIE - I mean putting the infrastructure into actually fuelling them with LNG, not the capacity of them to do that.

Ms SAYERS - Yes, so as part of the work that's being done at terminal 3, we'll put in the minimum infrastructure to allow us, if we choose, to utilise LNG in the future.

Mr WILLIE - What does that entail, 'minimum infrastructure'?

Mr KANOFSKI - To be fair, what we've done is we're going to restart the competitive process around fuel, to see whether there are viable options for LNG. What the board's instructed Paul to do is make allowance in the design for us to be able to do LNG at Berth 3, should it be economically viable. There's a whole range of issues that have to be worked through in terms of that. We're not building tanks and pipelines yet. What we're doing is saying in the design, when this becomes economically viable, this is how we will do it and then we'll put that infrastructure in at that time. It needs to become economically viable. There needs to be enough LNG on the island to make it viable. There's a whole range of things that need to be looked at.

Mr WILLIE - The fact that Government made a \$60 million promise as part of that local content is a moot point?

Mr KANOFSKI - No, it's not a moot point, but it needs to be practically available and it needs to be cost-effective. It will be at some stage. The question is: when will that be?

Mr WILLIE - Well, it's a transition fuel, isn't it, in a climate-changing world? It's much better than diesel?

Mr KANOFSKI - Yes. What we would say is as a matter of policy from the board's perspective, would we prefer to fuel on LNG rather than diesel? Yes, we would prefer to do that, provided that it's practical, economic and safe. We'd prefer to do that. Would we prefer that to be Tasmanian? Yes, we prefer that to be Tasmanian, provided that it's economic, safe and practical. That's the process we're about to restart in terms of - I know the previous board did some work on this issue. It didn't come to a conclusion that was practical, economic and safe but we're going to restart that process because that is our preference. As I said, there are a range of practical issues to be worked through.

Mr WILLIE - Could you bring other port users into it, like SeaRoad? I think they're trucking in gas.

Mr KANOFSKI - We haven't started that process yet but my view - and this is a personal view rather than a board view because the board hasn't discussed it - is that, yes, I think the viability of LNG would be enhanced if it was a joint proposal. I haven't tested that with anybody. I haven't tested that with any other parties to see whether they're interested. Clearly, volume would help make it more viable than just TT-Line doing it.

Mr EDMUNDS - What about on the other side of Bass Strait? What's the set-up there around LNG infrastructure, et cetera?

Ms SAYERS - If we were to bunker LNG in Victoria, it would be via a similar method. We do fuel at the moment from a barge, but we don't have a contract in place for that. We bunker by a barge.

CHAIR - Back on the local content, if I could, there's been some mixed information about what local content will be needed once the vessels arrive - *Spirits IV* and *V*, but let's talk about *V* to start with. What parts, from your perspective as the owners of the vessel, will be required to be put in to the vessel to make it usable once the berth is available?

Ms SAYERS - It's pretty much usable, but the key things that will be installed as we talk about is mattresses. At the moment we only have enough mattresses on the vessel for the crew that are expected to utilise it, so we haven't gone and put all the passenger mattresses in. Artwork is probably the other big thing, but then bedding, blankets, linen, all the non-essential stuff, and in terms of the cosmetic stuff, if you like, the lipstick, as the former chair referred to it as, the numbering on the cabin doors, some signage, table tops. There are table tops in there but for a number of the more bespoke areas on the vessel, there are the Tasmanian table tops. Those kinds of things, what we call the fit-out - and that makes it sound bigger than it is - will occur in Hobart.

We are considering whether we did that in Leith, if there was going to be a charter opportunity, but obviously now that will happen when the vessel comes to Hobart. With the crew and the mobilisation journey, the ship can be operated.

CHAIR - Yes, I understand that, but you wouldn't use it as a ferry without those other things in there.

Ms SAYERS - No, absolutely not.

PUBLIC

CHAIR - That will obviously be carried out when the vessel's alongside. What's the time frame, do you expect? One would expect that the mattresses have all been ordered and all the things -

Ms SAYERS - Internally we've always talked about a six to eight-week period, not just for that installation, but for the training of the crew. There are a number of crew who are obviously trained onboard because they need to have their certification to be able to operate the vessel on the voyage to Leith and then back to Tasmania. For the broader crew, understanding how the galley works and where the vacuum cleaners are. That training period, we call it the commissioning period, with the final fit-out, the training of the crew - and we've obviously got a lot of crew, two swings - to get across that we've said a six to eight-week period is what we would anticipate to be needed.

