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**THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS
MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART, ON
TUESDAY 21 OCTOBER 2025**

TT-LINE *SPIRIT'S* PROJECT

The Committee met at 11:32 am.

CHAIR (Ms Forrest) - Thank you, Gary and Heath, for appearing before the Public Accounts Committee in your roles as the Chair and CEO of TASCORP. This Committee has been inquiring into TT-Line related matters, and in the previous parliament we had evidence from the former chair and current CEO of TASCORP regarding the debt facility and the borrowings of TT-Line. I will just make the point that we've covered a lot of the detail up until that point, so we don't really want to revisit that. Members have the transcript and the evidence provided, but would like to follow up from there as to where they're at now and what TASCORP's role has been since that last appearance in March [2025] this year.

I'm sure both of you are aware that everything you say is covered by parliamentary privilege while you're before the Committee. If there are matters of a confidential nature you wish to share with the Committee, you can make that request. Otherwise, it is a public session we're broadcasting. I assume you don't have any questions at this point around procedural matters?

A witness - No.

CHAIR - And you will note we've got a couple of new Committee members across this side of the table. We will invite you to make the statutory declaration and then if you want to make a short opening statement, that will be fine, but we really want to get into the questions following up from the last hearing.

Mr GARY SWAIN, CHAIR, AND **Mr HEATH BAKER**, CEO, TASCORP, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

Mr SWAIN - I'm very mindful that you want me to look forward and not go into too much detail. I do have a very brief opening statement to make. I will provide an update as you requested since the last appearance, which was obviously by the former chair. I became the Chair in June [2025] so I have been in the seat for the decisions that I'm about to talk about.

I will start with a key point in 30 April 2025 where TT-Line formally requested an increase in its borrowing limit from \$1.035 billion to \$1.445 billion. The request was accompanied by a Board approved corporate plan and long-term financial forecasts which included a revised budget of \$493 million for the Devenport Terminal 3 Port Infrastructure project. TT-Line also acknowledged that the financial position outlined in the plan was not sustainable and that significant changes were required to meet its board's expectations. The TT-Line board committed to undertaking a detailed analysis of revenue and cost opportunities and a capital structure review to ensure long-term financial sustainability. That was not unexpected given the delay in the vessels and the consequential increasing costs and delay in revenue uplift.

In May 2025, the TASCORP board reviewed TT-Line's updated financial forecast and noted significant concerns regarding the company's long-term solvency. Management

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highlighted that TT-Line had provided both best- and worst-case scenarios, but the passenger number forecasts appeared optimistic. The board requested further clarification from TT-Line as part of its review. This was a clarification from TT-Line at this point - an information and board paper for noting, not a decision paper.

In June 2025, the Board considered the review of TT-Line's borrowing limit and future requirements. The review concluded that the level of borrowing sought by TT-Line, or \$1.445 billion, was not sustainable over the longer term. Hence, an increase in the borrowing limit was not prudent - a permanent increase - and the Government should consider alternate funding structures, including the provision of equity - an equity injection into TT-Line before any permanent increase in future bonds could be considered.

CHAIR - Do you have a date on that? You said June [2025].

Mr SWAIN - That was the 24th.

CHAIR - 24 June, okay.

Mr SWAIN - However, recognising that a capital structure review will require time and the Government was in caretaker mode, and that caretaker conventions were in application and required that decisions that could be avoided should be avoided, the Board approved the temporary increase in TT-Line's borrowing limit for \$1.035 billion to \$1.445 billion until October 2026. This approval was subject to an increase in the Treasurer's legislative guarantee from an incoming treasurer. It was contemplated that the increase in the borrowing limit would not need to occur until such time as a new treasurer had come in. It wasn't actually a request at that time.

In making this decision, the Board formally advised the Treasurer that TT-Line's requested borrowing limits were unsustainable in the longer term and that alternative funding arrangements should be considered by the Government. The temporary increase until October 2026 is intended to provide the Government with sufficient time to assess and implement any necessary equity injection to address the underlying concerns with TT-Line's capital structure.

CHAIR - What was the date of that meeting?

Mr BAKER - 24 June.

Mr SWAIN - That's 24 June.

An increase in the legislative guarantee was provided by the Treasurer on 26 July 2025. Following receipt of that advice, the limit was temporarily increased. I can advise the Committee that TT-Line has not drawn down on this facility.

There's a month between that June 24 decision of the Board and then the decision of the Treasurer to increase the guarantee. The increase of the guarantee made the TASCORP decision go live, effectively, because the TASCORP decision was subject to a guarantee increasing. It went live at that point, but it hasn't actually been drawn down.

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I would like to volunteer that there are - I have other knowledge about what happened in that month with my Treasury hat on, which I can't talk to today, but it may be something the Committee wants to explore separately.

The final thing I was going to note, in the interest of brevity, is that TASCORP is still waiting on an update from TT-Line on its capital structure review and, in terms of TASCORP's knowledge, the Government's response to TT-Line's capital requirements. Obviously, again, in my Secretary of Treasury role I have some knowledge of what's in the budget, but TASCORP will not.

To date, TT-Line has continued to fulfil all financial obligations to TASCORP as and when they fall due.

CHAIR - Thanks for that: that takes us forward. There are probably some questions related to that, but I would just like to pick up a few points before we go into that actual period during caretaker. Can you perhaps indicate to us when the updated financial projections and business plan were received by TASCORP, if they were, because TASCORP was waiting on that at the time of the last appearance.

