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THE JOINT STANDING COMMITTEE OF PUBLIC ACCOUNTS MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON FRIDAY 9 AUGUST 2024

INQUIRY INTO THE TT-LINE SPIRITS PROJECT

The Committee met at 9:00 am.

CHAIR - Thank you, Treasurer, for appearing before the Public Accounts Committee with your other staff in relation to the TT-Line *Spirits* project. You're appearing as both Treasurer and Minister of Infrastructure and we're looking into the past as well as current and future. You would appreciate we've spoken to the Chair and CEO of TT-Line a few weeks ago and we're keen to hear from you acknowledging there was a period when significant decisions were being made during the caretaker period.

I'll ask you to introduce the members of your team and then ask them to take a statutory declaration. I then invite you to make an opening Statement should you wish.

MICHAEL FERGUSON MP, TREASURER, MINISTER FOR INFRASTRUCTURE, WAS CALLED.

Mr FERGUSON - Yes, Thank you, Chair, and good morning to the Committee. May I introduce you to the Secretary of Department of Treasury and Finance, Gary Swain, and Secretary of Department of State Growth, Mr Craig Limkin.

Mr GARY SWAIN SECRETARY, DEPARTMENT OF TREASURY AND FINANCE, AND Mr CRAIG LIMKIN , SECRETARY, DEPARTMENT OF STATE GROWTH WERE CALLED, MADE THE STATUTORY DECLARATION, AND WERE EXAMINED

Mr FERGUSON - Thank you, Chair and Committee. It was in my role as Minister for Infrastructure and formerly Minister for Transport in October 2023 that I became aware of concerns in the civil-contracting industry about TT-Lines works at Berth 3. It should be noted that at that time the first of the new *Spirits* was expected to be handed over in mid-2024 and to go into service in August.

I raised these concerns with TT-Line in my monthly meetings with the business and was firmly assured that there was no cause for concern and that the project was on track for service commencement by August 2024. Despite this, I had my own questions and scrutiny that TT-Line had not yet signed the formal contract with its preferred tenderer.

On that basis, on 10 November 2023, I convened a meeting in Launceston with the Chairs, the CEOs and other relevant personnel of both TT-Line and TasPorts to discuss the potential integration of TasPorts Quaylink project and TT-Line's Berth 3 works. At that meeting, I was again provided assurances by TT-Line that the company's portside project was on track.

However, there were important outcomes of that meeting, good outcomes, and those were as follows. First of all, a Program Integrator Support role to be played by the Department of State Growth, which was also tasked with working with both companies to find efficiencies,

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identify concerns and assist project timelines to be optimised. Second, a greater involvement and oversight by the Department. Thirdly, regular monthly reporting to me by the CEO of TasPorts and the CEO of TT-Line to be provided jointly, not separately.

At the commencement of the caretaker period, which commenced 14 February 2024, the most recent advice that I had received from TT-Line continued to indicate that the portside infrastructure works were still expected to be completed in August 2024, in time for the arrival of the first vessel.

Following the end of the caretaker period and the formation of the new Government, on 22 April this year, the Department provided Minister Abetz and myself a copy of the advice from the program integrator consultant dated 12 February 2024, but this had not been provided to the Government previously, and this occurred on 22 April this year. Before you ask for it, I propose to provide that to the Committee.

In addition, and more importantly, following receipt of the joint CEO report also received in April [2024], I was made aware of a unilateral decision taken by TT-Line during the caretaker period to rescind the preferred tenderer status of the entity that it had previously chosen to undertake the works at Berth 3. This was a surprise to me as Minister for Infrastructure and formerly the Minister for Transport.

It was a significant development for us as a Government, as TT-Line had not advised us of the decision at the time it was taken. The Department-provided findings included concerns with TT-Line's project team capacity as well as the timely deliverability of the project without the assistance of TasPorts to develop an interim solution. That advice has made a number of recommendations and the Government has since worked through these with both companies under the TT-Line Sub-Committee of Cabinet between April and July as new interim options were worked through.

As the Committee would be aware, I co-signed directions with the Minister for Transport, Minister Abetz, to both TT-Line and TasPorts on 17 June this year in relation to the necessary portside civil works for the arrival of the first of the new *Spirit of Tasmania* vessels. Shareholding Ministers directed TasPorts to take all necessary action to ensure the completion of Berth 1 and Berth 2 at Devonport, required to support the new vessels as near-term loading and unloading facilities.

Similarly, shareholders also issued a direction to the board of TT-Line to take all necessary action to ensure the timely completion of its permanent Berth 3 infrastructure and the required refuelling infrastructure for the new vessels, due to its failure to have completed this infrastructure in time for the arrival of the first new *Spirit*.

As the letter to TT-Line Chair, Mr Michael Grainger, stated on 17 June this year, we made it clear that the Government was very disappointed in the advice from TT-Line that, even with the delays in the delivery of the vessels, the berthing infrastructure at Devonport, - for which TT-Line has had a clear responsibility - would not be ready in time for the arrival of the new vessels. The letter also noted the decision by TT-Line to rescind its preferred tenderer status was made unilaterally by TT-Line during the election caretaker period without notifying the Government. That decision created delays due to the need to extend the procurement process or, indeed, commence a new one.

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TT-Line announced its successful tenderer for its permanent Berth 3 Terminal very recently, on 1 August [2024] - only 11 days ago.

In conclusion, Chair, the Government does not take the issuing of directions lightly. However, it was clear that the Berth 3 works would not be ready in time, despite reassurances, for the new vessels, and urgent action needed to be taken. Had we not taken those actions, the new vessels would be arriving in Tasmania some 15 months before portside infrastructure works are expected to be complete. So, we will continue, as a Government, to act in the best interests of Tasmanians in relation to these matters.

We are very disappointed with this situation and the way it's been able to get to this point, but as the Premier has indicated, we're taking responsibility for these failings and are committed to making it a success for Tasmania as these new vessels are very exciting and will add greatly to the State's future productivity and tourism economy.

CHAIR - You also said you're going to table some documents.

Mr FERGUSON - So, what I'm prepared to offer the Committee is - with some redactions, and I can discuss those with you if you like - but this is the advice that Government received on 22 April from the Secretary of the Department of State Growth, which also provides its advice in relation to the program integrator role.

CHAIR - In terms of the areas that are redacted, which is obviously recommendations -

Mr FERGUSON - I can speak to those, if you like, because obviously I've just handed it to you, Chair.

CHAIR - Yes.

Mr FERGUSON - To explain, that is a Cabinet-in-confidence cover email which explains the redactions which relate to advice to the Cabinet Committee, and the redactions in the attached document relate to - the Secretary may wish to speak to this, as the Secretary has performed the redactions - they relate to the tenderer who was selected as the preferred tenderer but had that status rescinded - so, by reasons of their privacy, confidentiality, those matters are rescinded in the attachment.

Mr LIMKIN - That is correct. We have redacted that, given that it was commercial-in-confidence information and through a live procurement process. We have not had the opportunity to talk to the other tender party about whether they would be comfortable for that to be released. Out of precaution at this stage, we have redacted that. The information in my email to the Government is obviously redacted because of its frank and fearless advice, and would be removed under RTI provisions because it would show deliberations of cabinet Committee.

CHAIR - I don't need to remind you, Minister, or the people at the table, that RTI provisions do not apply to a Parliamentary Committee. The Committee will discuss whether we need this information in confidence unredacted but commercially-in-confidence doesn't wash, and neither does an RTI assessment. I will reiterate those points, because I think we have come to a better understanding over the time, but we seem to be going back to that same approach, which is totally irrelevant in the Committee's proceedings.

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Mr FERGUSON - Yes. Chair, I thank you for your comments and I respect those entirely. To make the further point that we would never, regardless of RTI status, we would never be revealing Cabinet material.

CHAIR - Anyway, we'll have that discussion at a future time, because Cabinet material, if you look at the strict definition of what should be Cabinet deliberations, a lot of Cabinet material comes out the other end informing your policy. The Committee will have further discussion about that. The co-sign direction of 17 June. Are you able to provide a copy of that?

Mr FERGUSON - Yes, I can provide you a copy during the hearing, if we can have that organised. The directions are always disclosed in the annual reports of the companies concerned, of course. Because the Ministerial directions were dated 17 June [2024], ordinarily they would be disclosed in the reports of this year, to be released later this year. But in any event, the Ministers, myself and Minister Abetz, chose to make a public statement about those about a week after they were signed. Also, in the House of Assembly we tabled the directions in full, together with the covering letters, which I will also provide to your Committee. I will just ask if we have the complete set. We will have that for you within minutes, Chair.

CHAIR - Sure. I will go to other members. You also mentioned that there were significant decisions being taken around the initial tenderer during the caretaker period, but you said you were never informed. What would be your expectation, as both Treasurer and Minister for Infrastructure and Transport still at the time, that you would be informed and, notionally the Opposition party as well be informed, of this fairly significant decision?

Mr FERGUSON - Chair, I wouldn't try to, but the gentleman beside me might like to add to my own comments. I have specifically pointed out that on the formation of the new Government sworn in on 11 April [2024], it was a big surprise to me that that had occurred during the caretaker period. I am referring specifically here to the decision by the Board to rescind its tenderer that it had in place - but hadn't signed formal documentation yet, but nonetheless had exchanged, I think, letters of intent, and was the basis for the strong belief that infrastructure works would be prepared for Berth 3 by a service date in August [2024].

It is an expectation that a decision of that nature would be advised to shareholder Ministers very close to that decision having been taken. I am not defending the failure of the company to advise me. I can accept that it was a busy period for the Company, and I do accept that there were significant pressing matters on the Company Board during the month of March [2024] relating to the commercial challenges being faced by RMC, which has also been the focus of your inquiry. However, it is unacceptable and not satisfactory that the shareholders were not advised of that significant decision.

If I may add, if the Chair or the CEO were here in front of you asking the same question, I believe that they would say it was an inadvertent oversight. Nonetheless, I am not defending the fact that it was not advised to the Government, and it is regrettable, to say the least.

CHAIR - As you said earlier, you had monthly meetings as shareholder Minister with both TasPorts and TT-Line?

Mr FERGUSON - Yes.

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CHAIR - Up until you pulled them together, I've forgotten what date you said that was.

Mr FERGUSON - Chair, while you're fashioning that question, maybe it would support the Committee if I provided these documents now. I have here for you the direction letter and the member direction under Article 24(4), for TasPorts and the same cover letter and direction under Article 27(4), for TT-Line Company Pty Ltd.