CHAIR - When will you start that work?

Ms SAYERS - We're still working through that in terms of when does it come to Tasmania and when do we need it, but I would say straight away.

CHAIR - So it arrives in July, so it'll be by July?

Ms SAYERS - Yes.

CHAIR - You have those arrangements in place to conduct that work?

Ms SAYERS - We're doing the planning for it now.

CHAIR - There'll be a period there when you might train up staff, but they're not ready to be utilised in operating the vessel.

Ms SAYERS - No, but we talked about the officers and the engineers. They will remain on board. They are in Leith running the engines, doing their drills, testing and safety stuff.

CHAIR - It's the other staff - your hospitality and -

Ms SAYERS - Yes, retail and hospitality.

Mr KANOFSKI - It's fair to say you're trying to train them as near as is practical to the time of commencing service operations, just from a practical point of view.

CHAIR - That's why I was asking. The question is: why would you do it when it first arrived and not leave it until when you had some sort of reasonably expected date of delivery for the berth?

Mr KANOFSKI - Exactly. We don't have a fixed plan yet for what date that will start. As you say, we need to look at what is the most practical. Again, we need to make sure it does finish on time, but at the same time not too early, because obviously training loses its value.

CHAIR - One would assume the vessels are the same.

Ms SAYERS - Yes.

PUBLIC

CHAIR - So there are no differences in the training?

Mr WILLIE - I have some other topics on the existing ferries. *Spirit I* - or *Spirit II* - is due to dry-dock soon is my understanding?

Ms SAYERS - Yes.

Mr WILLIE - You are unable to get a place in Sydney? It has to go to Singapore?

Ms SAYERS - Yes.

Mr WILLIE - When is that taking place? Is it *Spirit I* or *II* that is doing that?

Ms SAYERS - That's an excellent question. *Spirit I*.

Mr WILLIE - How long will it be out of action for and when is that happening?

Ms SAYERS - I'm going to have to pull up my notes. Apologies, I have just sent the update.

Mr KANOFSKI - What I can say is the total elapsed time is five more days.

Mr WILLIE - Each way?

Mr KANOFSKI - No, five days total additional elapsed time. Kym will pull up the exact dates, which I don't have to hand. One of the things for us was how much longer was the vessel going to be out of service by taking it to Singapore, and the answer is five days total. The reason for that is that the while the steaming time is longer to Singapore, the actual dry dock time is quicker in Singapore, so that helps compensate for the extra steaming.

Mr WILLIE - How much quicker is it in Singapore?

Mr KANOFSKI - I couldn't tell you off the top of my head. We could take it on notice though.

Mr WILLIE - Maybe the travel time and how long it takes to dry dock in Sydney.

Mr KANOFSKI - Yes. It takes 7.3 days of steaming to get there and to get back, obviously, but yes, we can take the exact dry dock time on notice.

Ms SAYERS - When we obviously book out, expecting the ship to go into dry dock in Sydney, given that we are at the mercy of the Navy and nearly every year we've had our dry dock period move slightly depending on when the Navy needs the slot, we always book out longer than we expect to need in terms of taking the vessel offline so that you can't book it. So we had it booked out from 6 July and returning in service on 28 July. We always booked out longer than we thought we'd need because experience tells us that it will move.

In terms of going to Singapore, we will depart on the 6th, though the same date, enter the dock on the 14th and then depart Singapore on the 28th and arrive back in either Geelong or

Devonport to go into service on 3 August. As the Chair said, an extra five days on top of what we booked out originally.

Mr WILLIE - Okay and what sort of impact does that have on the freight market when you've got one down? Obviously, it's non-peak season for tourism, but freight, I imagine, continues as usual.

Ms SAYERS - Yes. Obviously, we have one ship out for an extended period every year. We do tend to dock a vessel every year, so for us and, I think, we kind of said this when the SeaRoad vessel went into an extended dock that we manage that every year. Again, working with the freight clients and Toll and Strait Link to manage that and we do it every year. We're off for a number of weeks in July and that's why we always try to get into July because it is quieter on passengers and then with one existing vessel operating and we do day sailings. We can take more freight because there is less demand for passengers, acknowledging that the day sales don't normally work for the freight market, but we don't believe there will be a big impact and we will manage it with the other operators as we did when SeaRoad went off.