Mr SWAIN - The board-approved corporate plan was received on 30 April [2025] and there was an earlier draft, I believe.

Mr BAKER - Yeah. We received a management draft of the corporate plan in early April. On 30 April, we received a request from TT-Line to increase their borrowing limit, which was supported by a board-approved corporate plan and longer-term financial forecasts. The request was officially received on 30 April.

CHAIR - Did TASCORP then receive all the information they requested? There was the updated financial projections and you're talking about a corporate plan as opposed to a business plan. Are we talking about the same thing here?

Mr BAKER - No, they're two separate things. A corporate plan only covers the next four years. Because we're looking at a borrowing requirement of 25 to 30 years we actually asked for longer-term financial forecasts that covered the whole period of the borrowing requirement, so we were provided with forecasts out to essentially 30 years at that stage. Did we receive all the information? As part of our initial review of those documents, we identified that we required some additional scenario testing to be done by TT-Line, which we provided them three different scenarios. As a lender, you can imagine that they were all downside scenarios. We were less interested in upside scenarios. We asked them to model three different scenarios in terms of what impact that would have on their ability to repay the debt that they're requesting. That information was received after our May board meeting, but in time for it to go to our June meeting on 24 June [2025].

CHAIR - That included the longer-term financial projections, that's what you're saying?

Mr BAKER - Yes.

CHAIR - That's what - just to go back to what I wrote down quickly, what you said, Gary - was you got that, it did raise concerns about long-term solvency? Was that the information that raised those concerns?

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Mr BAKER - Correct.

CHAIR - Yes, May 25th you said you got the updated financial forecast that raised concerns about long-term solvency.

Mr SWAIN - Yeah, that's right. I'm sorry, I'm just trying not to go back -

CHAIR - That's alright.

Mr SWAIN - I think you would be aware that there was a letter in August [2024] in the year before where TASCORP was made aware that TT-Line may breach some of its financial covenants.

CHAIR - Yes.

Mr SWAIN - Obviously, there was a heightened awareness that they had some financial pressures leading up to that event as well.

CHAIR - When did you actually undertake the borrowing review? Was that after this information was received?

Mr SWAIN - Yeah. It was after the May [2025] Board meeting but before the June Board decision.

Mr BAKER - Just to give some clarity there, because of the timing of the receipt of the information, we didn't have enough time to do a full review to put to our board at the 20 May [2025] meeting. What we did was an information paper giving a highlight of what our initial feel was and what our path forward to do the full review. The Board was presented with an information paper on 20 May, at which time we went back to TT-Line and asked for some more scenarios and then the full application went to our Board for approval on 24 June.

CHAIR - Was there communication between TASCORP and Treasury or the Treasurer as a shareholder minister between that May and June meeting? Acknowledging that caretaker started mid-June [2025]?

Mr BAKER - No. We were still doing the analysis -

Mr SWAIN - Yeah, that's right.

Mr BAKER - The official letter went to the Treasurer post the board meeting, which was 25 June [2025].

Mr SWAIN - Yeah.

CHAIR - You have touched on this in some regard, I just want a little bit more detail, perhaps. When TASCORP approved, but had not gone live, the extended borrowings until the new Treasurer's guarantee was received, were additional conditions or other conditions put on that?

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Mr BAKER - The only condition put on was that the increase in the Treasurer's guarantee from the \$1.035 billion to the \$1.445 billion, noting that, TT-Line had advised that they were going to undertake a further analysis of both their revenue and expenditure and their long-term forecast and capital structure review.

Mr JAENSCH - That was the period which you stipulated in your opening that there was a temporary increase approved.

Mr SWAIN - Yeah, the board was aware that: A) that we were in caretaker and didn't know at that stage who the incoming Government would be and didn't know when the Government would choose to bring down a new budget. So, in the face of that uncertainty wanted to leave some time for an incoming Government to make those key decisions. It was also discussed that the level of certainty around the borrowing requirements of the business and the potential equity uplift that would benefit the business would become clearer as the capital project for the Devonport berth was advanced. Hence we arrived at a temporary borrowing uplift timeframe that would allow for one or two budgets - at least one budget - for the Government to consider.

CHAIR - Being this budget to be delivered in November [2025]?

Mr SWAIN - Well, we actually went to October 2026 as the temporary borrowing limit uplift date, which provided for two budgets, potentially, depending on what an incoming Government wanted to do in terms of budget timing. We couldn't take for granted that an incoming Government would want to return to the normal budget cycle of 29 May or end of May 2026. Our thinking was there would be at least one, potentially two budgets, depending on the incoming Government.

CHAIR - You mentioned that the requirement for a revised or new guarantee from the Treasurer, but were there any changes to the loan covenants or any other aspects of that, the agreements that sit with this extension or increase?

Mr SWAIN -No.

Mr BAKER - The loan covenants were left as is. As we discussed at the last Committee, they are notice of advice that TT-Line still needs to advise us if they are going to be in breach of those limits as currently struck.

CHAIR - You haven't received any advice that they are likely to breach again?

Mr BAKER - They are still in breach and likely to breach more of the covenants that we've got put in place.

Mr SWAIN - Which was part of what informed the Board's decision to put the guarantee uplift condition on its decision, yeah.

CHAIR - Has TASCORP scheduled any further borrowing review for TT-Line?

Mr SWAIN - There's an annual review.

