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Treasurer
Minister for Infrastructure

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26 August 2024

Hon Ruth Forrest MLC
Chair
Parliamentary Standing Committee of Public Accounts

via email: Simon.Scott@parliament.tas.gov.au

Dear Chair

I refer to my meeting with your committee on 12 August 2024 and evidence provided to the targeted inquiry into the TT-Line Spirits Project. Further to my attendance I have sought further advice and can provide additional written information to support the Committee's work.

This letter addresses in more detail: i) joint CEO reports; ii) the governance of State Owned Companies between the board and the shareholder; and iii) the Regular Monthly Meetings with the businesses. I also answer the questions taken on notice.

Joint CEO reports

As indicated in my evidence on 12 August 2024, an outcome of the 10 November 2023 meeting with TT-Line and TasPorts was the provision of joint reports by both CEOs.

Pre-Caretaker Period:

The first of these reports was received on 20 December 2023. Consistent with our face-to-face meetings, this report shows TT-Line advised that the interim berthing solution at Berth 3, involving an "at-grade" solution with a single ramp loading vehicles via deck 3 of the new vessel, was expected to be delivered by 30 August 2024.

As stated to your committee, this was TT-Line's latest advice on the matter received prior to Caretaker.

Not surprisingly, this advice is also consistent with the statements by TT-Line to both GBE Scrutiny Committees in the House of Assembly and the Legislative Council only weeks earlier on 24 November 2023 - namely that the vessels were expected to enter service in August 2024 and Berth 3 was expected to be operationally ready in time for the new vessels.

Caretaker Period:

The Member for Elwick, Hon Bec Thomas MLC asked the Secretary and me what reports were provided during the Caretaker period. Neither the Secretary Mr Limkin or myself had that information at the table and we took it on notice.

Following the commencement of the Caretaker period (14 February 2024) the CEO report for the month of February was received on 28 February, and the report for the month of January

was received on 1 March 2024. The January report arriving after the February report is obviously abnormal. I have reviewed these two reports and make the following observations.

The reports continued to report ongoing engagement with Hazell-Brady Joint Venture (HBJV) as the preferred tenderer, with an expected forward program of activities for the month of March. They refer to further negotiations and contract finalisation with HBJV.

The reports stated that full completion of the package of works (including all three loading gantries and the terminal facilities) would be delivered by 31 May 2025.

With regard to the single at-grade loading deck, I note that compared to the November report, there was a shift in language in TT-Line's short description of the expected delivery date from "30 August 2024" to "*Deck 3 only operation option date TBC upon review of Contractor Programme*".

The nuanced shift in language with regard to the at-grade loading deck has potentially had the effect of disguising the developing situation, even if this was not the Company's intent. The reports did not confirm or openly state a delay to the completion of the interim infrastructure. Only with the benefit of hindsight could that now be seen as a sign of the project's health faltering in the weeks prior to the rescission of the Preferred Tenderer.

Importantly, with regard to the interim berthing arrangement, TT-Line reported that the Automatic Mooring Units, necessary for the successful berthing of the new vessels, would be commissioned by the very specific date of 16 August 2024. This was a reasonable basis to understand that (even as late as 1 March 2024) TT-Line remained committed to the interim solution and were broadly on track to deliver it.

Post-Caretaker period:

The March report (received 22 April 2024) evidenced a major change, referencing the rescission of Preferred Tenderer and anticipating an "*intensive tender phase through April with BMD and HBJV*". The single deck operation date remained "TBC" in this report, and notably, TT-Line continued to report that the Automatic Mooring Units would be commissioned by 16 August 2024. The latter statement (when read alongside Mr Gemell's Report) was obviously implausible – raising concerns about the accuracy of information being presented and the project capability of the Company to deliver its own schedule.

Excerpt from report of 20 December 2023 (final before Caretaker):

TT-Line Milestones				
Marine Package - Construction (Ramp, Linkspan, Spaceframe)	6/05/24	30/8/24	-	Deck 3 only operation option Gantry and Linkspan for decks 5 and 7 to be in progress beyond this date (Phase 2 works)

Excerpts from January and February reports received 1 March and 28 February (Caretaker):

TT-Line Milestones				
Marine Package - Construction (Ramp, Linkspan, Spaceframe)	6/05/24	31/05/25	-	Deck 3 only operation option date TBC upon review of Contractor Programme
Marine Package - Construction (Wharf) (Area A)	25/6/24	16/08/24	-	AMU commissioning by 16/08/24

Notes – Stages 4 onwards omitted for clarity; only milestone activities required for operational terminal shown

Excerpts from report received 22 April (first following swearing-in of new Government):

- Due to significant increase in lump-sum offer for the project that was unable to be validated by TTL or its advisors, HBJV Preferred Tenderer Status has been rescinded – BMD and HBJV to partake in intensive competitive tender process through April for T3 Contract.

Marine Package - Construction (Ramp, Linkspan, Spaceframe)	6/05/24	31/05/25	-	Deck 3 only operation option date TBC upon review of Contractor Programme
Marine Package - Construction (Wharf) (Area A)	25/6/24	16/08/24	-	AMU commissioning by 16/08/24

Notes – Stages 4 onwards omitted for clarity; only milestone activities required for operational terminal shown

In summary:

- TT-Line's advice prior to the Government going into Caretaker was interim berth readiness and the new Spirit going into service in August 2024.
- Two monthly reports were delivered within days of each other, during Caretaker.
- The shift in project descriptions to include a new reference to "TBC" occurred during the Caretaker period but did not highlight delays to the interim berthing solution.
- Automatic Mooring Unit installation was scheduled for completion by 16 August 2024 in each of the January, February and March reports.
- There was no disclosure of the major decision to rescind the preferred tenderer nor was there any indication of a significant delay for the new ships to go into service until April 2024, after which the new Government responded with a further, more significant, intervention.

Naturally, these circumstances that confronted the Government in April raised issues about the Company's project management capability, construction tender timeframes and quality of communication. They are therefore the basis for the shareholder ministers' considerations which ultimately led to the Ministerial Directions of 17 June 2024.

Although they were not specifically requested, for full disclosure I attach the monthly reports for November 2023, and January, February and March 2024.

It is noteworthy that TT-Line CEO Mr Dwyer wrote on 15 May 2024 apologising for the failure to advise Government of the Board's decision to rescind its preferred tenderer until the monthly update in April (correspondence enclosed). However, this was properly the responsibility of the Chair of the Board at the time.