So, that's already on the public record, but that is the copy for the PAC.

CHAIR - It was 10 November 2023. So, that was when you've called them both in and you have had -

Mr FERGUSON - I called them to Launceston.

CHAIR - Yes, have you had since then, except during caretaker period obviously, which takes out a fair chunk of this time, monthly meetings with both of them together? Or is that just the one?

Mr FERGUSON - I called them together on 10 November [2023]. This is in an environment and a context where both organisations were reporting to Government that they were on track with their respective roles. TasPorts with their delivery of Quaylink the broader port redevelopment, which, I think I can say, has been very successfully, and is being very successfully delivered. And TT-Line's own responsibilities to design, procure and deliver portside infrastructure at Berth 3, all being advised to us that we're on track, but I'd been applying my own questionings.

CHAIR - What due diligence did you take at that point? Other than their word that they are on track -

Mr FERGUSON - That was the very point I was about to go to. So, I'd taken my own questions, I'd regularly meet these businesses, meet them every month after their regular board meetings. I asked my own questions and I applied my own scrutiny and I'd also taken my own independent soundings from people who I trust in the civil-contracting industry and that led me to want to ensure that there was no room for error or lack of integration between the two specific areas of project from the two businesses.

So, I called them together in Launceston on 10 November [2023]. That was a good meeting. It was a long meeting, but it was a positive discussion and a sharing in with me sharing in an open forum what any concerns or areas of improvement could be, which then led to those three outcomes that I mentioned.

First of all, that the Department would take a greater level of integration oversight and that there be regular monthly reporting to me, not separately, but together from the two CEOs. That was all agreeable. There was no, if I can put it this way, there was no anger or squabbling, but it was based on my own wish to leave no stone unturned to make sure that this will be a success.

Now, I haven't discussed this before, but before coming to this Committee, I've often wondered why I wasn't getting questions in Parliament on these matters. So, I wanted to get it on the table here today because it's very important to the Committee and I think it will show

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the diligence that was being taken, not just by the businesses, but by the elected Government as well.

CHAIR - You were satisfied then that everything was going along and you put in place the oversight group, if you like, but you were satisfied that the budgets were okay, that there was not going to be any further delay and they were going to be delivered as committed?

Mr FERGUSON - No, I wouldn't say I was satisfied. I'm never satisfied until I see the job completed. But I was satisfied with the assurances and the bona fides of both chairs and their CEOs to assure me that the Government would not be let down. In fact, they're the exact words, 'Minister, we will not let you down.' I was satisfied that we needed to have the additional role from the Department of State Growth to integrate the separate efforts of the two businesses, so that they were interoperable and working well together as a team because there was so much at stake.

I make the important emphasis that the circumstances following the caretaker period were very different to the circumstances prior to caretaker. The big shift that occurred, as I say, came out of caretaker period without a builder. You came out of caretaker with a fresh tender having been commenced on a date during March [2024] that was sent to the Secretary and me and the new Minister, Mr Abetz, that sent us all a very clear message that there'd been a substantial change that did now materially affect TT-Line's capacity to go into service in August [2024], which we took action on immediately.

Mr WILLIE - By any objective measure, Minister, this is a monumental stuff-up. To spend nearly a billion dollars on two new ships and associated infrastructure and have no port for them to operate from is beyond a joke. One of the problems with all of this is a lack of transparency on the Government's behalf. There is enough on the public record now to suggest that there were concerns last year and that Ministers, being you as Treasurer and the Transport Minister, failed to act. The Premier was asked in Parliament this year whether the port upgrades had blown out to around \$350 million, Minister Abetz came back to Parliament and said no. Did you have any involvement in that answer being the shareholder Minister, or one of them?

Mr FERGUSON - Thank you, Mr Willie, for the question. What you have done in giving that political speech is rehearse a Labor party line of attack. The Premier and the Minister responsible, Mr Abetz, have been very clear about that and those answers have been given. You asked me if I was involved in the preparation of that answer. My office may have been. I do not believe that I personally was, but I have reviewed the record in relation to those matters and the fact that the procurement had actually been restarted and had not been freshly costed demonstrates that Mr Abetz gave a truthful answer to the House of Assembly.

Mr WILLIE - We know that you approved an increase in the loan facility back in December, so there were obviously concerns back then that there were cost blowouts and the project was going to take 18 months.

Mr FERGUSON - That's on the public record.

Mr WILLIE - You didn't intervene then. Did you have conversations with the Premier about some of the issues that were being faced at the time?

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Mr FERGUSON - If you could help me understand the question. These matters are on the public record and I don't resolve from the matters that I have played a role in as Treasurer to provide covering support for borrowing limits to be set based on the advice of Treasury, not the Department of State Growth, to meet TT-Line's capital needs going forward. You asked me if I have discussed it with the Premier.

Mr WILLIE - Back in December [2024].

Mr FERGUSON - I wouldn't imagine that I would have taken advice only from the Department of Treasury and Finance in relation to TASCORP's borrowings to loan funds to TT-Line. I discuss many matters with the Premier but I don't then discuss them with you, Mr Willie.

Mr WILLIE - That's fine, Minister and Treasurer, and this is where I'm going with this. You were the Treasurer and also the Infrastructure and Transport Minister, solely the shareholder Minister for both companies at the time. I'm interested in the conversations you were having within the Government, given that there wasn't another shareholder Minister providing oversight. It all comes back to you, and whether the Premier was informed back in December is a big issue, I believe.

Mr FERGUSON - You believe that? Thank you for your interest, Mr Willie.

Mr WILLIE - Well, you approved the loan facility.

Mr FERGUSON - I'm just looking for your question.

Mr WILLIE - The question is: did you have concerns in December last year when you were approving an increase in the loan facility? Costs had blown out. Did you have enough concerns to go back to your colleagues and say this isn't going well?

Mr FERGUSON - Mr Willie, your question surprises me because you've talked about the advice from Treasury to support an increase to borrowings for TT-Line in December [2023]. I've just shared with you and the Committee earlier about the concerns that I reached in October which led to me bringing the two businesses together in November.

Mr WILLIE - So, was that a yes?

Mr FERGUSON - I would have thought the answer to your question was self-evident. We work as a team in the Government. We're a united team, we're committed to the success of Tasmanians and while I do not reveal Cabinet or private discussions with you, Mr Willie, I think you can be satisfied that we approach things as a team and we have taken advice in relation to the necessary borrowings for TT-Line so that they can be successful. I make the point that in December - and I think in fact I signed those borrowing limits in January -

Mr WILLIE - I was just going to come to that, Treasurer, if you'd like.

Mr FERGUSON - I will just finish my sentence and then throw to the Secretary, if that's okay, Chair. That was on the basis of the working capital needs of TT-Line going forward on the assumption at that point in time that their costings were consistent with the tender process they'd gone through, but was nonetheless still alive and hadn't been settled as to cost.

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Mr SWAIN - Chair, my notes are that the Chair of TT-Line wrote to the Treasurer in December seeking an increase in the borrowing limit and Treasury provided advice to the Treasurer in January [2024] to extend that limit to cover what was in essence an increase in the infrastructure cost.

Mr WILLIE - Will you release that that correspondence, Treasurer?

Mr FERGUSON - Which correspondence?

Mr WILLIE - The correspondence between yourself and Treasury in December around the loan facility increase?

Mr FERGUSON - I would need to take some quick advice on that.

Mr SWAIN - Borrowing limits are always disclosed.

Mr FERGUSON - If I can release it, I'd be happy to, Chair, and take some further advice during the hearing and potentially provide it to the Committee today. The letter you're specifically asking me for is the response letter to TT-Line with their new borrowings limit?

Mr WILLIE - Yes.

Mr FERGUSON - I will take that on notice if that's okay, but if I can provide it through the hearing, I will do so.

CHAIR - I think we already have that. Is that the letter of 8 January [2024]?

Mr FERGUSON - It would be 8 January [2024].

CHAIR - You sent it to us already.

Mr FERGUSON - I have, or TT-Line?

CHAIR - Someone has.

Mr SWAIN - I've got a note that it is 8 January [2024], so I reckon that's the same one.

Mr FERGUSON - Chair, I think it may have been a question that you might have asked a previous witness.

CHAIR - But I think we also wrote to you at the same time asking for some of these.

Mr WILLIE - Minister, you had enough concerns -

Mr FERGUSON - If I may, Mr Willie, just to add - that would also be the same letter where I insisted that the company keep the Government regularly updated in response to these major issues.

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Mr WILLIE - You had enough concerns - your words - to bring the two companies together for a meeting in November [2023].

Mr FERGUSON - Yes, I did.

Mr WILLIE - Have you had concerns raised last year and years before from TasPorts that the TT-Line wasn't equipped to deal with such a large port infrastructure upgrade as a ferry company?

Mr FERGUSON - I won't be in a position to disclose feedback that I received from the source that you've just suggested, but I have said in my opening statement that I've been regularly reassured by each business about their respective projects. That is a faithful report of what each of those groups of committed people have reported to the Government, but I'd done my own questions and scrutiny because I was so committed, and remain so, to the success of these projects.

While the shareholder Minister has a very limited role, quite properly, in relation to matters that are the domain of the board - I have to emphasise that - nonetheless, as a Minister of the Government, I was determined to use my regular meetings with those companies, in particular TT-Line, to probe, prod, question, scrutinise and seek strong answers. I've always received strong answers from those organisations. It is open to the Committee to have an interest in this, I accept that, but the advice that I've shared with you today will, I think, shed a lot of light on what the Department's advice has been about the capability that sits within TT-Line and that's why the role that each company and the Department of State Growth has is an important one so that we achieve success.

Prior to the caretaker period, the expectation was that Berth 3, which would be under construction right now, would be constructed to a stage by August [2024] to allow loading to occur on one of the three ramps, meaning that the ship would be able to be fully utilised but it would be a less efficient loading pattern without the full three decks. I think we accepted prior to caretaker that that would be an acceptable outcome because the project was still being delivered over a longer period of time.

CHAIR - What's the actual timeline now for even that stage?

Mr FERGUSON - I'll now have to take you to the newer decision of Government. Following the rescinding of the preferred tenderer during the caretaker period by TT-Line, that meant that there was no chance even of that reassured status to be achieved by August, so 11 days ago TT-Line signed a new contract with its civil contractor to deliver the full development by January 2026. In the meantime, we have directed TasPorts to take all reasonable actions to develop berths 1 and 2 - that is the current berth 1 that is being utilised by the existing *Spirits* - to get that berth to a state of readiness as soon as possible. At this point in time, I do not have a timeframe from TasPorts. They are currently -

CHAIR - They'll be here afterwards, you can ask them. You can talk to them then.