Mr BAKER - Yes, we have a requirement to review all our client exposures on an annual basis. But once again, it comes down to TT-Line currently undertaking a capital structure review and revising its long-term forecast. Once they are available, that will be the catalyst for us to have another look at if the risk has changed, what level of debt can those sort of forecasts support, and what sort of equity may be required. That is the next critical piece of information that we need to understand.

To expand on Gary's point, the term of October 2026 sort of allowed us to understand what the full borrowing requirement was. As we outlined here, they've requested an increase to the \$1.445 billion. Based on their base case forecast, their gross debt was only going to go to \$1.296 billion, so there was a little bit of headroom between their actual forecast borrowing and the limit we put in place to allow for any changes.

CHAIR - In that figure - you said there was a bit of headroom there -

Mr BAKER - Yeah.

CHAIR - Did you have final costings or anticipated final costings for the Devonport berth? Then there's been some additional costs being incurred which may not have been included, but things like what I understand to be some required strengthening of the hulls, additional work that may need to be done to berth the ship, *Spirit IV* anyway, possibly *V* when she arrives. Can you tell us what was considered in that? What are you aware of in terms of the parameters that sit behind that? What is the headroom that you say is there?

Mr BAKER - Yeah, the catalyst for this increase was solely, essentially, that East Devonport redevelopment. We were advised that that expected cost is now \$493 million. In that \$493 million was a contingent buffer of \$45 million that they allowed within that. That does give them some room for some cost overruns or new costs. Then once again -

CHAIR - Only on the berth, not on anything else?

Mr BAKER - Correct. In terms of the request to us, it was \$493 million for East Devonport, noting that there was a \$45 million contingency in there. Once again, because they were still sort of 12 months before the finalisation of this project, their peak debt based on their base case forecast was \$1.296 billion. They asked for \$1.4 billion for the *Spirit* replacement project, which essentially gave them another \$110 million headroom. That was the reason that this is a temporary limit. Until we actually know what the final costings are, whether they sit at \$1.296 billion, noting that that is a peak debt, there are some proceeds from sale of vessels that will come shortly after that that bring the debt down to \$1.16 billion. Until we know what the final borrowing number is, it's hard to determine how much equity is actually required to be put into that business. That's why we allowed ourselves that October 2026.

Updated forecasts, some of the further construction risks are now known and will be costed in. Capital structural review is done, TASCORP will review that, provide our advice to the Government around what the appropriate equity injection is to ensure that TT-line is on a sustainable footing going forward.

Mr SWAIN - I think the other thing that's probably worth mentioning is that capital structure review, you would also think would look at the revised commissioning of the new vessels, which could potentially have implications for the sale date of existing vessels, which

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again would go to the total borrowing and equity requirements of the business. You could see there are a number of moving parts that needed to be considered and we were in a caretaker period. Our understanding was that the business could manage through in the short term, so hence the decision was made to uplift the borrowing limit for a temporary period with the condition that a guarantee was provided by an incoming treasurer was the thought at the time.

CHAIR - You talked about it being a temporary borrowing - and again, this may be a question for Treasury or it could be for TT-Line who we're speaking with next week - did TT-Line come initially with a request for additional borrowings or were they seeking an equity contribution?

Mr SWAIN - The equity contribution is a discussion with the shareholders. They were seeking additional borrowings, yeah.

CHAIR - It's a question for another person, a different hat.

Mr SWAIN - Yeah. I should say that if an equity injection is made, that would also then change the considerations for TASCORP in terms of permanent borrowing limits.

Mr WINTER - The timing, October 2026, for the finalisation of the temporary borrowing uplift. Realistically, by that time they're not going to be able to have sold *Spirit II* and *III* because they will still be in service until at least then. What are the options that are likely to be available to the Government, TASCORP and TT-Line at that stage? Presumably, an equity injection is one option, but apart from the further extension of the loan, are there any other options actually available to Government or TT-Line?

Mr SWAIN - I think the equity option is the most obvious. In terms of the vessel sales, the business could look more laterally, they could look at lease-back and those kinds of things. That's a matter for TT-Line, I can't really talk to that. They also might have more certainty around timing. They might not have done it, but they might have a different view of how and when they would sell the vessels, which could come into play as well.

Mr WINTER - In terms of an equity injection, are we talking about an amount of funding similar to the uplift in borrowing? You were talking \$400 million to \$500 million, or is it a different number?

Mr SWAIN - You would normally expect it to be a different number to ensure that TT-Line's debt-to-equity ratio was falling within the normal range for a business to enable it to borrow money from its lender, TASCORP.

Mr WINTER - What is the amount for the equity injection?

Mr SWAIN - That's a matter that I think I can't answer with this hat on.

Mr WINTER - Has TASCORP been advised of the amount that TT-Line is seeking as an equity injection or was seeking as an equity injection?

Mr SWAIN - No.

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Mr WINTER - In terms of that guarantee, it was provided by Treasurer Abetz as opposed to Treasurer Barnett?

Mr SWAIN - Treasurer Barnett provided the guarantee.

Mr WINTER - Maybe I misunderstood the evidence you gave, I thought you were saying that you're waiting for an incoming treasurer.

Mr SWAIN - Yeah.

Mr WINTER - To provide -

Mr SWAIN - No, you're spot on. When I made the comment that I have additional information with a different hat on, that relates to that issue. When TASCORP made its decision, that was the expectation but what occurred was TASCORP was advised by Treasurer Barnett on 26 July [2025] that he had made the decision to extend the guarantee.