Governance of State Owned Companies – the roles of the board and the shareholder

In the context of the above, is important to consider the roles of the Board of a government business compared to the Shareholder Ministers. There needs to be appropriate segregation of roles between the Minister and the Board of a Government business. The Minister must not take on the role of director and actively participate in the decision making by the entity, as to do so would risk the Minister being considered a shadow director.

The *Corporations Act 2001* prescribes that a person is a shadow director where it can be demonstrated that the person exercises control over the Board from the outside and the

Board has become accustomed to act in accordance with that person's wishes or instructions. This extends further than setting strategic objectives of the company as the Members - a shadow director exerts influence and control over the operations of the company and how the company's directors perform their functions.

This would not be appropriate in the context of governance arrangements for Government businesses where there should be clear separation of roles and responsibilities between the Members and the Board. The Shareholding Ministers as Members of the Company should maintain their role in setting out strategic expectations and holding the Board accountable for its decisions, but not be involved in making decisions that are the responsibility of the Board.

The Board of a Government Business is responsible to the Shareholding Ministers for ensuring that the business manages and conducts its business and affairs in a manner that is in accordance with sound commercial practice, performs its functions and achieves its objectives as specified in its Portfolio Legislation and associated governance documents.

In fulfilling these responsibilities, the Board of a Government business must be actively involved in matters such as setting strategic directions, continually monitoring organisational performance, ensuring compliance with statutory requirements and managing risk.

Regular Monthly Meetings

As is longstanding practice, the Portfolio Minister shareholder of a Government Business Enterprise or State-owned Company regularly meets with the Board Chair and Chief Executive Officer of that business.

Regular Monthly Meetings are informal and conducted by the Minister. Formal decisions are not made at these meetings and minutes are therefore not recorded. An attendee is at liberty to write notes, but they are never endorsed nor taken to be an agreed record of the meeting because RMMs are not decision-making meetings and such notes are not circulated for potential correction.

Formal matters of concern, notification of decisions or advice to shareholders of significant events should and would always be promptly communicated in writing, perhaps preceded by a courtesy phone call that such a notice was forthcoming. Annual General Meetings are also scheduled for formal decisions and minutes are always recorded.

Regarding my RMMs with TT-Line, I advise the Committee that I raised the matter of the new Spirit of Tasmania vessels and the associated berthing capacity readiness consistently in those meetings and was assured that the company would deliver. In particular, I increasingly questioned whether TT-Line remained on track to deliver that berthing capacity given the Company's decision to undertake that role itself rather than contract those works from the port owner. In late 2023, my staff and I were increasingly concerned by the lack of a signed contract. This led me to further, deeper questioning of the Company.

Other questioning of TT-Line related to the other parties who were critical to the success of the Terminal 3 project, specifically TT-Line's Preferred Tenderer and TasPorts, which was responsible for the broader works at Devonport East referred to as the QuayLink Project.

Early in the tender process for a contractor appointment, the expectation that I clearly communicated to TT-Line was that the infrastructure would be properly and fully delivered in time for the new vessels, as occurred at Geelong. Following the selection of the Hazell-Brady Joint Venture as TT-Line's Preferred Tenderer, the forecast for a formal signing of the contract changed frequently and later was repeatedly described as "imminent".

As discussed above, prior to the Caretaker period TT-Line's advice to me broadly indicated that their project, while not completed to a final stage, would achieve an at-grade solution by August 2024. This "at-grade" method was understood to be a single ramp loading/unloading when the new vessel was in port at Berth 3.

During my evidence on Monday 12 August 2024, I endeavoured to respect the confidential context of open and frank discussions at RMMs and limited myself to the general assurances that were given. You will recall I also put on the record information and the full context of the 10 November 2023 meeting in Launceston. This is because that important intervention and the need for it was not included in the chronology provided by the former TT-Line Chair to the Committee on 28 June 2024.

It was always my intention as joint Minister, and after the election, as portfolio Minister for TasPorts, to keep our businesses working together consistent with the agreed outcomes of our Launceston meeting.

However, given ongoing claims, I will provide the committee with additional information in relation to my Regular Monthly Meetings prior to the Caretaker period:

In relation to TT-Line's RMM updates:

- TasPorts were regularly referred to by TT-Line as the cause for the delays in the commencement of TT-Line's Terminal 3 works.
- In late 2023, as the Shareholder Minister I was regularly verbally assured that the formal contract signing was imminent.
- In the absence of a formal contract, works were underway under an exchange of letters between TT-Line and HBJV.
- In the absence of a formal contract, I suggested TT-Line consider purchasing long-lead items (for example the purchase of fabricated steel product) to protect the project's critical path. This suggestion was taken up.
- Notwithstanding the above matters, a commitment was made and repeated frequently to deliver the at-grade solution by August 2024, and publicly stated at GBE Scrutiny hearings on 24 November 2023.
- This is consistent with the November report of the TasPorts and TT-Line CEOs on 20 December 2023 showing again that TT-Line expected to complete its project to enable relocation of operations to Berth 3 by August 2024. No further reports were received prior to the Caretaker period. Those that were provided during Caretaker were: January report (dated 1 March); and February (dated 28 February).

In relation to TasPorts' updates:

- With regard to TasPorts' \$240 million QuayLink project (the overall landlord redevelopment of Devonport East) was discussed at each meeting, including questions and scrutiny on contractor performance, cost containment, customer satisfaction/impacts and timeframes.
- TasPorts' Chair and management advised me that they were concerned for TT-Line's Berth 3 tenant works project and the ability to deliver the required works in the timeframe.

- TasPorts also advised of its general willingness to project manage TT-Line's works at Berth 3 or even completely take it over on reasonable commercial terms.
- TasPorts was frequently asked by me to do everything it could and continue to offer/provide any assistance possible to expedite TT-Line's project.

Questions taken on notice

With regard to the Committee's request for further information:

1. A copy of the unredacted report by Mr Peter Gemell is enclosed. As discussed in evidence, this report was provided to the Department of State Growth on 12 February 2024 for the purposes of providing advice to Cabinet. As noted by the Secretary of the Department, Mr Craig Limkin during evidence, the report was not provided to Government during the Caretaker period and was subsequently provided to Minister Abetz and myself on 22 April 2024.
2. The business case and corporate plans, while provided to the Treasurer, are considered documents that PAC should request directly from the businesses that authored them. The Government does not oppose their release to the Committee in confidence in this circumstance.
3. I enclose correspondence from TT-Line to myself as Treasurer, dated 13 December 2023, requesting an increase in TT-Line's approved borrowing limit. TasPorts has not written to the Treasurer in relation to TT-Line's borrowing requirements.
4. I met with Mr Gemell on 21 December 2023 and 7 February 2024 together with Department of State Growth representatives for verbal updates on the program integration role. A Department official had a separate telephone conversation in the week of 22 January 2024. I am advised that Mr Gemell met with TT-Line and TasPorts CEOs in late December and conducted site visits and meetings with those businesses during January 2024.
5. Answered in detail, above.