Mr WILLIE - The comment I'd make is that the market is used to the fact that there are six vessels that move freight across Bass Strait in any given year. Two of those are going to have to dry dock at least and every second year, three are going to have to dry dock. It's part of the process -

Mr KANOFSKI - of living on an island.

Mr WILLIE - It's part of the process of managing capacity across the Strait.

Mr KANOFSKI - As Kym said, it's why we do it in low season, because it's not only low season for passengers, it is low season for freight as well. We carry less freight at that time of year.

Mr WILLIE - In terms of their future *Spirit I and II*, obviously you're not going to offload them as soon as you would have hoped. So, there'd be further depreciation which will impact your business case. When do you start the process for sale?

Ms SAYERS - I guess, unofficially we started it a while ago in terms of the market knowing that we will be selling them. The challenge has obviously been when. We've had discussions with the broker that we're utilising at the moment to say they will be coming on the market. We can't actively market them until we know and are certain when they're going to be available to sell.

Mr WILLIE - It will be 2027 at the latest.

Ms SAYERS - Yes.

Mr WILLIE - Have you had much interest in them?

Ms SAYERS - Not a lot. We're not actively marketing them. We've had queries about whether we would lease them out, but we aren't engaging or really pursuing that at this stage because obviously having certainty of them in service is the priority for us.

CHAIR - Lease them out when?

Mr SAYERS - Through the broker, we had expressions of would we be interested in leasing out *I* and *II*.

CHAIR - Once they're available?

Mr KANOFSKI - Rather than selling them.

Ms SAYERS - Yes, and I haven't even talked to the Board about that.

Mr KANOFSKI - I would have thought the answer's probably no, we're not interested. Given the capital constraints that we're under, we would like to sell the vessels as quickly as possible and pay down debt. Never say never because, you know, but that would be an absolute last resort, frankly. Our intention is to sell the vessels as soon as practicable after *Spirit IV* and *V* go into service.

Mr WILLIE – They're more likely to go to an overseas buyer, aren't they, because of the environmental restrictions on their use.

Mr KANOFSKI - Also just the trade drive for what they're designed to do; there are many roll-on roll-off vessels plying their trade in Europe - many, many more than there are in this part of the world. If you're a gambling person, you'd say yes, and they'll go to the Northern Hemisphere.

Mr EDMUNDS - When we had the Minister, Mr Abetz, in here, we were trying to get a bit of rigour put on the delivery date for when this is all going to be rolling out of February 2027. Is that a date you still have confidence in?

Mr KANOFSKI - As I said, the situation announced by the Government last year was worst case February 2027, but if possible October 2026, to allow for them to be put into service - so, 2026-27. That's still very reasonable guidance. Clearly, we are working through the process, as we talked about this morning, but that's still very reasonable guidance.

Mr EDMUNDS - This is probably a bit like what you were talking about the cost - you know, the cost when you actually get to the final cost - but at what stage might you - in the process, do you expect that you would get - it dinged that those dates were not or were achievable, do you think?

Mr KANOFSKI - I think there's probably three pieces to that jigsaw. The first is this set of negotiations and what we agree with the contractor. We will have more surety when we get to that position.

Then, when two things start happening that are critical - one is the manufacture of the gantry, and once it's in manufacturing and we can see it's in manufacturing, then you start to gain some confidence around that.

Then, the third thing is the marine piling or the foundation system, and you don't really know your production rates for those things until you start. You're making all sorts of estimates about - I mean, we can pile at these many metres per day, or this many centimetres per day, or

whatever the metric is. When you really know is when you're in the river doing it, and the longer you're doing that, the more confidence you get, essentially. I mean, that's essentially what has happened.

They're the three big moving parts for me. Paul, you might want to elaborate, but they're the big three: get the deal with the contractor, sort it out and get certainty around the deal on what we're all aiming to do, and then get into those two key items of production, which is gantry and the piling.

Mr KIRKWOOD - Yes, and I think the design work and the technical workshops that are going on tomorrow are intended to find solutions that reduce the complexity and the risk associated with some of those things that Ken's just mentioned. Piling in the river using the piling methodologies that were intended - very high risk, high complexity, lots of unknowns. I think that the process that's going on will remove a lot of that complexity and risk, and that will allow us to have more certainty of a program.

At the moment, because of the length of the program, the amount of piling, people are naturally taking a conservative position. With the ideas that are on the table, the ideas that have been worked through, I think people will be more confident in locking into dates or providing dates that they feel confident they can achieve. Otherwise, as you say, until we actually start using that piling rig and working out how it works and working out how fast you can drill holes in the riverbed, then nobody has real certainty over how long it's going to take.