Mr WINTER - In that media release that came out on 26 July, which, if I recall correctly, was a Saturday, on the 25th here the then Treasurer said in his statement, 'The move follows updated advice provided on 25 July ...' - so, the day before - '... which indicates that TT-Line will require additional temporary borrowings to support its vessel replacement program.' Who outlined that advice, was that provided by TASCORP?

Mr SWAIN - I was actually overseas at that period, but I believe that advice was provided by Treasury.

Mr WINTER - With your TASCORP hat on, when did TASCORP advise Treasurer Barnett that additional temporary borrowings were going to be required?

Mr SWAIN - In the letter from TASCORP to the Treasurer notifying the decision from the board meeting, TASCORP advised the Treasurer that it was going to be required but didn't actually make a request for that to occur.

Mr WINTER - What date was that?

Mr SWAIN - The letter to the Treasurer was 25 June [2025].

Mr WINTER - That's a month earlier?

Mr SWAIN - Yeah, there's a month of activity which I could talk to with another hat on.

Mr WINTER - What we've heard is that - correct me if I'm wrong - on 25 June [2025] TASCORP writes to Treasurer Barnett and doesn't request the funds, but says it's going to be required, at that point in time. On 25 July [2025], there's a briefing provided by Treasury to the Treasurer and then he follows that on 26 July and agrees to support the increase in the borrowing limit.

Mr SWAIN - With the hat that I've got on - and also I don't have the information - I can't tell you the date of any Treasury advice to the Treasurer, so I trust what you've said in terms of the media release. TASCORP became aware of the decision in a letter on 26 July [2025].

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Mr WINTER - You mentioned that the approval of those additional funds, around \$400 million, hasn't yet been drawn down on, which indicates perhaps that there isn't a level of urgency in terms of their cash position. You've also talked about their solvency - the definition of insolvent is 'unable to pay debts when they form due'. What are the measures that TASCORP is using to decide whether TT-Line is actually solvent or not?

Mr BAKER - The first thing I would say is that when you're looking at a solvency statement, you're looking at the next 12 months, so do you have enough available funds to meet your obligations as and when they fall in next 12 months? When you look at TT-Line and extend out their future expenditure, especially on east Davenport and the finalisations of the vessels, the current limit that we had in place wouldn't be sufficient to meet those obligations in the next 12 months.

Mr WINTER - Does that mean without the increase in borrowing limit, TT-Line was going to be insolvent?

Mr SWAIN - I think there are judgment calls around solvency for the Board and -

CHAIR - The Board of TT-Line?

Mr WINTER - But under that definition, they would have been insolvent, wouldn't they? Because they wouldn't have had cash to pay the debts when they fell due.

Mr SWAIN - I would say it's not a cut-and-dried decision and reasonable minds could have different views around when solvency would present -

Mr WINTER - What was the Board's view?

Mr SWAIN - but the Board had concerns, that's why it made the decision it did and indicated what it did to the Treasurer.

Mr WINTER - Was the Board concerned that if it didn't increase the borrowing limit, TT-Line would be insolvent?

Mr SWAIN - The Board was concerned that the assumptions in the base case were somewhat optimistic and that if some stress events occurred, the business would be very challenged.

Mr WINTER - Insolvent?

Mr SWAIN - Very challenged, yes, and potentially to the level of a solvency challenge, yes -

Mr JAENSCH - At a point in the future.

Mr SWAIN - At a point in the future, yeah.

Mr WINTER - Within the next 12 months? Because that was the time -

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Mr SWAIN - Potentially - it's taking on a very big project. If you think about what TT-Line is doing, it's recapitalising it's only two vessels and it's doing a major port upgrade. In terms of its total capital base, it's doing a large amount in a very short period of time relative to the scale of its business.

Mr WINTER - Did TASCORP provide warnings to the Treasurer or any other member of Government about the solvency of TT-Line at that time?

Mr SWAIN - I think in the communication of June [2025] and subsequent communications - the purpose of the June communication wasn't really around solvency, but at the time it did communicate concerns about the financial sustainability of the business.

Mr WINTER - Was that in the letter or verbally?

Mr SWAIN - In the letter.

Mr WINTER - In the letter. Have we got access to that letter?

CHAIR - We can ask for a copy of that correspondence. I'm also interested perhaps in the relevant Board records related to this matter - not everything else you deal with.

Mr SWAIN - Yeah.

CHAIR - We have received them in the past in-confidence, the board papers, but I'm not sure about that in the context of the letter we're referring to or the communication.

Mr SWAIN - I think if we could ask for the Committee's support for them to be received in camera, we could give relevant excerpts that would assist the Committee in its work. I'm very mindful that TT-Line is an ongoing business dealing with suppliers and also potentially will have some major commercial transactions in the near future around vessel sales. I just need to be mindful of that.

CHAIR - Can I just go to the base case for a bit? You made a comment in your opening remarks and subsequently in response to Dean about the somewhat optimistic projections in the base case, and you mentioned passenger numbers. That is one aspect, there's a lot of aspects to this where you could have assumptions that may be more optimistic than TASCORP was happy - with the lender's hat on particularly. Can you take us to what some of those assumptions were that raised your concern as the Board?