I have provided far more than was requested and trust that this detailed information is of assistance. I am willing to return with the Secretary of the Department of Treasury and Finance on 27 September should my attendance in my role as Treasurer be valuable.

Yours sincerely



Michael Ferguson
Treasurer
Minister for Infrastructure

From: Bernard Dwyer <bernard.dwyer@spiritoftasmania.com.au>
Sent: Wednesday, May 15, 2024 10:18 AM
To: Limkin, Craig <Craig.Limkin@stategrowth.tas.gov.au>
Subject: Signed Correspondence

Good morning Craig.

In addition I was wrong yesterday and we had not written to the Minister's office re: the rescinding of the preferred tender status as this was over the caretaker period as the Deputy Premier noted. The information was included in the Monthly Update that the Deputy Premier received and was noted by Richard Wilson yesterday during the meeting.

Could you please pass on my apologies for the mix-up last night.

Regards,

BD

Bernard Dwyer
Managing Director / Chief Executive Officer



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QuayLink: Terminal 3

Monthly CEO Report – November 2023



Devonport QuayLink

Activities complete this month (November 2023):



- Completion of dredging
- Completion of piling
- Finalised revised design
- Ongoing precast fabrication
- Commenced placement of wharf headstocks



- HBJV appointed as preferred tenderer
- Letter of Commitment issued to progress preliminary contract activities
- Finalizing marine, civil and building designs for construction
- Progressed contract formalization with HBJV
- Finalised environmental baseline works
- Finalised geotechnical reports

Combined

- Kick off meeting between TasPorts, TT-Line and HBJV
- Regular steering committee and interface meetings held
- Progressed revised staging plans to allow access to areas sooner

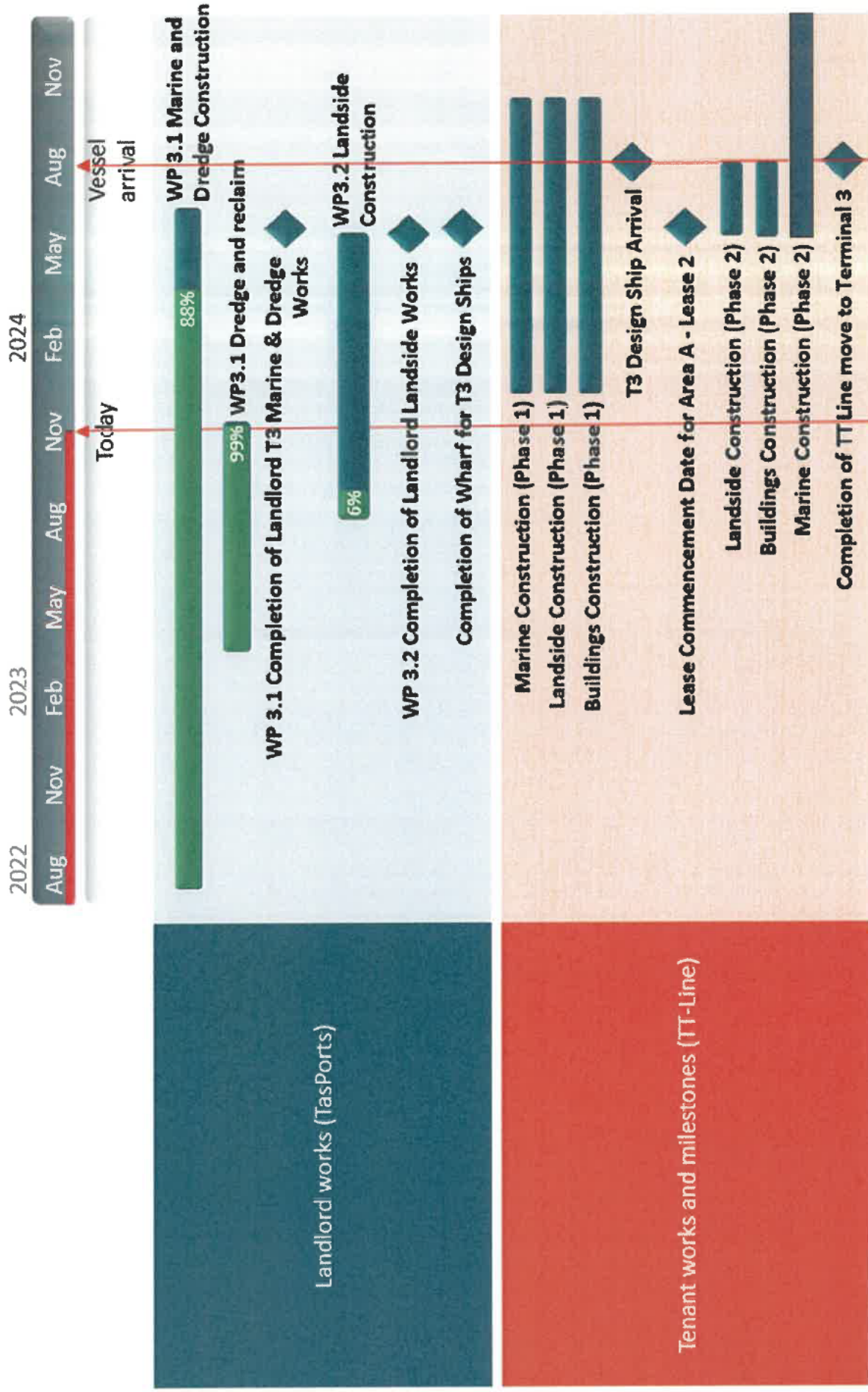
Activities planned next month (December 2023):

- Competition of separable portion 1
- Provide draft construction licence to TT-Line
- Commence review of TT-Line supplied document prior to site access

- Provision of review documents under Agreement for Lease to TasPorts including management plans and design documents
- Provision of Tenant works schedule to TasPorts
- Provision of updated forecast milestone dates under AFL
- Finalisation of designs for construction
- Procurement of piles, steelwork and other items
- Contract negotiations between the HBJV and TT-Line