Mr FERGUSON - Yes, we can discuss that, but the Secretary is in a better position than me, given the project integrated role -

Mr WILLIE - Can we go back to my original question?

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Mr FERGUSON - If I could just finish, Berth 1 is to be the interim solution, whereas prior to caretaker it was my expectation that Berth 3 would be.

Mr WILLIE - My original question, Treasurer, was why is TT-Line, as a ferry company, leading the major infrastructure upgrades of the port? Why isn't it TasPorts?

Mr FERGUSON - That is a decision of that company. It has that decision-making authority to decide whether it will procure its own services contract for its berthing infrastructure. It could have, as it did in Geelong, procured those services from the port owner, TasPorts. Only that Board can make that decision and the Board of TT-Line did make the decision to procure those services with its own governance arrangements in place, and it's open to the Committee to make a finding on that, I suppose, as to who might have been the better party to deliver the infrastructure, but I'd be speculating.

Mr WILLIE - You've got one company that has a history of infrastructure upgrades around ports and you've got another company that doesn't have such a history and is a ferry company. Did you have any concerns about the risk being loaded onto TT-Line for that upgrade?

Mr FERGUSON - It's actually why I've ridden the Department very hard throughout the course of the last number of years and in particular, leading into the November [2023] meeting, where again I was assured that not only had TT-Line gone through a robust tender process for the provision of portside infrastructure at Berth 3, but I wanted to make sure that they were successful because it is so important for TT-Line. It's a valuable company. I value the management: I value the Board. We, as the owners of the company, require of them to make prudent decisions and then to deliver on expectations, but they are decisions that only the Board are able to make.

CHAIR - I think Mr Swain wanted to add something.

Mr SWAIN - I was just going to say that under the governance arrangements, the Boards are responsible for the capital program of the companies. They do need to provide a business case to the Government for significant capital investments, but the Government effectively allows that to continue. The Government can intervene to disallow a business case - and this is going back to 2021, when the original approval was given - but the shareholder Ministers have to be very careful not to take on a shadow director role where they're stepping into the accountability of the Board. There is an obligation to provide a business case, the Government can let that continue or it can intervene to say no, taking a whole-of-State perspective, but the normal course of events would be that business case would continue under the management of the Board. In this case, there were two sets of works going on, some by TasPorts and TT-Line and there was a resolution between the two companies of what the split of works would be.

CHAIR - Is that detailed in the business case?

Mr SWAIN - That was later, I believe, because that came out of more detailed scoping between both entities of their respective works, and then they -

CHAIR - When that was done - I mean, clearly the business case took a certain path.

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Mr SWAIN - Yes.

CHAIR - I don't know if you can provide a copy of the business case to the Committee. Then there was discussion between TT-Line and TasPorts - I'm not trying to paraphrase you, Gary - to clarify whose role it was to deliver what. Am I correct in understanding what you've said?

Mr SWAIN - Yes, that's right.

CHAIR - What documentation is around that and how it relates back to the business case?

Mr SWAIN - I think the documentation around that would have been through the corporate planning process, where the entities submit periodically a corporate plan and then a statement of corporate intent.

CHAIR - To the Minister?

Mr SWAIN - Yes, to the Minister, and then Treasury will provide advice on that after it has been received. In one of those updates, we would have indicated that the allocation of works between two entities had been resolved. I'm just looking for the reference here.

CHAIR - We will ask you to provide the business case and the relevant corporate plans, including drafts, because obviously there's been a bit of to-ing and fro-ing going on here, and any information that describes the clarity around who's to do what.

Mr WILLIE - What I just heard then is that the Minister had a disallowable provision around this project.

Mr SWAIN - That would have been when the original business case was done.

Mr WILLIE - So back in 2021?

Mr SWAIN - Yes, at the front end.

Mr WILLIE - Treasurer, were you warned by TasPorts at all that they were concerned about TT-Line's capacity to deliver the project, and that there was significant risk because they were a ferry company?

Mr FERGUSON - I wouldn't use the word 'warning', but I take my own soundings from the different businesses. I listen carefully to what each of them say to me. I respect them and we work well together, but there's been a failure that has led the Government to be very disappointed and I think that that's been very clearly on the public record. We are profoundly disappointed, in particular, with the rescinding of the preferred contractor in March [2024] during the caretaker period and the commencement of an entirely new procurement.

I'm not avoiding the question, but I also don't ever breach those kinds of important conversations I need to be able to have with different people, including the businesses I'm responsible for as shareholder Minister. Moving away from the question of warnings, I can say

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that each business has given me reassurance that they're on track to deliver their infrastructure requirements in the lead-up to the end of the year and in the lead-up to the caretaker period.

CHAIR - Something drastic's happened in the meantime.

Mr FERGUSON - Exactly.

Mr WILLIE - You're happy to say 'assurances', but you won't talk about the risks and -

Mr FERGUSON - I've been very open about the risks because I've already answered an earlier question about whether I was satisfied, and I've made it clear that I was not satisfied. I continued to ride them hard.

Ms THOMAS - Minister, you talked about the integration oversight or the integrated role that I guess you instructed DSG to play after that November [2023] meeting. You also mentioned part of that was monthly reporting to you, joint reporting by both of the businesses. During caretaker period, I imagine the Department was still receiving monthly reporting, so were they aware of these issues?

Mr FERGUSON - I think I might ask the Secretary to pick up any questions that relate to caretaker period, because as you'd appreciate, during that period, the relationship between a Minister and his or her Department is completely different to normal. For the period from 14 February [2024] through to the swearing in of the new Cabinet on 11 April [2024], I might invite you to take those questions to either Secretary.

CHAIR - There's still a period, though, from November [2023] through to February [2024] when the election was called that you were responsible for.

Mr FERGUSON - That's right. In fact, I was responsible throughout as shareholder Minister, including through caretaker period. That's why major decisions that are taken by Government, for example, what we needed to do with Marinus Link, was a caretaker matter and it needed to follow the appropriate protocol. In the case of the declaration of a major project at Whaleback Ridge -

CHAIR - Let's not get distracted.

Mr FERGUSON - I'm not distracting, but I want to make the point that caretaker Government still does take place, and if there's a statutory timeframe that must be met by a Minister, it's a judgment call as to whether you need to have a conversation or brief the opposition. In the case of this -

CHAIR - Can we go back to Bec's question?

Mr FERGUSON - I just want to defer to the Secretary in terms of how those protocols were observed in relation to the monthly reports, but not just the monthly reports, also the regular reporting that was happening.

Mr LIMKIN - Thank you, Minister. If the Committee would bear with me, I'll work through this. As the Deputy Premier said, the Department was asked to play an integrated role in relation to these two projects. To support the Department to undertake that role, we engaged

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the contractor to provide that expert advice on marine services. That contractor commenced work around the middle of December [2023] and provided a draft report in early February [2024]. As the Deputy Premier said, the final report was released on 12 February [2024]. Once the report was received from the contractor, the Department, first of all, analysed and discussed the report with the contractor to understand what was in there, the analysis and the concerns. I do want to make a point that at this point, the same team who is doing that work is also supporting King Island through the drought provisions, including a nationwide search for new vessels to support that. So, they were very pulled, stretched.

Ms THOMAS - The same team or the contractor?

Mr LIMKIN - The same team. So, the contractor provided the report to the Department, the team that reviewed and analysed the report was also doing the work to support cattle movement on King Island.

The week commencing 26 February [2024], the CEO of ITas contacted both companies in relation to the contractor's report and in the week of 5 March [2024] we received responses in relation to that. As part of those responses, I understand the CEO of TT-Line advised that several managers have been implemented, including additional resources and joint meetings with TasPorts. TT-Line had advised on these items through letters for commitment had now been sourced and construction is almost complete of steel work. So, a number of the recommendations that the integrator had made were being progressed by TT-Line at that time.

A Cabinet Minute was prepared by the Department for Government's consideration after a conversation-

CHAIR - What date was this?

Mr LIMKIN - In late March [2024]. After a conversation with the Department of Premier and Cabinet (DPAC) regarding caretaker conventions, it was determined not to progress this any further because we were in caretaker. This decision was made by junior staff and with good intentions, but, in hindsight, we should have progressed further at that time.

As part of my review of incoming Government briefs, I identified that I wanted to see the Gemmell report, which is the contractor's report, and Ministers were briefed through incoming Government briefs on around about 16 April [2024]. On 17 April [2024], I was provided a copy of the Gemmell report where I talked to the CEO of TasPorts and the CEO of TT-Line at that stage - I understand where they were at and what they were doing. As the Deputy Premier has provided to the Committee, on 22 April [2024] I provided the report to Government.

Since providing that report to Government, I have met and the team have met regularly with TT-Line and TasPorts to continue the integration role, including in some cases two to three hours - meetings a week - to ensure that these programs continue to be integrated to support the successful delivery by businesses. Ultimately, the businesses are accountable for the delivery of these projects, the Department of State Growth does not have any accountability in relation to that. We are just supporting the businesses to resolve issues and try to move this forward.

CHAIR - Thank you.

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Mr FERGUSON - If this is a convenient moment, can I table the letter that was requested? This is dated 8 January [2024], signed by me to the Chair of TT-Line in relation to the borrowing limits and the expectation of being kept informed of the progress of the vessel replacement and the redevelopment of the Terminal.

Mr WILLIE - And what you received as well?

Mr FERGUSON - I'm sorry?

Mr WILLIE - What you received from the other parties, the advice?

Mr FERGUSON - I'm not sure I'd be releasing that at all, but I'll take that on notice.

CHAIR - If I just go back to the, the integrated oversight contractor, that's what they're called?

Mr FERGUSON - Yes.

CHAIR - So, the draft report and the report, is that what you provided earlier?

Mr FERGUSON - I have provided the Department's advice, including the specialist consultant that it engaged, I've provided that advice, which is what the Secretary has referred to as perhaps -

CHAIR - Not the actual report?

Mr FERGUSON - Yes, but it's the one and the same isn't it?

Mr LIMKIN - Yes, it is the one and the same. So, the Committee has been provided the final report, which is what we've tabled today.

Mr FERGUSON - It's dated 12 February [2024] for clarity. It was received by elected members of Government on 22 April [2024]. The Department had been working on it. The Secretary has discussed what was occurring in the meantime.

CHAIR - So, since the establishment or appointment, whatever, however that contractor - Is that a person or an organisation?