CHAIR - Each hole might be different.

Mr KIRKWOOD - Each hole will be different.

Mr KANOFSKI - Yes, each one will be different for sure, but the more you do and the more you've seen it in different ground conditions, the more you can then predict based on the geotech. These ones take this amount of time, and these ones over here are much quicker, for whatever reason - but once you've had piles in the different geological conditions, then, again, you gain more confidence.

CHAIR - Has BMD been the principal contract for the geotechnical drilling, or is that a separate contract?

Mr KIRKWOOD - No, the geotechnical work has been commissioned by TT-Line directly through a local subcontractor. Ultimately, the geotechnical information is owned by TT-Line - that they do the investigation. This is a construct-only contract. The contractor has no design responsibility; the design is carried out by TT-Line. Therefore, the geotechnical information is obtained by TT-Line for their own designers. That information is passed to the contractor for them to assess their methodology and work out how best to deliver a project, but the geotech is, as I say, commissioned by TT-Line.

CHAIR - Just going back to the gantry, where is the gantry being manufactured?

Mr KANOFSKI - It's being manufactured in China.

CHAIR - Right. What's the timeline for that? I assume the gantry design is not completed - or is it completed?

PUBLIC

Mr KANOFSKI - No, that's part of the discussions that are happening right now. They are not just about the marine piling and the foundations, but about the gantry itself. There are a number of ideas that have been developed for simplifying the gantry structure. Provided those prove to be viable, they'll lead to a different gantry structure. The manufacture hasn't commenced at this point in time and, to be honest, right at the moment, as the current program sits, the gantry is not on the critical path, the foundations are.

CHAIR - Have you got a company in China lined up to do this work, like you don't have to go to the market, or do you?

Mr KIRKWOOD - No, orders have already been placed with the Chinese manufacturer. They have been working through shop drawings, which is when you take the TT-Line design and turn them into a manufacturing production drawing. They're at that phase at the moment and we're working through the offshore verification planning. It's a good time at the moment to be looking at the options for redesign because we haven't yet started constructing it or cutting steel.

Mr KANOFSKI - Yes. Clearly, if we're going to change and modify the design in any way, we would like to do it before they start.

CHAIR - That's a really good idea.

Mr KANOFSKI - Yes, that would be a good thing to do.

CHAIR - Sorry, I imagine it's probably set out a bit like a Meccano set perhaps.

Mr KANOFSKI - It looks very much like a Meccano set.

CHAIR - Yes. The Chinese company will not be involved in the installation of the gantry; they are just a manufacturer and BMD will be responsible for the construction of the gantry when it arrives?

Mr KIRKWOOD - BMD's primary marine subcontractor, Fitzgerald, will do the assembly on site.

Mr KANOFSKI - They're a specialist marine contractor.

Mr KIRKWOOD - They are the same contractor that assembled the gantry in Geelong, so they have experience doing these gantries.

CHAIR - Sure. One other thing that has been raised by members in the community is that there is a concern that the vessel won't have room to turn around in the river. You can understand why people are concerned about this - everything else has gone wrong. I'm just wanting some assurance that the modelling is being done and that there is a high level of confidence that the ship will be able to get into the berth, get out and get back out into the river.

Mr KANOFSKI - Kym might want to add some things to this, but -

Mr WILLIE - There's not a huge amount of clearance on each side.

CHAIR - No, there's not.

Mr KANOFSKI - There is sufficient clearance though. The board has had a presentation and a question-and-answer session with the harbourmaster at its last board meeting. Like you, Chair, the board has community members who are voicing opinions - or concerns, I should say. There has been simulation exercises conducted under the purview of the harbourmaster. The harbourmaster has assured TT-Line that he has no concerns about the manoeuvrability. The vessels are slightly larger, obviously, slightly longer than the current vessels, but they are still well inside the swing basin dimensions.

The other thing to really understand here is that the new vessels will have much more significant thrust and therefore have a capacity that will be much more manoeuvrable than the current vessels. Even though they are larger, they are more manoeuvrable. Therefore, in theory at least, the clearances that you need in order to turn them around are in fact less than the current vessels. Not my area of expertise, but the harbourmaster has expressed confidence in the process. As I said, the simulation exercises with our captains, with TasPorts pilots - there have been simulation exercises done with the process to ensure that it works.