Combined

- Integration of construction schedules
- Meeting to progress interface works and variations under TasPorts contract
- Progress construction licence between HBJV, TasPorts and TT-Line



Activities under agreement between parties (AFL)	Baseline End Date	Forecast End Date (previous month)	Actual End Date	Comments
TasPorts Milestones				
Completion of Marine and Dredge Works	24/4/24	24/6/24	-	Extension of time entitlement under the Agreement for Lease with TT-Line
Completion of Landlord Landside Works	6/04/24	20/6/24	-	Extension of time entitlement under the Agreement for Lease with TT-Line
TT-Line Milestones				
Marine Package - Construction (Ramp, Linkspan, Spaceframe)	6/05/24	30/8/24	-	Deck 3 Only Operation Option Gantry and Linkspan for Decks 5 and 7 to be in progress beyond this date (Phase 2 Works)
Landside Package - Construction (Freight Yard & related civils)	6/05/24	30/8/24	-	
Landside Package - Construction (Freight Yard & related civils)	6/05/24	30/8/24	-	
Landside Package - Construction (Freight Yard & related civils)	6/05/24	30/8/24	-	
Landside Package - Construction (Passenger Vehicle Entry & Marshalling)	24/6/24	30/8/24	-	
Buildings Package - Construction Temporary Terminal	24/6/24	30/8/24	-	
Marine Package - Construction (Wharf) (Area A)	25/6/24	30/8/24	-	

Notes – Stages 4 onwards omitted for clarity; only milestone activities required for operational terminal shown



QuayLink: Terminal 3

Monthly CEO Report – January 2024



Devonport QuayLink

Activities complete this month (January 2024):



- Placement of first fender block on wharf
- Council approval received to acquire the land for the new biosecurity facility
- Final design hold points released for the wharf



- HBJV Preliminary works progress under Letter of Commitment including Temporary works designs, procurement of key items, site investigations and mobilization preparations
- Letter of Commitment issued to progress preliminary contract activities
- Issued-for-Construction Design Drawing Issue and constructibility reviews
- Analysis with Harbour Master of using Berth 1 for new vessels has resulted in this option not being viable as a short term solution.

Combined

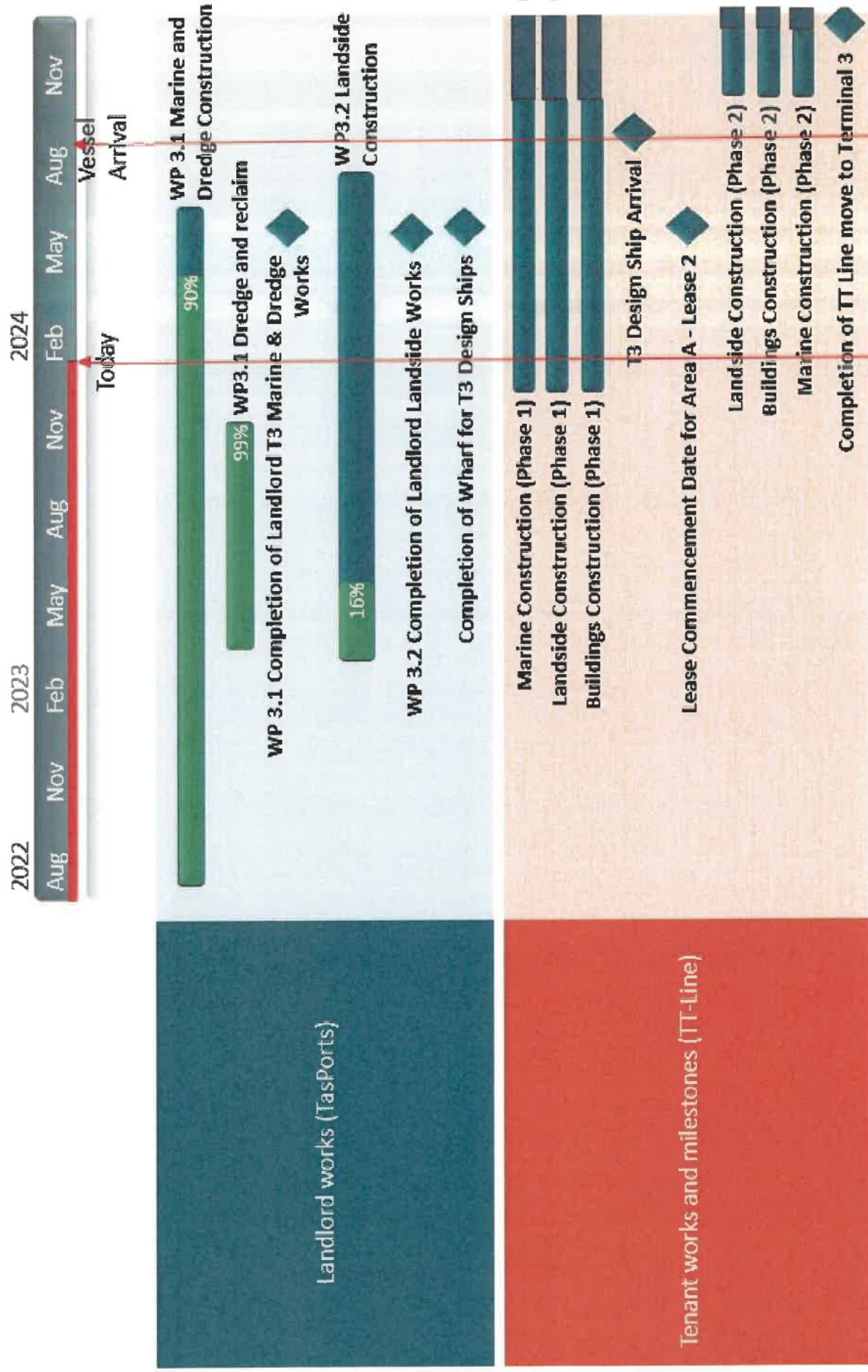
- Reviewing TT-Line Contractors Management Plans to enable site mobilisation
- Interim construction licence executed to allow further geotechnical investigations
- Regular steering committee and interface meetings held
- Progressed revised staging plans to allow access to areas sooner for TT-Line

Activities planned next month (February 2024):

- Development Application Lodged for Biosecurity
- Continue to support TT-Line with pre-commencement of works obligations under the Agreement for Lease
- Continue construction of the wharf
- Achieve TasPorts works consent to commence site works including approval of TT-Line review documents
- Continue to look at a short term solution with Tas Ports for new vessels
- Finalise contract for project with HBJV
- HBJV Procedure developments
- Commence HBJV site mobilization
- Commence HBJV site investigations
- Finalisation of designs for construction
- Continue key procurements including Steel Gantry and Linkspans