Mr LIMKIN - It's a marine specialist, so it's an individual.

Mr FERGUSON - Chair, if I can be clear, the role of the Department here was to be the integrator function, but it doesn't have that in-house capability and needed to engage that expert.

CHAIR - Okay. I will just refer to this person as the integrated oversight contractor, a person with marine expertise. Treasurer, what I understood you to say that you - from the time that was determined to do that and that person was appointed - you had regular meetings or feedback from that person?

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Mr FERGUSON - No, no.

CHAIR - You didn't at all?

Mr FERGUSON - No, that wasn't my function.

CHAIR - Right, so the so the Department has?

Mr FERGUSON - If I can be clear about this, the Department was given the additional responsibility of performing the integrator function, the regular meetings. The what - well, Secretary, how you describe it? And because that capability doesn't exist in-house, it was - that expert consultant was engaged and there wasn't regular reporting to me. I think that there were one or two meetings with Mr Gemmell, ITas, the Department, and myself, but the actual engagement was between the Department and Mr Gemmell.

CHAIR - Are there records of each of those meetings that were had?

Mr FERGUSON - I can undertake -

Mr LINKIN - I will have to check, Deputy Premier. I was not in those meetings, but I am happy to take the question on notice to check and provide the Committee an answer.

CHAIR - Yes, it would be helpful for the Committee to have access to the summary of the meeting to track the progress. There are a couple of other things I wanted to pursue, Treasurer.

Because of the change that occurred during caretaker, in some measure Treasury did provide caretaker advice to TT-Line. I am not sure they did to TasPorts, but certainly to TT-Line with regard to the challenges facing the shipbuilder in Finland. The advice really referred - related to the contract in place, but you were briefed -

Mr FERGUSON - I was regularly briefed on that matter to do with the new contracting negotiations between TT-Line and RMC throughout the caretaker period. I was regularly informed and engaged by the chairman in relation to that matter. It was under the very strict understanding that it was an extremely delicate, very sensitive matter. If we put a foot wrong, not only might the company itself fail, but we would potentially have an even worse outcome.

CHAIR - I understand that, Treasurer, that is not the point. I am acknowledging there were updates and briefings with you during that period. However, TT-Line never once raised the concerns about the port-side infrastructure during those briefings, even though you were having regular updates during that period.

Mr FERGUSON - I think that points to why I was so surprised, at the end of the caretaker period, to find that that there was no longer an active preferred contract or preferred tenderer in place for the delivery of the berth.

CHAIR - As a shareholder Minister, what's your response to the Board at that point?

Mr FERGUSON - My response is what I have provided to your table. How disappointed we are and it led to the need for Government to involve itself even more deeply to get the

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Cabinet Committee running, to take advice and to find a new pathway for different interim berthing options. We were very disappointed, profoundly disappointed and we felt very let down.

CHAIR - In that case, like in a private company, you might expect some people to be moved on and to get people with the necessary skills to fulfil those roles. Was that part of your consideration?

Mr FERGUSON - I will say that getting the right satisfaction, that capability was being put in place and that the companies understood the expectation of Government as the shareholder to achieve mission success. Which is that when the new vessels arrive, they are put into service as soon as humanly possible.

CHAIR - From your estimate, with your Treasurer hat on now, what's the additional cost impact to the State as a result of all these things?

Mr FERGUSON - We actually do not know yet. We will publicly announce when we know those numbers. We do not have those at this point in time. It will entirely depend on the infrastructure treatment that is selected by TasPorts to meet the functional user requirements of TT line with the new vessel and the existing vessels being able to jointly use berth one.

I will move perhaps to the Secretary of Treasury, if is anything further to add. We do not have a number today, but we know that there will be an additional cost. We intend to share that cost with the Parliament and with the community when we know that cost. At this point in time, TasPorts - and I understand you'll be meeting with them later - It would be an area of exploration for you with that company as to how they are going with their side of the direction. As to costs, that has not been clarified until the scope of work is settled.

Mr SWAIN - I think you would be aware of what I was going to say. That the contacts with Treasury and TT in that stage were in the context of the pre-election financial outlook report. It was very compressed timing, but that report requires the Secretary to make a decision as to whether it's needed, and if it is needed, to report on any material changes from the Government's Budget or revised Estimates report. The Act was silent on the treatment of a matter that could have commercial implications like this, so I took the unusual step of getting both the Government and the Opposition in to say, 'We've got this sensitive matter, I am not intending to cover it in the PEFO,¹ but I do need to address it.' So, I gave the same briefing to both parties, which was, essentially that they needed to be aware of the situation that was being managed by TT-Line.

CHAIR - That was related to the RMC contract, not to the waterside infrastructure?

Mr SWAIN - Yes, I am just wanting to get on the record that it was separate. It really was not part of the normal corporate planning or even caretaker convention, it was specifically related to the legislative obligation to the Secretary in relation to the PEFO report.

Ms THOMAS - Thank-you. So, further to the information you provided - the Secretary provided - in relation to the Cabinet minute that was prepared late March [2024] and a junior staffer decided not to brief the Government due to caretaker was part of that information, I

¹ Pre-Election Financial Outlook

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guess revealing the fact that the contract with the preferred tenderer had been rescinded? Was the Department kept aware during caretaker of the issues that TT-Line was facing?

Mr LIMKIN - In relation to the rescinding of the contractor by TT-Line, I understand the Department was not kept aware of that and the Department only became aware once that was publicly made. The integrator had finished their work at that time, and when you read the report, you'll see that integrator made comments regarding the appointment of that, but the Department was not kept aware by TT-Line in relation to that, is my information.

Ms THOMAS - So, whilst there were joint monthly reports from TT-Line and TasPorts required to the Minister from that November meeting onwards, during caretaker mode they were not required, or required to be provided, to the Department instead?

Mr FERGUSON - I understand that they were provided, but I would need to get the exact dates. I could provide those to the Committee as to dates that those reports were provided, I just don't have them in front of me - do you?

Mr LIMKIN - No, I am not aware. We would have to take that on notice.

CHAIR - Okay. The other point, similar to your point, Bec, is that the concerns weren't elevated to senior level. Is that a fair comment? That is what the Secretary said -

Mr FERGUSON - When you say concerns, do you mean the decision rescind it?

CHAIR - Yes, you would not just rescind that without a great concern.

Mr FERGUSON - I am certain that had the Department been made aware of it, that the Secretary would have informed me.

Mr LIMKIN - As I said, Deputy Premier and Committee, the Department was not aware of the rescinding of the contract during caretaker is the advice I have and I first saw the Gemmell Report when it was provided to me on 17 April [2024] after I requested it, having reviewed the incoming Government briefs.

Mr WILLIE - Could have a couple of questions on Berth 1 before we run out of time?

CHAIR - Yes, sure.

Mr WILLIE - Treasurer, obviously Berth 1 was ruled out initially for the new *Spirits* to operate from. What were the reasons, and do you have modelling around why it is unsuitable?

Mr FERGUSON - I'm not dodging the question, but I don't have the full detail at all, but it would be a great question to ask TasPorts.

Mr WILLIE - You have announced this as the interim solution, so you must have confidence that it can be delivered at Berth 1?

Mr FERGUSON - I do have confidence, because we've had a process since April 22nd or 23rd [2024] when we re-formed on the basis of the newer advice, we'd thoroughly workshopped and tested - with both companies in the same room - we'd thoroughly

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workshopped and established that it can be delivered at Berth 1. But I don't have the information or the knowledge as to the reason that earlier that was not seen as a viable solution.

Mr WILLIE - Obviously, depth is an issue. We've heard that they are not going to run at full capacity.

Mr FERGUSON - I don't know if that is the reason, Mr Willie, but I do respect and understand the question. I could take it on notice, but I think that the subject expert here would be TasPorts, who also have the Harbour Master role within that organisation.

Mr WILLIE - I will ask them questions, too, but I am asking you because you've announced this is an interim solution, so I am interested in how you've come to that decision yourself as part of the Government -

Mr FERGUSON - Yes. That's why, Mr Willie, in case you missed it, I did offer to take that on board and on notice, and I'd be happy to provide whatever insight I can back to the Committee.

Mr WILLIE - And what's your understanding of the impact on Berth 2 and SeaRoad?

Mr FERGUSON - That's an important question - another one where the subject expert, TasPorts, would probably be in a stronger position to provide you with an answer. At our level, both Minister Abetz and me have been exploring those matters with TasPorts, because they've been given a direction to develop Berths 1 and 2 to meet the functional user requirements of TT-Line, without negatively impacting on SeaRoad as a further valued customer at Devonport.

While the project is still being scoped, I'm not able to provide that definition at the moment, but we do fully intend to make a further public statement when we know, first of all, what the scope of works are, at which berths, and at what cost. Whether or not work can be done at Berth 1 without affecting Berth 2 at all is an open question. When we know the answers to those, which I understand is a four to six weeks timeframe of work still required by TasPorts, we intend to share that with the Parliament and with the community.

Mr WILLIE - It's my understanding you do know what the impact will be to Berth 2, which is one of the reasons that you decided to go to Berth 3 prior to all of this debacle.

Mr FERGUSON - No, Mr Willie. When you say that, you're disbelieving me. I've just made it clear to you that we don't have that information. There's speculative work and there's a scope of work currently being rolled out by TasPorts.

We've made public disclosure that we've directed TasPorts to do works not just at Berth 1 but also at Berth 2, to meet the requirements of all of their customers. But at a later stage, we'll have more definition around the specific scope of works.

I have regular meetings with TasPorts on these matters and ask them how they're going. I have a level of knowledge that I'm not prepared to share with you today because it's still preliminary, but when those matters are settled by the experts at TasPorts, we will then have the answers, with definition, and we intend to share it.

Mr WILLIE - Is there a price where you will say this is too much for an interim solution?

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Mr FERGUSON - That's a hypothetical, but at the moment TasPorts have been told to get on and build the infrastructure that's required for TT-Line's requirements at Berth 1 as an interim solution so that we can enjoy success of the new vessels - which are a great decision and an investment by the State of Tasmania into new infrastructure that will carry our State forward for decades into the future. We are at this crossroads at the moment, and when TasPorts are able to share more about it, we intend to share that with you and with the Tasmanian public.

But your question is: is there a point at which it'll be too expensive? I do not envisage that to be the case.

Mr WILLIE - You have been reluctant to share information to date -

Mr FERGUSON - Mr Willie, you're just spouting political lines.

Mr WILLIE - It's on the public record.