Mr EDMUNDS - With that extra thrust, are there any - not environmental risk, but you know what I mean, risk to -

Mr KANOFSKI - Scouring is part of the assessment and how you operate the vessel - you operate the vessel to make it as manoeuvrable as it needs to be, but at the same time do as little damage, if you like. That's not really damage to the natural environment. It's more about protecting your own infrastructure from that sort of -

Mr GEMELL - There're berthing rate constraints and angles of approach, and the whole issue. The question you asked about the thrust; it's significantly greater than *Spirits II* and *III*, for sure. It's a different arrangement.

Mr EDMUNDS - There's confidence that the river and the infrastructure et cetera will hold up to that thrusting?

Mr GEMELL - As Ken was saying, the erosion protection and the scour protection that you have to install is quite extensive, which was one of the reasons we couldn't use berth 1, because of the shallow depth and the age of the wall and the scour issues, notwithstanding the overlap of the vessel over the SeaRoad. Captain Wall did participate in all those, as Kym was saying, the modelling done both for that and for the ultimate use of the berth. That was done in Brisbane in October last year. Around that time, we were closing out on the decision that we determined not to try to use Berth 1 with that vessel because of those issues. They went through that whole process of manoeuvring in the different wind conditions and those issues.

CHAIR - Like a strong easterly was a problem.

Mr GEMELL - A strong easterly, yes, exactly what you're saying. That was something they were very conscious of.

Mr KANOFSKI - It's a river, so you need to model flood conditions. All of that is done.

PUBLIC

Mr EDMUNDS - What about above the water with the viewing platform that's been built near the hotel there in Devonport? Are there any issues around that?

Mr GEMELL - The one over at the Ibis?

Mr EDMUNDS - The Novotel, sorry. The platform that protrudes over to the river.

Mr GEMELL - Not that I'm aware of. You sort of realise how close you are -

CHAIR - It would be a bit of a shame to take that out on the way past.

Mr KANOFSKI - I don't know for sure. I can't imagine that it's in the channel. I can't imagine TasPorts would have allowed it to be built in the channel.

Mr EDMUNDS - Just to be clear, because it's one of the questions that gets put to us occasionally. I'd just be keen to know. You can even take it on notice.

Mr KANOFSKI - We can provide detail of the location of the channel versus where that is.

Mr EDMUNDS - Just that it's been considered, I suppose.

CHAIR - Going back to the capacity of the vessel to turn around, acknowledging the different engineering of the vessel, will any of the redesign that's had to occur to actually build the new gantry and the drilling have any impact on that modelling? Will it need to be redone once the design's happened?

Mr KANOFSKI - Possibly only the scour modelling might need to be redone, but not the manoeuvrability. The manoeuvrability won't be an issue.

Mr GEMELL - Over time we'll have to monitor any sediment that occurs in the basin where it sits, and then it has a maintenance, sweeping, or dredging-type approach. They will be ongoing.

CHAIR - That would be TasPorts' responsibility?

Mr GEMELL - They're all TasPorts' responsibility. The issue with regard to the vessel - some slight modifications are being undertaken to the vessel to ensure that it can readily meet the plus or minus 3 degrees. That's the preference for the boat crews and for the harbourmaster to make sure they've got enough tolerance to deal with the range of weather conditions. The turning base and the swing base -

CHAIR - What sort of modifications are we talking about - because it's built?

Mr GEMELL - Minor strengthening where the sponsons end at the water level. It's just protection against the buffers.

CHAIR - You need to use normal-people language because I'm not a maritime person.

Mr GEMELL - Pardon me. When the vessel berths it comes against fenders. The fenders are large spring-mounted sort of pads like that. Boats here have a significant tide range, as you would know, in the river there. The fenders are quite long and the vessel sits against these at all tides, but also when it berths, it has to berth and contact the wharf. What we had to do was to ensure that to accommodate a slight increase from the normal - typically it's plus or minus 2 degrees, but in this case, it was plus or minus 3 degrees. It's a larger vessel. It gives you the largest area factor of safety in managing the vessel. It's a minor change inside on the scantlings, just in the area where the tugboats touch and where it actually touches the wharf. We were only just talking about it this morning, actually. Yes, it is was sort of front of mind. We were checking it was actually being done, but it's done.

CHAIR - Okay. You talked about flood. We do have floods up there, and the Mersey being one river that can flood. Well, they all do. Do those modifications adjust for that sort of increased flow?