Combined


- Integration of construction schedules
- Approval of all review documents under AFL
- Access to site granted for mobilisation
- Finalising staging plans for project



Notes – High level schedule based on forecast dates only not to supersede the AFL Master Schedule

Activities under agreement between parties (AFL)	Baseline End Date	Forecast End Date (previous month)	Actual End Date	Comments
TasPorts Milestones				
Completion of Marine and Dredge Works	24/4/24	30/6/24	-	Extension of time entitlement under the Agreement for Lease with TT-Line
Completion of Landlord Landside Works	6/04/24	20/6/24	-	Extension of time entitlement under the Agreement for Lease with TT-Line
TT-Line Milestones				
Marine Package - Construction (Ramp, Linkspan, Spaceframe)	6/05/24	31/05/25	-	Deck 3 only operation option date TBC upon review of Contractor Programme
Landside Package - Construction (Freight Yard & related civils)	6/05/24	31/05/25	-	
Landside Package - Construction (Freight Yard & related civils)	6/05/24	31/05/25	-	
Landside Package - Construction (Passenger Vehicle Entry & Marshalling)	24/6/24	31/05/25	-	
Buildings Package - Construction Temporary Terminal	24/6/24	31/05/25	-	
Marine Package - Construction (Wharf) (Area A)	25/6/24	16/08/24	-	AMU commissioning by 16/08/24

Notes – Stages 4 onwards omitted for clarity; only milestone activities required for operational terminal shown



QuayLink: Terminal 3

Monthly CEO Report – February 2024



Devonport QuayLink

Activities complete this month (February 2024):



TasPorts

- 4 of 7 fender blocks installed
- 95% of all precast now cast
- Existing wharf strengthening and scour protection commenced
- Biosecurity relocation new site survey complete and design underway



SPIRIT OF
TASMANIA

- HBJV Preliminary works progress under Letter of Commitment including Temporary works designs, procurement of key items, site investigations and mobilization preparations
- Letter of Commitment issued to progress preliminary contract activities
- Issued-for-Construction Design Drawing Issue and constructability reviews
- Contract negotiations
- TasPorts approval processes

Combined

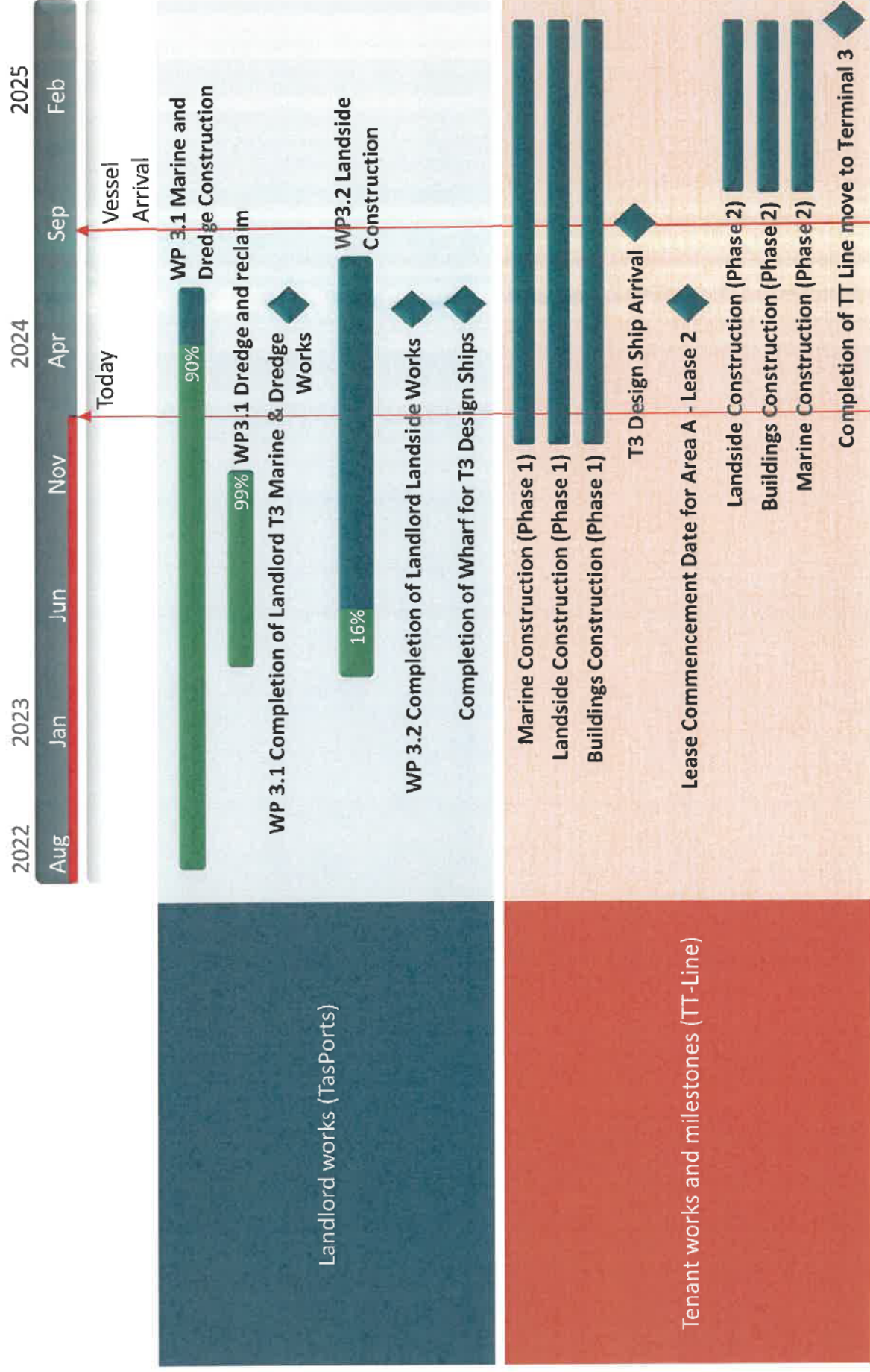
- Reviewing TT-Line Contractors Management Plans to enable site mobilisation
- Interim construction licence executed to allow further geotechnical investigations
- Regular steering committee and interface meetings held
- Progressed revised staging plans to allow access to areas sooner for TT-Line
- Working with TT-Line on contingency berth options