Mr SWAIN - Yeah, a series of issues were considered. The revenue assumptions, as I've mentioned, assumed ongoing growth in passenger and freight volumes and also increases in pricing over time. Then we had some evidence from historical data that those assumptions were subject to volatility based on external shocks. Deteriorating financial ratios, which is probably something that the Committee discussed at length in the last session. We've already talked about that those key metrics were below investment grade - concerning for the TASCORP board - were forecast to stay below investment grade for an extended period of time. That was primarily to do with borrowing costs, but also further challenged by delayed revenue uplift because of the vessel timing.

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Heath has discussed at a high level the scenario stress testing. We asked for the additional information around those three scenarios, which, in essence, in summary, would be fair to say, showed that the metrics would further deteriorate under at least two of the three scenarios, if not all three.

CHAIR - These are the financial metrics?

Mr BAKER - Yeah, the financial covenants and ratios that we look at.

Mr SWAIN - That there was, over the forward view, anticipated to be declining equity and that the level of equity would be below what you would expect in a business with the level of debt that it was potentially going to need to take depending on the outcomes of the matters that Heath talked about.

CHAIR - Just to be clear, it was only the optimistic scenario that was presented that would actually have any chance of meeting or not breaching further or continuing to breach those financial covenants, is that what you're saying?

Mr SWAIN - I don't want to describe it as optimistic because I think that might be a question better put to TT-Line about whether it was - I'm not sure whether it was a matter of - there was the original assumptions from the business case which carried through and because of changes in circumstances and the external world became, in TASCORP's view, optimistic, as opposed to they came up with new assumptions that were increasingly optimistic. I think that might be better explored with TT-Line, if I could.

The last one I wanted to mention was limited capacity to absorb cost escalation. There was, in the scenarios that Heath referred to, a number of costs like labour costs and fuel costs that were examined to see how significant they would be to the financial outcomes, particularly around those key metrics.

CHAIR - To go back to the business case, you said you did request an updated business case, but you haven't got that?

Mr BAKER - No, we didn't request. In TT-Line's request to us they acknowledged that they felt that the forecasts that they provided were unsustainable in the longer term and that they were undertaking a full, in-depth review of both their revenue and expenditure and a capital structure review that would be available in the coming months.

CHAIR - When do you expect to get that?

Mr BAKER - From TASCORP's perspective, we were aware that they have appointed several external experts to assist them in that process. We would still say it is still a few months away from them being able to provide us with that detail. Once again, it's probably a question better for them, but as I said, we are continually engaging with TT-Line and ensuring that they are progressing this.

Mr SWAIN - I don't want to speculate, but we may have some push/pull considerations. If there is an equity provision that will improve the situation, but if the outcome of that work is to further moderate expectations around revenue and to identify other costs that were going in the opposite direction - they will be opposing considerations for TACORP going forward.

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Mr JAENSCH - To round out that discussion around solvency and risk and future insolvency, et cetera, a board of a company coming forward to request a change in their borrowing limit in order to meet their obligations in the future and to remain solvent, and the shareholder approving a guarantee in order for that to happen, surely that's good, prudent management, isn't it? To avoid a situation or a risk of insolvency? What we're saying here and analysing is a sequence of decision taken with a view to ensuring -

Mr SWAIN - Yeah -

CHAIR - Best ask a question rather than share an opinion, Roger, if you wouldn't mind.

Mr SWAIN - I'd say the fact that the TT-Line board made a request for additional lending is indicating that it's paying close attention to its liquidity.

Mr JAENSCH - Which is what you'd expect a company to do.

Mr SWAIN - The fact that TASCORP with the board with its own responsibilities identified conditionality around lending to a business that was experiencing some negative developments is also what you would expect the TASCORP Board to do.

Mr JAENSCH - That's right, exactly. Thank you for confirming that. I think it is important that we do have an extraordinary business and an extraordinary set of circumstances and we've got multiple different -

CHAIR - I will take that as a comment.

Mr JAENSCH - For the record, I just want that captured: that managing solvency actively and proactively is a good thing.

CHAIR - I will take that as a comment.

Mr SWAIN - Heath is just drawing to my attention that in the letter from the then Treasurer of 26 July [2025] the Treasurer indicates that he had requested further advice from the company in relation to its potential need for Government funding support.

CHAIR - What date was that?

Mr SWAIN - The letter was 26 July [2025]. If you track that through effectively, the TASCORP letter which prompted consideration of future Government support for the business has then translated into the Treasurer advising that the guarantee was given, but it was also acknowledged that he sought additional information from the company in relation to funding support going forward. That would be to - now I'm speculating because this is not in the letter - but my expectation would be that that was to inform budget decisions.

CHAIR - Sure.

Mr SWAIN - That is speculation, that last bit.

CHAIR - This is one of the letters you might like to produce to the Committee as well.

Mr SWAIN - Yeah.

Mr WINTER - In terms of the debt arrangements at the moment, earlier you talked about some covenants still being in breach and potentially new components of the agreement coming into breach as well. Are you able to further outline what's currently in breach and what's likely to be in breach?

CHAIR - Just to follow up with that, I might just add to it, Dean. Previously, we were provided with a couple of tables. One was the master loan facility agreement ratios, et cetera, if you could update that for the Committee, that'd be good as well, and the borrowing limits.

Mr JAENSCH - While we're adding to the question, in your opening statement, I think, Mr Swain, you mentioned that TT-Line is currently meeting its obligations under existing agreements as well.

CHAIR - Still in breach, they said.

Mr JAENSCH - That's what I'm trying to clarify, because there was a statement that it was meeting -

Mr SWAIN - Yeah, they're still meeting their obligations. Their obligation is essentially to make the interest payments as and when they fall due. And meeting their obligation to advise us when they expect to be or continue to be in breach of their covenants. They've still got an obligation to advise of that.