CHAIR - Treasurer and Minister, is it your understanding, then, that Berth 1 cannot be made suitable for the full utilisation of the new *Spirits*?

Mr FERGUSON - I would defer to TasPorts, but anything is possible if you're prepared to spend the money and you have the workforce capability to deliver it in a timely manner. I understand that Berth 1, to achieve that outcome that you've asked in your question would probably take a lot longer and would involve significant, what's the word -

Mr LIMKIN - Disruption?

Mr FERGUSON - No.

Mr SWAIN - Anti-scouring. Anti-scouring technology that's there.

Mr FERGUSON - Chair, the point is that it would probably be a much more major operation, more akin to the kind of work that's required at Berth 3, would probably take longer and would provide, therefore, no real advantage. So, it's about providing functional user requirements to TT-Line for the existing vessels, and the new vessels to be able to enjoy the use of Berth 1, noting that they're different vessels, different dimensions.

CHAIR - Are you confident, then - because I assume that when the new *Spirit* arrives, you still intend to run the old *Spirits* until both the new ones arrive?

Mr FERGUSON - No, Chair. If I can clear up that, my clear expectation is that from the point in time where TasPorts have been able to deliver for TT-Line the interim solution at Berth 1, you would in fact see one of the existing *Spirits* and the spot for the first of the two new *Spirits*. In fact, both using the same infrastructure, but you'd have an old and new both criss-crossing Bass Strait, and one of the vessels would be potentially retired or serviced in preparation for sale, and you may see the two *Spirits* switch in and out.

CHAIR - On that point, are you confident that the work required on Berth 1 will not disrupt the current *Spirit* services whilst the work's done to facilitate this?

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Mr FERGUSON - Yes, absolutely. That is an expectation of TasPorts and they have -

CHAIR - We've had lots of expectations that haven't been met, Minister.

Mr FERGUSON - TasPorts have given me to understand that that's within their ability to do that and I trust them to get on and deliver it. The Government expects them to do that to assist TT-Line to achieve its objectives.

Mr EDMUNDS - What's your understanding of the readiness on the Victorian side of Bass Strait?

Mr FERGUSON - Thank you, Mr Edmunds, for the question. Victoria is currently designed and built to accommodate the current vessels and the new ones.

Mr EDMUNDS - Thank you.

CHAIR - Minister, we are out of time and I know TasPorts are probably outside waiting, so thank you for your time today. We will write to you with those questions on notice.

Mr FERGUSON - You're welcome, Chair, and I thank you for the time of the Committee today. I will provide as much as I am able to in response to your questions on notice.

CHAIR - Thank you.

The witnesses withdrew.

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CHAIR - Thanks, both of you. You are the Chair and the CEO of TasPorts. The purpose of this Public Accounts Committee inquiry is into the TT-Line's berth. We're not intending to cover other aspects of TasPorts' operations, we are just focusing on that in this hearing. We know you're appearing before another Committee later on to discuss other matters. I invite you both to make the statutory declaration and then I'm not sure whether the chair wants to make an opening statement.

Mr BRADFORD - Very briefly.

CHAIR - Thank you.

Mr ANTHONY DONALD, CHIEF EXECUTIVE OFFICER, AND **Mr STEPHEN BRADFORD**, CHAIRPERSON, TASPOTS, WERE CALLED, MADE THE STATUTORY DECLARATION, AND WERE EXAMINED.

Mr BRADFORD - The East Devonport QuayLink project is a generational change for TasPorts. It's the biggest port development in 30 years. Both TasPorts and TT-Line have been jointly working on this redevelopment at Terminal 3 for them since 2019. In December 2021 it was agreed which portion of the project each respective party would fund and own. After this, TasPorts offered a range of different mechanisms to deliver TT-Line's works. This included offers for TasPorts to deliver the works, or alternatively, for TT-Line to engage us to project manage the works on their behalf. Ultimately, TT-Line elected to manage their works by themselves. That's not unusual: tenants at ports can either do it themselves or let the port do it.

In July 2022, the parties reached commercial agreement on the development of Berth 3. We completed the main dredging to allow TT-Line to commence its works in September 2023. There's been some debate whether that was late. It was some 12 weeks late. I won't go into the reasons because you could debate them, but at that point there were complaints that we were delaying TT-Line. That can't be true because they've only just recently signed the contract, so if we'd taken another nine months it would be of no material effect. The berth was available for them: they just needed to appoint a contractor, who should have been appointed, and get on with it.

I'm pleased to say that despite the many challenges of our responsibility for QuayLink as far as that berth is concerned, it was completed on 8 July [2024] this year within budget. We have been consistently concerned with TT-Line's program and progress since 22 December [2023] and have regularly communicated this to TT-Line. We've also attempted to support them in a number of ways, including offering to procure and perform a portion of TT-Line's critical path works, including marine piling, provision of project management, construction management and services through our project team, provision of extensive background, site information including geotech survey and environmental data, and facilitation and of TT-Line's frequent access to the site. They have chosen at all points to do it themselves. That is their choice.

CHAIR - In terms of the agreement back in December 2021 where you determined what you were going to do and what they were going to do have, is that a written agreement?

Mr DONALD - Yes, there's certainly a record of the agreement.

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CHAIR - Can you provide a copy of that?

Mr DONALD - Yes.

CHAIR - From the Treasurer's appearance earlier - and I'm not sure how much you watched of that - we understand that there was further work done more recently where there was a revised or perhaps an altered decision about who was doing what. Is that correct from your perspective? I'm just trying to find out when that was.

Mr DONALD - No.

CHAIR - So, you're saying that there's only been one agreement about what you're doing and what TT-Line are doing with regard to this berth?

MR DONALD - There was a point in time where we had a project management services agreement between us and TT-Line, and TT-Line determined to self-perform the project management function and therefore that contract was terminated.

CHAIR - You refer to the 21 December [2023] decision to clarify who's doing what.

Mr DONALD - Yes, in terms of the scope of works.

CHAIR - Yes, and then you just referred to another decision point. What was that?

Mr DONALD - That was a decision point of TT-Line to self-perform the project management function.

CHAIR - Which would have been part of the agreement reached in December 2021.

Mr DONALD - Yes.

CHAIR - We would like copies of these decision points and dates, so if there are other significant decision points here in regard to responsibility for what on the site, are you able to talk us through and provide the relevant documents?

Mr DONALD - Yes.

CHAIR - Can you talk us through it initially?

Mr DONALD - TT-Line and TasPorts agreed fundamentally on who was going to perform what elements of the work and largely what the scope of works were -

CHAIR - In December 2021?

Mr DONALD - Yes, in December of 2021. Perhaps if I can start a little bit sooner than that, back in December 2020 we commenced early works at Terminal 2 which was associated with the SeaRoad work. In December of 2020, an MOU was terminated as the parties had not agreed to an extension period for the progression of commercial negotiations.

CHAIR - The parties being?

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Mr DONALD - TT-Line and TasPorts.

The vessel taskforce had just been appointed and the ship contractors had not yet been confirmed. In April 2021 we had SeaRoad's new vessel, *MV LIEKUT*, enter the port and that was following a period of upgrades performed by TasPorts on behalf of SeaRoad.

CHAIR - To Berth 2?

Mr DONALD - To Berth 2. That was for the *LIEKUT* vessel specifically.

In June 2021, we agreed a term sheet with TT-Line which contained the agreement around who would perform what functions.

CHAIR - If you could provide a copy of that, please?

Mr DONALD - Certainly can.

In July 2021, our Terminal 2 early works were completed.

In September 2021, TasPorts released our expression of interest for the marine and dredge works, which is the works that have been now completed for Berth 3.

In November 2021, TasPorts provided a draft project-management services agreement to TT-Line.

In December 2021, the Tasmanian Government announced a \$240-million development on behalf of TasPorts, our debt-funded project for Quaylink.

CHAIR - When you say Quaylink, can you clarify what berths and what area this refers to? To make it clear to anyone who's listening and reading.

Mr DONALD - Project Quaylink is TasPorts' project. The infrastructure that we are responsible for includes the marine work, so dredging, reclamation-based civil works, wharf upgrades -

CHAIR - For all berths?

Mr DONALD - For all berths, yes. The Terminal works for TT-Line, specifically, are excluded from -

CHAIR - For Berth 3?

Mr DONALD - From our Quaylink project, yes.

Mr BRADFORD - The works requested in the most recent - or the only - Ministerial direction are not included in that. That is being dealt with as a very separate project.

CHAIR - We will come that later, I imagine. If you could continue, Anthony?

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Mr DONALD - In December 2021, TasPorts nominated our selected contractors for marine-and-dredge tender. In, December 2021, TT-Line signed our functional user requirements, which is a document used to describe the general specifications to which the infrastructure was required for the Berth 3 works, for our component of the works.

In December 2021, we achieved a commercial terms agreement with SeaRoad.

In April 2022, our tenders closed for the marine-and-dredge package of work.

In April 2022, TT-Line project-management services agreement changed to a construction-management services agreement and that was requested by TT-Line through our working group meetings.

In May 2022, TT-Line appointed a new project director.

In July 2022, there was an agreement for lease executed between TasPorts and TT-Line.

In April 2022 -

CHAIR - What was that one, sorry? There was a new -

Mr DONALD - It was an agreement for lease, which is - I suppose - the more formal agreement beyond the heads of agreement or MOU.

In August 2022, we executed a contract with Hazell Brady Joint Venture to implement the works, the marine-and-dredge works.

In August 2022, TT-Line indicate they are not likely to require a construction-management services agreement from TasPorts. In September 2022 - if it is helpful I can provide - rather than everyone writing all this down.

Mr WILLIE - No, it is just so we can ask you questions.

CHAIR - Yes. We might ask for further clarity on some of these points, but it is helpful to go through.

Mr DONALD - In September 2022, the Hazell Brady JV mobilised to site. Sorry, in September 2022 the mobilisation commenced, with the main mobilisation completed in November.

In November 2022 there was a construction charter signed. It's probably not a significant milestone, but it was from a project perspective, an agreement from all parties in the collaboration that we expected from each other and the safety performance expectations.

In January 2023, we were advised of a change in TT-Line's project director.

In February 2023, the construction-management services agreement and licence and functional user agreement was terminated at TT-Line's request, which had taken effect on 8 March [2023].

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In May 2023, TT-Line released their main tender for Terminal 3.

In March 2023, TasPorts offered to conduct TT-Line's piling works.

In April 2023, TT-Line received a proposal from the Hazell Brady JV to undertake marine piling. That offer was declined.