Activities planned next month (March 2024):

- Continue to support TT-Line with pre-commencement of works obligations under the Agreement for Lease
- Continue construction of the wharf
- Ongoing procurement of substations currently being fabricated
- Achieve TasPorts works consent to commence site works including approval of TT-Line review documents
- Finalise contract for project with HBJV
- HBJV Procedure developments
- Commence HBJV site mobilization
- Commence HBJV site investigations
- Finalisation of designs for construction
- Continue key procurements including Steel Gantry and Linkspans

Combined

- Integration of construction schedules
- Approval of all review documents under AFL
- Access to site granted for mobilisation
- Finalise staging plans for project



Notes – High level schedule based on forecast dates only not to supersede the AFL Master Schedule

Activities under agreement between parties (AFL)	Baseline End Date	Forecast End Date (previous month)	Actual End Date	Comments
TasPorts Milestones				
Completion of Marine and Dredge Works	24/4/24	30/6/24	-	Extension of time entitlement under the Agreement for Lease with TT-Line
Completion of Landlord Landside Works	6/04/24	20/6/24	-	Extension of time entitlement under the Agreement for Lease with TT-Line
TT-Line Milestones				
Marine Package - Construction (Ramp, Linkspan, Spaceframe)	6/05/24	31/05/25	-	Deck 3 only operation option date TBC upon review of Contractor Programme
Landside Package - Construction (Freight Yard & related civils)	6/05/24	31/05/25	-	
Landside Package - Construction (Freight Yard & related civils)	6/05/24	31/05/25	-	
Landside Package - Construction (Passenger Vehicle Entry & Marshalling)	24/6/24	31/05/25	-	
Buildings Package - Construction Temporary Terminal	24/6/24	31/05/25	-	
Marine Package - Construction (Wharf) (Area A)	25/6/24	16/08/24	-	AMU commissioning by 16/08/24

Notes – Stages 4 onwards omitted for clarity; only millstone activities required for operational terminal shown

QuayLink: Terminal 3

Monthly CEO Report – March 2024



Devonport QuayLink

Activities complete this month (March 2024):



- All precast elements fabricated
- First wharf deck concrete pour complete
- Works tracking to plan for June 30 completion



- Preliminary works progress under Letter of Commitment including Temporary works designs, procurement of key items, site investigations and mobilization preparations
- Issued-for-Construction Design Drawing Issue and constructability reviews
- Due to significant increase in lump-sum offer for the project that was unable to be validated by TTL or its advisors, HBJV Preferred Tenderer Status has been rescinded – BMD and HBJV to partake in intensive competitive tender process through April for T3 Contract.
- Delivery AMUs into Tasmania

Combined

- Reviewing TT-Line Contractors Management Plans to enable site mobilisation
- Interim construction licence varied to allow site mobilisation and site investigation of TT-Lines contractor
- Regular steering committee and interface meetings held
- Revised project staging plans finalised

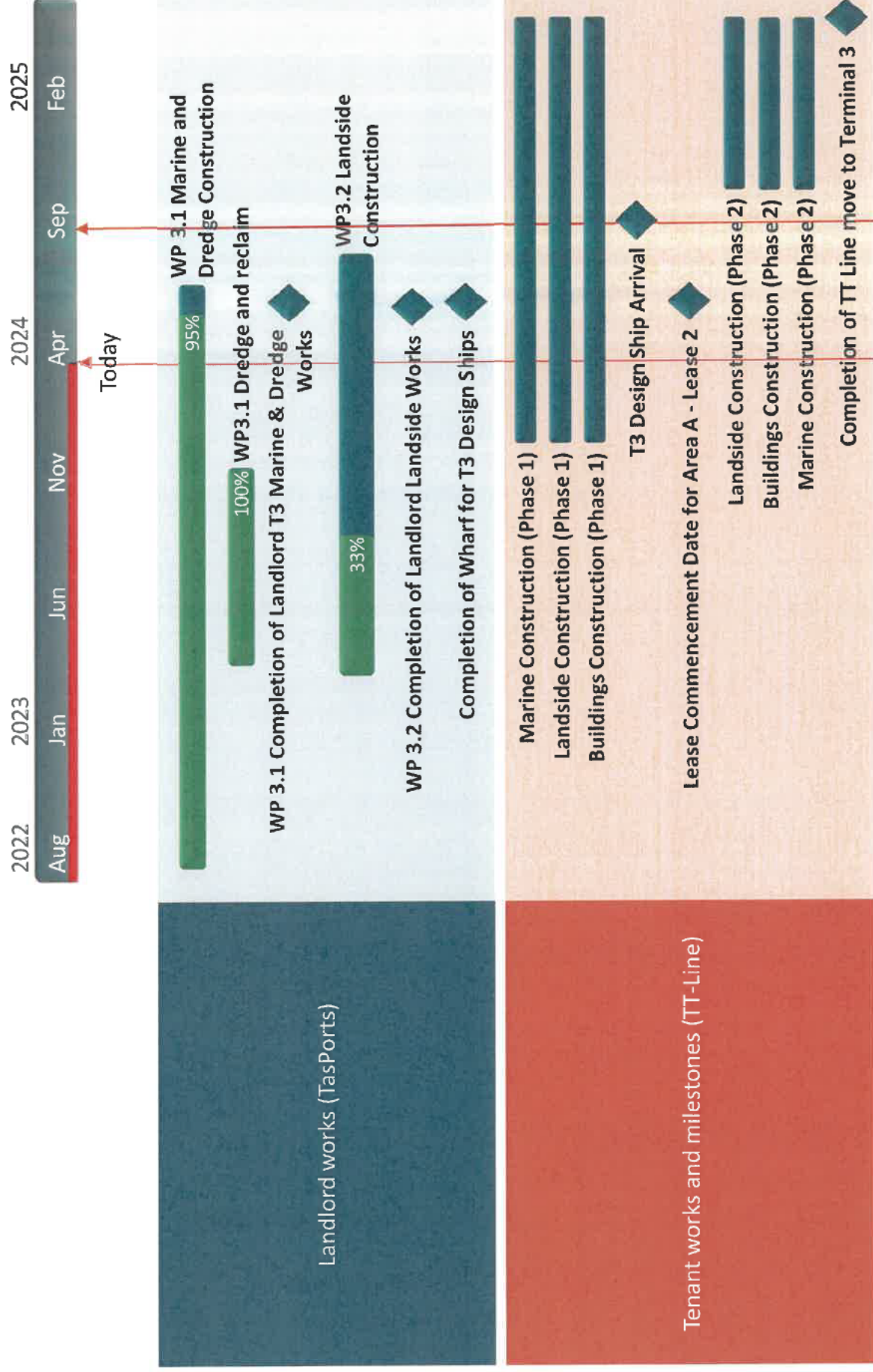
Activities planned next month (April 2024):