Mr KANOFSKI - That's what all the modelling does and looks at and, more importantly, the simulation says we need to make sure this works in all adverse weather conditions. Nothing ever works in all adverse weather conditions, but a very broad range of weather. These vessels operate in a very broad range of weather, but of course nothing is ever 100 per cent operational in all weather conditions. That's the simulation exercise that takes place. They have captains berthing the ship in a simulator in the most adverse weather conditions they can find, be that wind, be that flood -

CHAIR - Tidal?

Mr KANOFSKI - Tidal, yes, because there is quite a big tidal variation in the river as well.

CHAIR - Did you have anything else?

Mr WILLIE - We've talked a lot about the gantry today, but the rest of the terminal, we talked a little bit about that. Do you have finalised costs for the rest of the terminal? When can people driving past, or Tasmanians, start to see the carpark and some of the buildings and things taking place?

Mr KANOFSKI - I'll let Paul comment on that. We're just working through scope at the moment, scope finalisation for the terminal building itself. It's called value engineering - a normal process you go through and you say, is the scope fit for purpose? Do we really need one of those? Do we really need 10 of those? Can we save some money here? That process is what we're going through. Then the board, I think at the next board meeting - but don't hold me to that, will likely sign off on the scope. Then we will go into procurement.

Mr KIRKWOOD - To answer your question, there are several parts. When you were out on site, you saw the large land areas being cleaned, and I think if you were to go out there now, you'd see a lot more progress. The carparks, the service yards are now all under construction. They don't look like carparks and service yards. We're still doing the underground services and the drainage that go beneath them. That work is not critical path, so it's not racing ahead. It's working in line with the marine works that are the critical path items. That work's ongoing; progress is continuing. You can see daily updates. Footpaths down Wright Street have just been put in, for example, so you are seeing some visible signs of progress.

PUBLIC

The terminal building itself is a separate part of the project. It has its own part of the site -

CHAIR - BMD is delivering that?

Mr KIRKWOOD - No, not at the moment. That is still for debate until we finalise the concept design for that terminal and work out who is best placed to do that. We want to try to do a terminal that has the look and feel of the one over at Geelong, and that takes a little bit more work to get that at a good price point. We want value and look at the same time. As Ken said, that's going back to the board at the next board meeting. Then we'll start the procurement process for that terminal building. That will happen in parallel. Again, the program around the terminal is intended to deliver the terminal when the vessels are ready for operation, and then we can operate them out. We don't want a terminal sat there for six months, nor do we want to be operating out of a shed while we wait for the terminal - so, the terminal is intended to be delivered at the same time.

Mr WILLIE - When we did a site tour, they were trying to stabilise some of the land.

Mr KIRKWOOD - That's all completed.

CHAIR - When would be a good time for the Committee to physically revisit the site?

Mr KIRKWOOD - It looks very different today, very, very different. There is a lot more equipment. I think when you visited last time there were large open areas of gravel. There's not a lot of gravel to be seen at the moment; it's covered in equipment and a lot of concrete going in, a lot of machinery working. All of the marine works - I think last time you saw maybe one barge doing some geotech. The water is full of machines, full of equipment. It's quite an impressive site at the moment.

Mr KANOFSKI - Any time you would visit from now forward, it would be very different from what you saw last time.

CHAIR - When could we likely visit to see the drill barge in operation?

Mr KIRKWOOD - The barge is in position and will be operating next week and will operate continuously. Maybe come and see it sooner rather than later.

CHAIR - I think it's helpful for the Committee to see the progress as well as to talk about it across the table like this.

Mr GEMELL - The carpark, typically when you have a large space like that, you have to have access for construction. There's a lot of concrete trucks and precast elements and other things to be delivered and stored and placed, and staff and temporary office sheds and all those sorts of things. You try to leave your finishing of your carpark so that it looks new when you hand it over. Even a month before, it will still look a bit, you know, it won't be clean. You put your final asphalt coat down, do your line marking and do the sorts of things that make it look -

CHAIR - Don't paint your house until you have everything else done.

Mr GEMELL - Yes, that's right. Not while the builder is still there.

PUBLIC

CHAIR - Any other members have any questions? Thank you very much for your appearance today. We will write to you with those questions on notice. We'll go through *Hansard*, when that's available, to make sure we accurately represent the matters you took on notice. We do appreciate your appearance today and we'll see you again on 9 May 2025 at our next scheduled hearing regarding this matter. We will try to organise a site visit at some stage. We appreciate your time today. There's nothing you want to add in conclusion?

Mr GEMELL - No.

The witnesses withdrew.

The Committee adjourned at 11:32 am.