In June 2023, the Hazell Brady JV completed the dredge and reclamation works.

June 2023 was when we were expecting TT-Line to have completed their design and procurement activities.

In June 2023, TT-Line and Hazell Brady JV entered a construction licence for TT-Line's geotechnical investigations.

In July 2023, we had an agreement for ... Steering Committee. There's been multiple steering Committees - I'm not sure why that's popped up.

CHAIR - What Steering Committee was that under?

Mr DONALD - So, the project has a Steering Committee between TT-Line and TasPorts, from a project perspective.

CHAIR - At the initiation of TasPorts, TT-Line, or?

Mr DONALD - Just an agreement between the parties as part of our collaboration and, you know, management and oversight of the project.

Mr BRADFORD - It is sensible infrastructure management.

CHAIR - I'm not disputing that. I'm just thinking about the Minister speaking to us earlier about putting in place another joint process to oversee it, but we'll - yeah.

Mr BRADFORD - This was all before that.

CHAIR - Yeah, this was later I was talking about.

Mr DONALD - August 2023, TT-Line's tender closed.

In August 2023, TasPorts' high-voltage electricity contract was awarded.

In September 2023, we specifically wrote to TT-Line outlining TT-Line's obligations for the pre-commencement works. There was many outstanding items for TT-Line to comply with before works could start. So, the letter really provided clarity around the preconditions for commencement of work.

CHAIR - Can you provide a copy of that letter?

Mr DONALD - Certainly can.

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In October 2023, TT-Line and Hazell Brady JV enter a construction licence for TT-Line baseline environmental investigations.

October 2023, TT-Line and SeaRoad enter construction licence for TT-Line's geotechnical investigations.

In November 2023, TT-Line provided a proposal to design and construct the stern fender. So, they were provided with a proposal by Hazell Brady JV. That was on behalf of the contract with TasPorts. That was an attempt to mitigate delays.

In November 2023, TasPorts completed all directing and reclamation works.

In December 2023, TT-Line nominated Hazell Brady JV as the preferred contractor for their main package of work. So, Terminal 3.

In December 2023, TasPorts and TT-Line discussed a number of variations to the contract, and there was main variations as a result of TT-Line requested changes.

CHAIR - That was with a separate contract, not with you?

Mr DONALD - No, that was with us.

CHAIR - With you? So, can you provide a copy of that request, then, with changes?

Mr DONALD - Yes.

In December 23 TasPorts issued draft construction licence to TT-Line. That document enables site access for TT-Line to conduct - commencement of investigations.

January 2024 TT-Line nominates its preference to construct the guide and stand fenders itself and TT-Line declined TasPorts' offer that we made in November.

In March 2024, TT-Line and the Hazell Brady JV enter construction licence side letter for site establishment activities. This was done in order to enable TT-Line's contractor to mobilise ahead of TT-Line awarding a contract and was at TT-Line's request.

In March 2024, TasPorts issued TT-Line and Hazell Brady JV construction licence for preparatory works.

Also in March 2024, we did the same associated with the SeaRoad construction licence and required for TT-Line.

In March 2024, TT-Line revoked preferred contractor status from Hazell Brady JV.

In April 2024, TasPorts issued various agreement for lease notices and invoices to TT-Line for contract variations.

In April 2024 TasPorts, Hazell Brady JV and the Hazell Brady JV through TT-Line and TT-Line executed a side letter associated with the completion of rock bags. So, the rock bags are the scale protection that we were putting in to the berth pocket and this was a solution to

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install remaining rock bags which can't be completed by TasPorts' Hazell Brady contractors due to the lateness of the TT-Line piling activities. You can imagine you can't drive piles through rock bag.

CHAIR - That makes sense to me, even though I'm not an engineer.

Mr DONALD - In April 2024 agreement for lease was the baseline complete for our activities and that was that was a good outcome

TT-Line in May of 2024 received a payment from the TT-Line in relation to contract variations.

I'm just sort of looking through the main -

CHAIR - What sort of variations did that relate to?

Mr DONALD - Design related changes, fundamentally.

CHAIR - It would be helpful to see the variations to the contract that have occurred during this period.

Mr DONALD - Yes, and some of them had an impact on time as well.

In June 2024, it was the expected completion date for TT-Line to complete their Terminal 3 works.

In July 2024, TasPorts through Hazell Brady JV completed the marine-and-dredging contract.

In July 2024 the Terminal 3 office was leased by TasPorts to TT-Line and their contractor or their new contractor BMD Constructions on the 16 July access to Terminal 3 site was provided by TasPorts to TT-Line where the staging plans under the construction licence.

31 July [2024] TT-line appoint the contractor and for the Terminal 3 works which is BMD Construction. There's obviously a lot more data in the chronology as well, so I've skipped over a fair bit.

CHAIR - That takes up pretty much to date?

Mr DONALD - Yes.

CHAIR - Nothing much since then. Did you want to go?

Mr WILLIE - You go and then I will go.

CHAIR - Thanks for that summary of events. That's helpful. We'll ask for some of those documents that you've referred to. With regard to the work now that's been required on Berth 1, when was that - when were you first notified this needed to occur? And what are the implications for the management of the port? The impact, if any, on the current *Spirit* vessels, noticing one's out in the river right now, but aside from that?

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Mr DONALD - We received the Ministerial direction I think in June -

Mr WILLIE - June 17.

Mr DONALD - Thank you, Mr Willie.

Mr BRADFORD - From the Board's governance point of view, that's a very significant event. You don't get those every day, so we immediately established a separate board sub-Committee chaired by Mr Hooper, who's a civil engineering expert. We expanded the brief of the Gateway Review team to include the Ministerial direction and we requested management to issue Cabinet-in-confidence fortnightly updates on progress on Berth 1.

Mr DONALD - Perhaps we should explain what the Gateway Review is?

Mr BRADFORD - It's an independent panel set up typically by boards as an eyes and ears check on management. So, management are giving us regular reports on QuayLink. The independent review team meet the Board three to four times a year, they've already reviewed the documents discussed with management and present their views on whether there are alternative issues we should have been aware of or the like. They do a very good job.

CHAIR - In terms of the Ministerial direction that you were given, what impact does that have on your capital program, cashflow?

Mr BRADFORD - It's an extra task of the of the group to perform. The capital expenditure is not yet determined. That's a matter for the Minister's advice to us. We haven't received any advice as to how it's going be paid for, but we're getting on with and doing the project.

Mr WILLIE - Do you have a cost estimate?

CHAIR - That is what I mean. We are asking - how much is it going to cost?

Mr DONALD - We're still working through that and we're hopeful to have a cost estimate in the next four-to-six weeks.

Chair, to answer your other question about the scope of work around Berth 1 might provide a little bit of clarity around the complexity and the difficulty in estimating some of the costs.

Our task is to is to retrofit the existing Berth 1 infrastructure with new infrastructure to accommodate the existing vessels and the new vessels at the same time. The new vessels are significantly larger, they're longer, they're wider, they're deeper, they're heavier and there's a lot of complexity that comes with that.

If I can break the infrastructure requirements down, and I'll attempt to do it simply, but by all means ask me any detailed questions. The first element is the ramp. The existing ramp, as I understand it, it's a large steel structure, was constructed in I think in 1974. It's been retrofitted on a number of occasions. I think it's been extended at least once and so we now

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need to extend the steel ramp by approximately two metres in order to be able to have the ramp connect to the new vessel.

Mr WILLIE - That's a retrofit on the existing ramp?

Mr DONALD - That would be a hydraulic extension to the existing ramp which already has a hydraulic extension on it, so we're putting hydraulic arms on the end of an extended hydraulic arm, essentially. We've been working very closely with some technical advisers and commenced works with a number of suppliers.

I'm being mindful of sensitivity around procurement. That's the only reason for my pause.

CHAIR - Could there be a point where it becomes unviable in a number of ways, like either practically or financially to try and add another bit as opposed to replace the whole thing?

Mr DONALD - That was a concern we had a number of months ago but we have a high degree of confidence that it's feasible.

CHAIR - Okay.

Mr DONALD - We understand as of today that in order to affect the works, we have to replace all of the wire ropes - the cables; all of the winches; all of the motors and the sheaves; and we need to do so in a manner that still enables TT-Line's existing vessels to operate. So, that will be challenging. The width of the ramp won't be as wide as the new ramp for the new *Spirit*.

CHAIR - What implications does it have for the operations of the new *Spirit*?

Mr DONALD - That's a matter for TT-Line but it won't be as quick to load and unload. And the new ramp at Berth 3 has multiple levels that can be loaded at the same time. This augmentation of the existing ramp at Berth 1 will just be a single-level operation.

The next element is the bollards. Bollards are essentially where the vessel mooring lines are attached to and are required to have significant structural capacity. Our preliminary information suggests that there is some upgrade required for the marine bollards, the new vessel being significantly longer.

Conventional mooring would have a bowline off the bow of the vessel cut across onto the wharf but that is not possible because the SeaRoad vessel is at Berth 2. Some of the complexity that exists between Berth 1 and Berth 2 is the current overlap of the two vessels. That overlap exists today and for a long period of time the vessels have operated safely and effectively. An increase to the length of the new *Spirit* creates some additional complexity with the overlap.

CHAIR - Essentially, they will not be able to berth at the same time anyway.

Mr DONALD - There is not a simple answer to that question, but I might come back to it if I can.

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Mr WILLIE - You are saying we have to shift them down the wharf and have a new part for them to bow.

Mr DONALD - Yes, that is a possibility for SeaRoad if we were able to move them slightly down the berth.

CHAIR - They would be cost implications to that too though.

Mr DONALD - Yes, but coming back to the mooring analysis and the mooring bollard, we cannot have a mooring bollard cut across where the SeaRoad vessel is. Therefore, we might be able to have use of a breasting bollard, that puts a wind limitation on the on the mooring. Our indications today is I think it is a 27-knot easterly restriction, which information today suggests occurs less than 14 per cent of the year. In order for us to increase that wind limitation, we can construct a new mooring dolphin which we are currently looking at.

The third element of the scope of works is the fenders. The fenders are very unique and are bespoke because of the specific requirements of the new *Spirit*, they are quite large. We have put some new fenders in at Berth 3 and that took quite considerable time to move through the design, procurement and construction process. The complexity comes at Berth 1 through the need to have fenders that supports the existing vessel and the new vessel and the offset requirements of a sheet pile wall structure that was built in the 1960s/early 1970s, which is going to be quite challenging. Lead times for the fenders are generally 24 to 26 weeks from start to end.