- Final barge work to be complete
- Final precast elements placed on wharf
- Second wharf concrete pour
- Development Application Lodged for Biosecurity
- Continue to support TT-Line with pre-commencement of works obligations under the Agreement for Lease
- Continue construction of the wharf

- Complete intensive tender phase through April with BMD and HBJV
- Finalize contract for project
- Finalize approvals required to commence contract works
- Progress site early works with HBJV under Letter of Commitment. Site preparation and mobilization of facilities
- Continue Site investigations
- Continue key long lead time procurements including Steel, Linkspans, Stormwater Systems

Combined

- Integration of construction schedules
- Approval of all review documents under AFL



Activities under agreement between parties (AFL)	Baseline End Date	Forecast End Date (previous month)	Actual End Date	Comments
TasPorts Milestones				
Completion of Marine and Dredge Works	24/4/24	30/6/24	-	Extension of time entitlement under the Agreement for Lease with TT-Line
Completion of Landlord Landside Works	6/04/24	20/6/24	-	Extension of time entitlement under the Agreement for Lease with TT-Line
TT-Line Milestones				
Marine Package - Construction (Ramp, Linkspan, Spaceframe)	6/05/24	31/05/25	-	Deck 3 only operation option date TBC upon review of Contractor Programme
Landside Package - Construction (Freight Yard & related civils)	6/05/24	31/05/25	-	
Landside Package - Construction (Freight Yard & related civils)	6/05/24	31/05/25	-	
Landside Package - Construction (Passenger Vehicle Entry & Marshalling)	24/6/24	31/05/25	-	
Buildings Package - Construction Temporary Terminal	24/6/24	31/05/25	-	
Marine Package - Construction (Wharf) (Area A)	25/6/24	16/08/24	-	AMU commissioning by 16/08/24

Notes – Stages 4 onwards omitted for clarity; only millstone activities required for operational terminal shown



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TT-Line Company Pty Ltd
ABN 39 061 996 174

13 December 2023

Hon Michael Ferguson MP
Deputy Premier
Treasurer
Minister for Infrastructure and Transport
Level 5 Salamanca Building
4 Salamanca Place
HOBART TAS 7000

Dear Treasurer

Increase in Borrowing Limit

To support the Company's Vessel Replacement Project and associated Port Infrastructure requirements, Tasmanian Public Finance Corporation (**TASCORP**) have previously approved a lending facility with a \$745 million borrowing limit which comprises a \$45 million working capital facility and a \$700 million borrowing facility.

This facility was supported by a Deed of Guarantee that was executed in March 2023 between yourself in your capacity as Treasurer of Tasmania, and TASCORP.

The funding requirements to deliver the required port infrastructure at Berth Three in Devonport have increased significantly as a result of an escalation in the construction costs due to a number of factors including civil construction cost increases, project staging and delayed access to the site.

Updated financial forecasts were undertaken to reflect revised construction costs for port infrastructure and these identified a maximum funding requirement of a \$990 million facility and the \$45 million working capital account. The financial forecasts have been provided to TASCORP and Treasury.

The TT-Line Board approved a recommendation to request an increase in the current TASCORP funding facility to \$990 million and a \$45 million working capital account (total maximum borrowings \$1.035 million).

The TASCORP Board have approved the requested increase, subject to an increase in the maximum amount guaranteed by the State (refer attached letter).

The TT-Line Board therefore request that the maximum amount guaranteed by the State under section 15A of the TASCORP Act for TT-Line is increased to \$1,035 million.

Yours sincerely



Michael Grainger
Chairman

Report of the Devonport QuayLink Program Integrator

Peter Gemell, Effective as at 12 February 2024

Context of this report

1. This report is prepared by the Devonport QuayLink Program Integrator (the Integrator). The purpose of the Integrator role is to work with TasPorts) and TT-Line with the goal of ensuring the coordinated delivery of the Landlord (TasPorts) works and the Tenant (TT-Line) works for the QuayLink Program in Devonport.
2. The Integrator recognised that the separation of delivery of the Landlord works and the Tenant works had likely been in good faith, with the objective of ensuring that each of TasPorts and TT-Line would be responsible for its own infrastructure at the Port of Devonport. While the separation created a significant interface, it was probably developed to align with the:
 - a. separation of obligations under the Agreement for Lease (AFL); and
 - b. governance arrangements for each of TasPorts and TT-Line.
3. The Integrator recognised that the TasPorts and TT-Line project teams were working cooperatively and collaboratively to satisfy their respective obligations under the AFL.
4. Given that the Integrator's stated role was to integrate, the Integrator focused on the present circumstances and reviewed past circumstances only to inform future expectations.
5. The Integrator recognised the limited duration and depth of his involvement in the project and exercised caution in his conclusions. The Integrator relied on his active infrastructure experience over the past 45 years.
6. The following sections sequentially address the Integrator's findings in relation to the QuayLink Program delivery as at 12 February 2024.
7. It should be noted that this report is:
 - a. Not conclusive.
 - b. Not tested with the Chief Executive Officer's (CEO's) or the teams; and
 - c. the professional opinion of the Integrator.

Status of Activities

1. The Integrator's initial tasks in the week prior to Christmas were to meet with CEO's of TasPorts and TT-Line, both separately and together.
2. During the first two weeks of January 2024, the Integrator met with TasPorts and TT-Line teams and was briefed on their perspectives of issues and reviewed particular documentation.
3. Over the following two weeks, the Integrator attended two coordination meetings and two joint steering committee meetings and held further discussions with project team members and CEO's. The Integrator also reviewed numerous programs and project documents.
4. At the time of the Integrator's engagement (in late December 2023), TT-Line's advice and reports indicated that:
 - a. Berth 3 would be operational (with the Deck 3 ramp operational) on 30 August 2024;
 - b. The Tenant works contract execution was anticipated on 11 February 2023; and
 - c. The new vessel delivery expected in August 2024.