In terms of the covenants that they're in breach of, at the moment the interest coverage ratio, which is probably one of the key ones we look at, they are forecast to go above the current financial leverage ratio in potentially 2026-2027 based on current forecasts.

Mr JAENSCH - Does that include consideration of the uplifted borrowing limit?

Mr SWAIN - That takes into consideration the base case that they provided us when we did this assessment in June this year.

Mr JAENSCH - If there is a risk in 2026-2027 and we've got a temporary borrowing increase out to October 2026, what's that risk modelled on?

Mr SWAIN - Essentially from a TASCORP perspective, we will review all these covenants in that next review when we know the final borrowing amount and when we know the final longer-term forecasts when we get the updated longer-term forecast. Essentially, we will re-establish these covenants to identify when TT-Line starts to deviate from the most recent financial forecasts it provides us. This is the important part with these covenants, is to tell us, give us an early signal that they're deviating away from what their forecast projections are. This is to give us early warning and why we leave the covenants in place even though their notice of accelerations, it's a mechanism for us to know and then for us to inform our shareholder that there is a deviation, the risk is increasing this business, something's happened other than what they advised us.

CHAIR - You still have no right to accelerate the loan, though?

Mr SWAIN - No, we have other leverage and mechanisms. We can stop lending to them, which would make it hard for them to meet their obligations to us going forward in repaying their loans as and when they fall due. No immediate action, but I think, as we outlined in the previous Committee, it's probably not our role, as the type of lender that we are, to take immediate action and make all their debts due and payable. It acts as a mechanism to alert us to a change in risk and to ensure that all stakeholders are aware of that change in risk and the reliance on our guarantee is increasing in this period. So, all parties can come together and work out what the appropriate solution is.

Mr BAKER - If I could add to that, in the Board deliberation around this matter in June [2025], there was explicit consideration of TASCORP's purpose as a lender and borrower to affect primarily Government entity clients and also its obligation to act commercially. That was TASCORP's decision-making role in terms of its purpose and boundaries, if you like, was explicitly considered through this decision.

CHAIR - With a view to not lending to them anymore.

Mr SWAIN - No, with a view to making a responsible decision and recommendation. You would expect that to occur. I'm just following on from the previous comment that the way the decision was made, I think, was appropriate in all the circumstances.

Mr WINTER - I think we got distracted from the question a couple times. We previously talked about interest-cover ratio, the financial coverage ratio and the third party financial indebtedness as issues or covenants that were in breach. What's the current level for those three measures?

Mr BAKER - You will have to bear with me, I've only got a graph in front of me.

Mr WINTER - And at the end of the loan agreement too, if there's a forecast for them, I'm not sure if that's how you do it. When I say the end, I mean the end of the temporary lending, October 2026.

CHAIR - If it's not possible to provide the actual number now, maybe we can get that updated figure -

Mr BAKER - I'd be happy to take that on notice and provide it. As I say, I could read through the Board paper and get the exact details or it might be in a credit committee. We've got those ratios forecast over the 20-year life of this loan.

Mr WINTER - That'd be great if we get as much info as possible. You talked about additional covenants potentially being in breach, are they outside of those three?

Mr BAKER - The only additional covenant that we haven't discussed there is a material adverse change - essentially, the material adverse change is a reduction in the net assets of the borrower and that limit is set at 10 per cent. If the net assets of the borrower decreases by more than 10 per cent in any one year, that is a material adverse change.

Mr WINTER - How are TT-Line's net assets - is that because they're lending more than their assets are growing?

Mr BAKER - It would be, in TT-Line's case, because they're making operating losses over this period whilst they've got the four ships. Their reported net profit is actually a loss for the year, that actually comes off their equity, which causes a reduction in the net assets when you look at it in that case.

CHAIR - The first half of 2025, was minus 2 per cent; that's what we got from previous hearing?

Mr BAKER - The material adverse change?

CHAIR - Yeah.

Mr BAKER - In terms of the material adverse change for the financial year 2024, it was minus 4 per cent, that's within the covenant. For the first half of 2025, it was minus 2 per cent. The forecast financial year is minus 4 per cent. It's not forecast to breach that material adverse change in this current financial year, but when we look forward they will start to potentially breach that. There are a lot of variables in this, because there's asset revaluations and things like that that come through. It is actually reliant on audited financial statement numbers. But yes, the four key covenants we've got - material adverse change, financial leverage ratio - once again, they are forecast to be within the limit in this financial year. It's more the next two or three years that they start to go above that 75 per cent financial leverage ratio. Interest coverage ratio is set in the master loan facility agreement at one times at the moment. I think as we provided before, financial year 2024 was 0.95, slightly below that one. For the financial year 2025, it's forecast to be 0.35, so it's further deteriorated and that leverage ratio is forecast probably not to come back above the one until 2029.

Mr WINTER - You are forecasting TT-Line to be in breach of all four of those covenants in the next 12 months?

Mr BAKER - They won't be in breach of the third party financial indebtedness. The majority of that is the lease that they've got in place for the Geelong port. That one is set, okay? But yes, we think that they will start to have pressure on the material adverse change, the financial leverage ratio, and the interest coverage ratio in the next 12 months.