CHAIR - This is installation or procurement and installation?

Mr DONALD - That is procurement, design and delivery without installation. We are confident that we can improve that significantly, but how significantly remains to be seen. Generally speaking, fenders are provided by overseas suppliers and we have been in touch with a number of them. We will be doing anything and everything we can to accelerate the works, including looking at air freight of components as opposed to shipping, which could take four to five weeks out of the schedule just for that activity alone.

Mr WILLIE - Sounds very expensive.

CHAIR - Yes, kerching, kerching. Carry on.

Mr DONALD - One of the complexities and challenges we have is that is both customers require their vessel movements to be very close, if not at their current arrival and departure times. In order for us to do that there are a number of options we're looking at, one of them is the possibility of shifting the SeaRoad berthing position further down the wharf and if we do implement that, it requires the installation of a pontoon or a barge at the stern ramp end of the SeaRoad vessel, in order to move the vessel down the wharf. It would require upgrades and/or additional automatic mooring units, which SeaRoad have in place for the current vessel, to be installed. There is some significant complexity associated with the gradients of ramps and equipment moving on and off the various ramp structures to get on the vessel, notwithstanding the complexity of the changes to their operational environment.

One of the other alternatives we're looking at is the construction of a mooring dolphin structure which would incorporate a roll-off fender system. A roll-off fender system would be

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able to be installed, hopefully prefabricated, on either a singular pile structure or a series of raked piles, depending on the geotechnical information but and the requirements. If we are able to identify and then procure and install a mooring dolphin in that location that negates the need for the relocation of the SeaRoad vessel. This is probably a good opportunity for me to thank SeaRoad for their ongoing collaboration on this. Our role is to provide support to all of our customers and what we've been asking of SeaRoad is very challenging and their frankness with us is very much appreciated.

CHAIR - In relation to the use of Berth 1, when Berth 3 is completed, whenever that is, what's the intention of TasPorts for Berth 1?

Mr DONALD - In accordance with our 2018 masterplan, Berth 1 was to remain useful for expedition cruise ships, the Navy and a backup for Bass Island Line operations, so within our \$240 million scope of works for QuayLink we have budgeted for the upgrade of mooring bollards at Berth 1.

CHAIR - Did you complete the scope of works? Did you get right through that?

Mr DONALD - Yes.

CHAIR - What's your expectation of funding?

Mr DONALD - Sorry, in a very simplistic -

CHAIR - Yes, I understand there's a lot more. I asked about your expectation of funding. Would you expect this to be done out of your current operating and capex budgets, or do you expect the Government to step in, or TT-Line or someone else to fund these works, since it wasn't part of your original plan obviously?

Mr BRADFORD - We're awaiting the Government's advice. If we are asked to fund it, that will need a separate body of thinking because we're tax driven, we pay income tax, so we'd have to think that avenue through as well and we haven't yet.

CHAIR - What do you mean? I don't understand what you're saying.

Mr BRADFORD - If we have to fund this, how would we treat Berth 1, the capital expenditure or the expenditure, for tax purposes?

CHAIR - Right.

Mr BRADFORD - I don't want to divert the Committee, but simplistically, if you capitalised it, will the Auditor-General have a problem with the amount of capital and the use of it post-2026? He might.

CHAIR - Would you be expecting this to be funded by additional funding provided?

Mr BRADFORD - It's the Minister's call and we await what he's going to do and how he's intending to do it.

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Mr DONALD - Our role and obligations are to have an even-handed approach to all of our customers.

Mr WILLIE - Obviously we're going through this quite complex upgrade in the Ministerial direction for not any additional capacity. Is the capacity issue on Berth 1 a depth of the river issue or is it the ramp being able to load on and off in a certain timeframe?

Mr DONALD - Both.

Mr WILLIE - A combination of both, okay.

Mr BRADFORD - You have a choice. Berth 3 is the ultimate home for *Spirit IV*, the new vessel. Option one is to wait till that's complete and then let *Spirit IV* operate from there. That means she parks up or delays going into service. Option two is to remedy Berth 1 to enable a stopgap measure until Berth 3 is complete. They're the options.

Mr WILLIE - In terms of the sea trials at the moment, there'd be some modelling that's been put into a simulator, I would assume, for how *Spirit IV* will interact in the Mersey.

Mr DONALD - Yes.

Mr WILLIE - Is that going to be problematic at Berth 1?

Mr DONALD - I don't believe so. That's something that needs to continue to be simulated. I know the Harbour Master refers to it as a non-standard vessel assessment. As part of his assessment of new vessels, he requires a whole range of things, including simulations. As TT-Line's model develops and is validated through the sea trials, that is helpful because further simulations can occur. I am advised that the most recent outcomes of the simulations and sea trials that have occurred in the last few months are very positive and pleasing from a number of perspectives. Our particular perspective is that the sea trials have validated the performance of the model. When new ships come, there is always a risk that the observed performance of the vessel is different to the model, whereas that is -

Mr WILLIE - Like the *Nuyina*?

Mr DONALD - Yes, but that's not the case with respect to the *Spirit*.

Mr WILLIE - Okay.

Mr DONALD - That is a positive.

Mr WILLIE - Could we call the Harbor Master to have that conversation? Is there a particular point in time when that simulation work will be completed?

Mr DONALD - That will be within the next few months. That will also incorporate simulations of the SeaRoad vessel movements, particularly with the possibility of us installing the mono-pile structure or the new dolphin that would sit between the two vessels in the water, to make that clear. That requires the SeaRoad vessel to reverse park, essentially, into its existing berthing position and that will require some simulations to validate. I am advised that that won't

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be available until the end of September [2024] this year. That will help us to understand the duration and cost estimates for the work.

Mr WILLIE - To go back to the capitalisation issue you raised before -

Mr BRADFORD - Possibly, I haven't thought it through.

Mr WILLIE - Well, it may get to a point where the Government says this is too expensive for an interim solution, we can't do this. What's the cost in housing the two *Spirits* not in operation for a year?

Mr DONALD - For housing at TasPorts?

Mr WILLIE - Yes.

Mr DONALD - I haven't turned my mind to that.

Mr WILLIE - Is there anywhere suitable in the State to do that?

Mr DONALD - I imagine you'd probably put it at anchor somewhere.

Mr WILLIE - Probably over the horizon where people can't see it.

Mr DONALD - Oh no, I think once it comes everyone will be pretty proud of it.

CHAIR - We could use it for housing in the meantime.

Mr WILLIE - I've got some other questions on other matters.

CHAIR - As described during the timeline you have given us, TasPorts is concerned about delays with the progress of Berth 3, noting that Berth 1 wasn't suitable in its current format for the new *Spirits*. When and how did you alert either TT-Line and/or the Minister of those concerns?

Mr BRADFORD - We regularly updated the Minister on our concerns. The Board was being advised by management who were very concerned. The gateway review panel was saying exactly the same thing and for quite a period we advised the Minister. From his point of view, his answer was, 'I've got a problem because I'm getting the exact opposite answer from the other party to what you're saying'.

CHAIR - Have you got correspondence to the Minister that outlines your concerns being raised during this timeline?

Mr DONALD - No, I don't believe so.

Mr BRADFORD - Most of the meetings are all oral but we -

CHAIR - But you would have meeting notes from those things?

Mr BRADFORD - No.

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CHAIR - You don't keep meeting records at all?

Mr WILLIE - Discussed at a Board level, even, within your organisation?

Mr BRADFORD - The Board minutes exist, but I don't think they record that I've advised the Minister.

CHAIR - There's no actual evidence that you raised this with the Minister at any point, other than you met regularly with him?

Mr BRADFORD - Not in my documentation. I don't do meeting minutes and never have. We do an agenda. It just says 'QuayLink', and we advised him frequently of the issue, and his answer was a fair answer. He said, 'I'm getting the exact opposite'. And so, who would he believe?

CHAIR - At that point, though, wouldn't you put in writing your concerns to have some sort of paper trail?

Mr BRADFORD - No. No, I wouldn't normally.

CHAIR - You wouldn't make meeting notes, either the CEO or the Chair?

Mr BRADFORD - I seek your advice. I wouldn't normally. I've expressed the view in front of his advisers. It's an opinion: that we are concerned.

CHAIR - So, you don't prepare notes before a meeting, you don't summarise the meeting after it?

Mr BRADFORD - No.

Mr WILLIE - Just on this, how does the company weigh up commercial interests versus the State's interests? You've got TasPorts, you've got a history of doing these port upgrades. You've got a ferry company that has taken on significant risk, probably doesn't have a lot of experience doing those sorts of upgrades at that scale. How does that play out in a negotiation, and who takes on the risk?

Mr BRADFORD - They do, if they take on the construction.

Mr WILLIE - I'm asking how you weigh up your commercial interests versus the State's interests, saying, 'We've got some concerns about them being able to deliver it' -

Mr BRADFORD - We weigh it from TasPorts' point of view. We don't sit down and say, 'so how does everyone else fit in the State?' Others do that. We just take the TasPorts view. That's why we said to the Minister 'there is an issue, we think they've got a problem'. And he may have told you, but it led to a meeting where he brought us all together. I mean, whether that was too early, too late or spot on time, that's just a matter of your personal opinion, but -

CHAIR - So, you didn't make notes from that meeting, or have a -

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Mr BRADFORD - No.

CHAIR - I'm sure the Minister did. Wouldn't he have made notes?

Mr BRADFORD - I don't, I'm sorry, I don't look.

CHAIR - Yeah, anyway.

Mr BRADFORD - The way I work is that we have an agenda. I think through the agenda, I know what I'm going to say at each point and I say it. I don't -

CHAIR - What do your minutes reflect in the meetings where there was legitimate and genuine concern about timelines, delays -

Mr BRADFORD - There were no minutes, from our point of view.

CHAIR - What about board minutes? What do you record in your board minutes?

Mr BRADFORD - I would suspect there's mention of TT-Line being delayed multiple times, but I can't recall them all over a year.

CHAIR - Just to go back to the timeline of November 2023. But there was concerns, from your perspective, with TT-Line well before that.

Mr BRADFORD - Months earlier, yes.

CHAIR - When would you indicate would be the first time you had some concerns about TT-Line delivering?

Mr DONALD - It would have been early 2023.

CHAIR - Okay. So, can we have copies of the board minutes from, well, all of 2023 and 2024?

Mr BRADFORD - Yes. In relation to QuayLink?

CHAIR - Well, we're happy to receive the minutes in confidence, so that -

Mr WILLIE - The Berth 3 upgrades for the new *Spirits*.