Just to reaffirm, these ratios were set on the original business case. They need to be recalibrated based on more updated financial forecasts. We know that, but at the moment it still places the obligation on TT-Line to let us know and keep us regularly informed how they're tracking.

Mr JAENSCH - Can I just confirm that this is also the period in which they're undertaking that longer-term structural review that they've discussed with you?

Mr BAKER - Correct.

Mr SWAIN - There are two significant things going on: there's that review and there's also the delivery of the berthing capital project that will get into full gear. Both those things will be material.

Mr WINTER - In terms of those assumptions we're talking about, you talked about they've given you the different scenarios going forward and some optimistic - in terms of the

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revenue assumptions, I assume that they are assuming ongoing growth, but you also talked about increasing pricing over time. What sort of increase in pricing did they outline to you?

Mr SWAIN - I think I've seen that in the last 24 hours - Heath might correct me if I'm wrong - I believe revenue is set to increase at an average of 5.7 per cent over the next 10 years. That is a combination of volume and price, obviously. I can't quite give you -

Mr WINTER - You're not aware of what the difference of what's volume and what's price out of that?

Mr SWAIN - No, and to be honest, I'm starting to get a little bit nervous about what information TT-Line might want in the public domain because it's competing with other entities.

CHAIR - Which other entities is it competing with?

Mr SWAIN - SeaRoad and Strait Link.

CHAIR - Freight, but -

Mr SWAIN - On the freight side, yeah.

CHAIR - not in passengers.

Can I pick up on a couple of those points there? I know you haven't got the longer-term forecast et cetera yet, but do you expect that to include a more clear commencement date for the new vessels? When and what price the new vessels will be sold at, for example?

Mr JAENSCH - The existing vessels.

CHAIR - Sorry, the existing vessels, not going to sell the new ones straight up, are we. I will just go through a bit of a list, if you like, of whether you expect to see these things in the new updated forecast: the commencement of the new vessels actually on the run, the selling off of the current vessels and what price they expect for those, the final cost of the wharf infrastructure at Devonport, and perhaps realistic expectations around passenger numbers and freight.

Mr SWAIN - Yes, sorry, the reason I'm hesitating, Chair, is just on the vessel one, I don't know how far they will go in their analysis. There's straight sale, there's different options available to them.

CHAIR - They may not sell them, they might lease them, is that what you're suggesting?

Mr SWAIN - They could look at that, you would expect a board that is facing some financial challenges to think about whatever options it may have to improve its financial position. I don't know exactly what that will translate into in terms of that capital review, but I would expect them to think broadly about different options available to them.

CHAIR - And provide all that information to TASCORP?

Mr SWAIN - I would think so.

Mr BAKER - Yes, we have historically been provided with passenger numbers, vehicle numbers, freight volumes, passenger yields, vehicle yields, net freight yield, marine fuel expense, salary expense, and other operating expenses is what we expect them to detail in their longer-term forecasts to understand what deviation there is from original business cases to the current forecast.

CHAIR - This may be a question for Treasury, but would you be expecting TT-Line to be paying dividends or income tax equivalents anytime soon? Could that be factored in?

Mr SWAIN - I think that is unlikely.

Mr WINTER - Has TT-Line informed TASCORP about its required hull upgrades on *Spirit IV* and *V*?

Mr BAKER - No.

CHAIR - Just going back a step, I think it was in response to a question from Dean about how the Board made the decision around extending lending, what consideration was given to section 12 of the Act¹ - which is about having due regard to the appropriate levels of financial risk? How did you satisfy yourself around that particular provision?

Mr SWAIN - Apart from the broader analysis, through the consideration of the need for a guarantee - was a key element of that, yeah.

Mr BAKER - The whole purpose of our credit review is to identify what is the financial risk that we're entering into with a client. We've done the financial analysis, we've identified what we see as the key risk, we've advised that to the Treasurer, and advise the Treasurer that it's probably a level of risk above where we would lend on an unsupported basis. If the Government wishes to continue lending to this organisation, there is a requirement for the guarantee. That's the whole purpose that we, as an entity, undertake very detailed credit reviews of all our clients, irrespective of whether there's a guarantee in place or not.

CHAIR - This is a question that you might not be able to answer, maybe no-one can really answer it, but there was obviously a need for the Government to provide a guarantee here, or the Treasurer to provide a guarantee, otherwise the borrowings wouldn't have become enlivened, that's what you're telling me. Because it was caretaker period, was that why that discussion wasn't had about an equity injection rather than extending the borrowings with a guarantee?

Mr SWAIN - I just want to differentiate - the discussion was had in the sense that TASCORP's communication to the Treasurer indicated that the Government would need to consider alternate funding structures to support the business. It then didn't translate to an immediate request to uplift the guarantee because we were operating on the basis that that would be a policy decision and at that point it was felt that it was avoidable because what the TT-Line board - they needed to know that there was a future pathway to getting an uplift in their borrowing that was mindful of the timing of their future expenditure; they didn't need it

¹ *Tasmanian Public Finance Corporation Act 1985*

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immediately. Of course, the way the election panned out - talking to an audience who understands this very well, I do feel a bit silly making that statement - but I guess it took a little longer than was anticipated it might.

Mr WINTER - Has TT-Line given any indication of when they will start drawing down on the new extended line?

Mr BAKER - All I can say is currently they've drawn \$988 million, so of that original \$1.035 billion. I would say it's imminent that they start to move into that temporary borrowing facility.

Mr WINTER - Your expectation is this calendar year?

Mr BAKER - Yes.

CHAIR - I note crystal balls are really helpful in these sort of things, but I will get back to the question that clearly they haven't drawn down, and I think Heath said earlier that it wasn't an imminent risk or imminent need, but still the decision was taken to extend the borrowings with a guarantee, as evidenced by the fact that they haven't drawn down on it yet. Was a consideration given to delaying the decision until after a new Government was installed?

Mr SWAIN - The way the decision was framed, the TASCORP Board had made its decision, but the Government was not being asked to. There wasn't going to be any new information - sorry, that's not quite right - a key piece of new information that would be of interest to the board would be an incoming Government's decision around any support in the budget. We knew that was going to be some months off because even if the election had concluded as rapidly as conceivable, you still needed some months to prepare a budget process. I think you would have been delaying for quite a few months if the board had relied on the outcome of the budget. It was important -

CHAIR - Outcome of the election, I was talking about more than the budget.

Mr SWAIN - Sorry, I'm just tracking it through. We sent a signal to a Treasurer that there was going to be additional support and that an incoming Treasurer would be requested to provide an uplift in the guarantee with a view to that being an important matter for an incoming Treasurer to understand in formulating their budget.

CHAIR - It sounds like you provided some advice to the then Treasurer, yeah? Were there any meetings between TASCORP and the then Treasurer at that time?

Mr SWAIN - No.

CHAIR - The letter is the only communication that there was at all?

Mr SWAIN - Yeah.

CHAIR - Is there an expectation then that there will be some form of financial support for TT-Line in the Budget? From TASCORP's perspective, not the Treasurer's perspective.

Mr SWAIN - TASCORP has requested that the Government consider that.

Mr WINTER - Is there a quantum that TASCORP has requested?

Mr SWAIN - No.

Mr WINTER - Just an equity injection, but hasn't said to the extent or?

Mr SWAIN - No.

Mr JAENSCH - Would it be TASCORP requesting it in any case?

Mr WINTER - I wish I could ask the Treasury Secretary, but I can't.

Mr BAKER - I think it comes back to my early comment, is that at this stage we don't know what the final borrowing amount is. Until we know what actually the final borrowing amount - if they were to borrow the full \$1.4 billion that they've got available, it would be different than what the net debt at \$1.16 billion, so the equity required will determine what that final borrowing number is. Whilst that is unknown, what we have signalled, that there will be some equity, but until we get the updated longer-term forecast and we know what the final borrowing costs are, it's hard to actually put a number on what the equity injection is required.

Mr WINTER - Has TASCORP written to Treasury or the Treasurer with this request? How is that operated?

Mr SWAIN - The TASCORP decision from June [2025] has been communicated to the Treasurer and then Treasurer Barnett made a decision to uplift the guarantee and the incoming Treasurer is aware of that history.

Mr WINTER - Has there been a formal request made for an equity injection to the Treasurer as part of this Budget?

Mr SWAIN - I can't answer that with this hat on.

CHAIR - Can I reframe the question? Has TASCORP had any communication with the current Treasurer reaffirming that matter?

Mr BAKER - Yes, it won't be in there. It would be in the post-Board meeting meetings that we have with the current Treasurer. TT-Line is a matter that we raise with our post-Board meetings with the Treasurer.

CHAIR - How many meetings have there been with the new Treasurer?

Mr SWAIN - We've met with him once.

Mr BAKER - Can I take that on notice? I thought it was twice.

CHAIR - Sure, okay. Obviously both very memorable.

Mr BAKER - Maybe it is only once.

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CHAIR - One or two meetings with the current Treasurer, can you provide detail about the information that was provided in relation to a need for an equity or some sort of financial support for the company?

Mr BAKER - I will take that on notice. It's not as though we prepare briefing notes. It's more an item of discussion of key matters out of that board meeting. Without having that information in front of me -

CHAIR - We will write to you and see what you can provide.

Mr SWAIN - Yeah.

CHAIR - I'm aware of the time. We have a couple of things to follow up with you on notice which we will put in writing, but also to request the relevant sections of board minutes around this more latter decision-making period and the communication and anything you would like the Committee to receive in confidence, if you make that request. We're clear about what is to be received in confidence and what is not. This Committee absolutely understands the confidential nature of some of this and we will maintain that confidentiality.

Mr SWAIN - Thank you. If there's one thing I think I can say that might be helpful. It's kind of obvious, but I think the Government has three choices: it can determine not to put anything in the budget or to deal with that financial pressure; it can determine to do it either in the current budget or in the next budget; or it can determine to do it in subsequent budgets, so it can do partial payments across more than one budget.

CHAIR - But forward Estimates is four years.

Mr SWAIN - Yes, but I'm saying if the Government accepts a position that there is a need to take some action, there's a couple of different ways it can be implemented. Obviously, that will be obvious on 6 November [2025].

Mr WINTER - An equity injection is inevitable, really?

Mr SWAIN - No, it's a decision for the Government. The Government has to decide to put it in the budget.

Mr WINTER - You gave them three options, being: this budget, next budget, or across -

Mr SWAIN - No, the first option was don't do it, right? I'm saying don't do it potentially has consequences. The point I was making was that an option open to the budget is not to do it in one go because some of the information we've talked about will clarify over time.

CHAIR - Thanks for your time today. We have gone a bit over, so thank you for your appearance. We will write to you with the follow up questions and you may well get an invitation back.

The witnesses withdrew.

The Committee adjourned at 12:39 pm.