CHAIR - Yeah, particularly with regard to that.

Mr BRADFORD - But no one's denying that we knew TT-Line were in trouble.

CHAIR - And I'm not suggesting that. I'm just trying to understand the timelines of when it became an apparent issue for the board, and what actions were taken?

Mr BRADFORD - It's early 2023. We were watching the project holistically, because we wanted to complete it with the berths in full operation.

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CHAIR - The minutes would record resolutions made by the board?

Mr BRADFORD - Yes.

CHAIR - In relation to QuayLink?

Mr BRADFORD - Yes.

CHAIR - Okay. If you could provide copies of -

Mr BRADFORD - It wouldn't say, 'The board insists the Chair advised the Minister'. That would be taken as *ceteris paribus*. Serious issues are advised to the Minister.

CHAIR - But it would be under that agenda item?

Mr BRADFORD - Yes.

CHAIR - Yeah, okay. It'll be helpful to have the minutes. Sorry, Josh, back to you.

Mr WILLIE - Just in terms of going back to Berth 1, do you have an estimated timeframe to complete all of that work?

Mr DONALD - As soon as possible, and I'm not trying to avoid the question, Mr. Willie, it's a -

Mr WILLIE - It seems quite complex and there's a lot of stuff there.

Mr DONALD - It's complex, and there's a number of variables, and it could be plus or minus months, you know, I could estimate a date and it could be a lot sooner and it could take one risk to delay. You know, it could be an issue that we identify with the steel ramp once we start construction, or a replacement of one of the existing wires that we identify that slows us all down. It could be, you know, just the implementation of that work around the existing shipping schedule for the existing vessels, which creates some complexity

Mr WILLIE - Do you think the Government will have to assess how that project sits along Berth 3 in the timelines for Berth 3?

Mr DONALD - I am very confident that we could have Berth 1 completed for the interim capacity well and truly before Berth 3 is complete, which I understand to be -

Mr WILLIE - Even a semi-complete Berth 3 where the *Spirits* could operate from?

Mr DONALD - From my limited understanding of the construction methodology and the sequence of activities with Berth 3, it is going to take 99 per cent of the duration to enable completion of the ramp structure and loading and unloading.

Mr WILLIE - TT-Line did have some hope that they would be able to operate from Berth 3 with it partially constructed. You're saying that probably will not be possible?

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Mr DONALD - I am not saying it's not possible. I have not read the contract. I have not been in those discussions. It is feasible, but the ramp structure that is being designed and constructed is quite complex.

Mr BRADFORD - It is their responsibility. They have the contractor, they have all the information. We have views, but we are not fully informed.

CHAIR - When Berth 3 is completed will TT-Line own the infrastructure on the port or is it leased back or what is the arrangement there once it is constructed?

Mr DONALD - There is a combination, some of it is owned by TT-Line and some of it is owned by us.

Mr BRADFORD - They have a long-term lease which their capital improvements would be added to and you would suspect in 25 years or so it will be extended.

CHAIR - What is the return on investment then, from TasPorts' perspective?

Mr DONALD - For the whole QuayLink project?

CHAIR - Yes, well Berth 3, but QuayLink excludes Berth 3, isn't that what you said earlier.

Mr DONALD - QuayLink excludes the TT-Line Terminal works for Berth 3, which includes the ramp.

CHAIR - Yes, but not the other work that has been done, I guess.

Mr DONALD - I can't recall off the top of my head what the return on investment is.

CHAIR - Have you done some work around return on investment?

Mr DONALD - Yes, absolutely.

Mr BRADFORD - I should recall it but I don't. There are so many projects.

CHAIR - We will write to you about that. Is your return investment overall or have you broken down to various projects within?

Mr BRADFORD - It would be overall for the whole QuayLink project, SeaRoad and TT-Line, all our works.

Mr DONALD - Happy to provide it.

CHAIR - Yes.

Mr BRADFORD - It is certainly acceptable, I just can't recall it amongst all the other numbers going through my head.

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Mr WILLIE - What is your understanding of the refuelling local content project? That is obviously a matter for TT-Line as well and you have no involvement at all? There is no infrastructure you have to facilitate for that? The gas?

Mr DONALD - No, there might be some of the scope of our wharf that we have constructed that may accommodate, but I am going to have to take advice on that. I run a daily project meeting on the Berth 1 works and it is not on the list.

Mr WILLIE - You have not been approached by TT-Line or other parties to facilitate a connection to the ships?

Mr DONALD - No.

Mr BRADFORD - It is conceivable that they could have spoken to the harbour master. I don't know, but it is conceivable.

Mr WILLIE - It is my understanding there is an 18-month lead-in time to get the infrastructure in place for that. I do not think much has happened.

Mr BRADFORD - Okay. It is beyond my -

CHAIR - Because the new work on Berth 1 is unplanned, unbudgeted -

Mr BRADFORD - Unplanned, unbudgeted and unfunded at this point in time

Mr WILLIE - And urgent.

Mr BRADFORD - And difficult.

CHAIR - Will you look at a return on investment for that once you know what the funding arrangement will be?

Mr BRADFORD - I think that is almost impossible.

Mr DONALD - I might answer that by saying our role and obligations are to maintain an even-handed approach with our customers, both customers, SeaRoad and TT-Line.

CHAIR - With regard to -

Mr BRADFORD - It could not have a return on investment because their lease is paying for the completed Berth 3 which is complete, but their infrastructure is not ready. That is another complexity.

CHAIR - Just another bucket of money that someone has to find from somewhere.

MR DONALD - I might answer it a different way. If it is funded by TT-Line and or the Government, we would expect all costs to be funded, including any internal project management costs associated with the huge amount of effort we're putting up.

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CHAIR - You wouldn't expect to have to ask the Government for additional borrowings to complete this work?

Mr BRADFORD - I was just going to get to that. I assume when the decision is made on how it's going to be funded the cash flow would be part of that. I hope so. We haven't got it.

CHAIR - Going back to some of the challenges, you talked about the fenders and other items, wires and all those sorts of things. We've heard from other major projects that there are challenges with procurement and delays in getting some of the essential equipment and usually there's a long lead time for some of these things. Have you done much work to see what availability there is? You talked about air freighting out some of the some of the components, but you can't airfreight anything that's not available, so I'm interested in what work's been done around the availability of the necessary equipment.

Mr DONALD - A lot, in short. If we break it down, the bollards are relatively easy because you can almost buy them off the shelf within reason. It's the attachment of the bollards to the existing structure which requires some design and some thinking. The fenders are quite different because of the uniqueness of the new vessel. There's a specific requirement of the new vessel around the hull response and pressure or allowable pressure for the *Spirit*, which is very different to the existing *Spirit* and creates a lot of complexity with the fender design. As I said earlier, the fenders need to accommodate the new vessel and the existing vessel and an offset from the existing wharf needs to be maintained.

We're breaking the fenders down into components and are examining having the fender manufacturer overseas complete the design and fabrication completely. We're also looking at breaking down into components the steel and the rubber. We might be able to get the rubber designed, manufactured and air freighted and we might be able to find a local contractor supplier in Tasmania we can work with to construct the steel framing and chains. We're breaking it down into components and every day counts, doesn't it?

Mr BRADFORD - A lot of work's going into this, a lot of thinking. As to your point about cost and delays at this present time, this is a whole new project, but the fact that through QuayLink we're on budget through a massively inflationary part of our lives, I think is a credit to management.

CHAIR - One would presume that TT-Line will need the same or very similar fenders on Berth 3.

Mr DONALD - Which we've done.

CHAIR - They're already there? Okay. You can't shift them back up for a while? That's a joke, I'm not suggesting that.

Mr DONALD - No, that's not a silly idea. We examined that.

Mr BRADFORD - We've had the Minister's direction for about a month, haven't we?

Mr DONALD - A little bit longer.

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Mr BRADFORD- A little bit longer. We've done two reports, so we've done a lot of work in relation to the Minister's direction, but most of it's unseen to the public and of little interest to most.

Mr DONALD - Most projects are sequential in terms of investigations, planning, design, procurement and construction - it's a melting pot. We're looking at every component and what we can do in parallel. Investigation is happening at the same time as design and at the same time as procurement.

CHAIR - Will there need to be additional dredging at Berth 1?

Mr DONALD - We're not planning to do additional dredging.

CHAIR - Is that the reason why the ships won't be able to be fully loaded?

Mr DONALD - That's one of the reasons, yes.

CHAIR - What's the other reason?

Mr DONALD - The other one would be the ramp,

Mr BRADFORD - The new ramp at Berth 3 will move to allow multiple use of the decks.

Mr DONALD - Regarding the berth pocket at Berth 1, we did consider and provide advice in relation to the possibility for dredging. The berth pocket in Berth 1 is full of old concrete blocks for scour protection, really large concrete blocks. That would require an experienced contractor with a diving contract to basically go in there and attach them and bring them up. What we don't know, because they've been there for so long, is what that might do to the old sheet pile wall structure at Berth 1.

CHAIR - And the environment notionally too.

Mr WILLIE - There'd be some damage over time from the thrusters from the current *Spirits*, wouldn't there?

Mr DONALD - Yes. When I went through the scope of work I did simplify it, but you raise a good point. Some of the other work that we need to do is around scour protection. Some of the modelling and simulations we'll do is identify where there could be some risks from the new *Spirit* and their thrusters -

Mr WILLIE - Bigger thrusters.

Mr DONALD - Bigger thrusters - and how that will work against the existing sheet pile wall in its condition. There might be some localised repairs or mitigations that we need to implement to protect the sheet pile wall structure. The existing sheet pile wall structure was constructed in the late 1960s, early 1970s for the Cosgrove vessel. Then if we wind the clock forward the *Abel Tasman* was there.

CHAIR - The *Princess of Tasmania* before that.

PUBLIC

Mr DONALD - Yes. We're talking about a structure that's been there for a long period of time. It's performed really well. The sheet pile wall structure is designed for a particular depth and it's too shallow to dredge. We could do it for a period of time but one of the benefits in moving to Berth 3 for the new vessel was that we didn't have to work out how we could lengthen the existing sheet pile wall structure at Berth 1 which would have been ultimately a replacement.

Mr WILLIE - Very complex.

CHAIR - If there are no other urgent or pressing matters it is 11:00 am so thank you for appearing before the Public Accounts Committee on this occasion to talk about this matter. Another Committee will see you back after lunch on other matters, so thanks for your appearance today.

The witnesses withdrew.

The Committee adjourned at 11:01 am.