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5. In early February 2024, TT-Line's advice and reports indicated that:
 - a. Berth 3 would be operational (applicable to all three ramps) on 9 May 2025.
 - b. The Tenant works contract execution would be 29 February 2024 (having not been completed on the interim nominated date of 29 January 2024); and
 - c. The new vessel delivery would remain unchanged.
 6. The Integrator did not have any interaction with the intended Tenant works contractor, Hazell Brady Joint Venture (HBJV). The Integrator did not have authority to engage HBJV nor was HBJV engaged under a contract at this point in time. The Integrator was also careful not to adversely affect the Tenant contract execution process.
 7. It appears that there has been earlier interactive processes between TasPorts and TT-Line which TT-Line considered had caused it to be delayed. While the Integrator understands that TasPorts could be perceived to be a demanding counterparty, it is the Integrator's opinion that TasPorts' requirements substantially related to deliverables under the AFL, which include:
 - a. Management plans;
 - b. Construction design;
 - c. Studies, including traffic studies;
 - d. Insurance policies (public liability, design PI);
 - e. Contract data;
 - f. Site access licences;
 - g. Geotechnical site information;
 - h. Environmental reports; and
 - i. Draft construction licenses.
 8. It appears that TT-Line also experienced some delays which were not expected (but not particularly unusual) due to variable geotechnical conditions and design development.
 9. Both the TasPorts and TT-Line advised that at the time of preparation of this report there are no delays being suffered by either party caused by the other.
 10. Based on reports and meetings in late 2023, the Integrator was under the impression that execution of the Tenant contract was imminent, meaning that it appeared that all outstanding issues were essentially resolved.
 11. TT-Line is currently reporting that its Tenant contract with HBJV will now be finalised mid-February 2024 and executed by 29 February 2024. TT-Line has identified that the delivery program, the pricing and the contract departures remain to be resolved.
 12. TT-Line is currently progressing commencement activities under a letter of commitment with HBJV.

The Integrator's Observations

1. The project teams for both TasPorts and TT-Line are collegiate and supportive and are working with the best effort and intent.
2. TT-Line appears to hold the view that TasPorts' enforcement of the AFL caused TT-Line to be delayed.

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3. The parties have jointly modified scope to minimise the interfaces (including modification of revetment walls at pile locations).
 4. TT-Line has expressed the view that it is not further delaying the Berth 3 completion by the delays to execution of the Tenant works contract.
 5. TasPorts has offered to undertake additional works under its Landlord contract to assist TT-Line's Tenant work start up. TT-Line has not taken up this offer.
 6. From 14 November 2023 to now (eight weeks), the date of Tenant contract execution has extended by 11 weeks (11 December 2023 to 29 February 2023). Further, TT-Line's execution pathway plan introduced numerous new activities including repricing, reprogramming, and resolution of contract departures.
 7. It appears to the Integrator that the TT-Line team's specific relevant experience appears to be relatively limited and the TT-Line organisation does not appear to employ embedded systems and the developed capabilities which are typically required to support successful infrastructure development.
 8. The TasPorts team appears to be relatively experienced in major infrastructure delivery and TasPorts uses embedded systems.
 9. At this point in time the HBJV's revised Tenant contract program is not expected until 16 February 2024.
 10. The TT-Line team appears to be under significant stress to achieve their targets. The Integrator is very concerned not to distract (or divert) the limited resources. The Integrator requested to be issued the pathway to execution when it realised that the Tenant works contract execution was not imminent. The Integrator's earlier assumption that "all material issues were substantially resolved" was revealed to be incorrect.
 11. TT-Line appear to be relying on the Tenant contractor to resolve programming issues. It is not clear how much influence TT-Line has on the yet to be delivered program. The Integrator is not aware how design constructability has been addressed (or Geelong "Lessons Learned" incorporated) in the proposed Tenant works contract.
 12. The Integrator is not aware how design constructability has been addressed (or Geelong "lessons learned" incorporated) in the proposed Tenant works contract.
 13. The Integrator is not aware how departures resolution and reporting has been undertaken by TT-Line and TasPorts in relation to the Tenant works contract.
 14. While there has been numerous suggestions, the Integrator is not aware of a proven interim operating solution having been developed for the period between the new ship delivery and (full or partial) completion of Berth 3.
 15. TasPorts, TT-Line and other affected parties, while being aware of isolated organisational processes, have not entered a focussed cooperative and collaborative arrangement for investigating interim operation solutions.
 16. TT-Line has advised that it is considering modifying its piling to accelerate the works. The Integrator became aware of this on 6 February 2024, but is not aware of the detail (and until a program is provided, it is unknown if pilings are critical).

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17. The Integrator was advised that TT-Line had recently engaged the Devonport Harbourmaster in relation to operating the new vessel in Berth 1 and concluded that it is not feasible. The Integrator was advised of this on 6 February 2024 and is not aware of the extent of analysis.
 18. TT-Line has now been advised that “risk and cost” prevent the option to limit construct only the deck three ramp to enable early operation at Berth 3. The Integrator was advised on 6 February 2024 and is not aware of the extent of analysis.
 19. TT-Line has engaged a marine design and construction expert to assist its project delivery (who is initially reviewing design and analysing lessons learned at the Geelong berth site).

The Integrator’s Opinions

1. The new vessel will (almost) certainly be available for service substantially prior to the commissioning of any of the Berth 3 options.
2. The continued changes to program activities and the delay in recognition and reporting of the realistic completion date for the Tenant works by TT-Line are strong indicators of the urgent need to provide additional experienced personnel and robust systems to supplement TT-Line’s Tenant works project management and contract administration capability and capacity.
3. In view of the prolongation experienced to date, the Integrator is not confident that the contract for Tenant works will be executed by the currently predicted date of 29 February 2024.
4. In view of the prolongation experienced to date and the unresolved Tenant contract issues, the Integrator is not confident that the Tenant works will be contractually committed to be completed on 9 May 2025.
5. On the basis that the deliverables required by TasPorts under the AFL were not unusual, the Integrator is concerned that the TT-Line team may not be adequately prepared to deal with the range of events or circumstances likely to be encountered in the delivery of the Tenant works.
6. Additional skilled resources, systems and experts will be necessary to effectively manage the Tenant works contract.
7. Transparent, focussed and collaborative engagement between all affected parties will be necessary to develop an efficient and effective interim operating plan.
8. There will be costs and risks associated with the interim operating plan.
9. The circumstances where an ‘integrator’ could materially improve outcomes is now past.

The Integrator’s View of Risk and Recommendations

1. There is limited remaining risk of interface coordination and cooperation risk between Landlord (TasPorts) and Tenant (TT-Line). This is essentially due to:
 - a. the cohesive and cooperative approach by both parties at the project management level;

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- b. the confirmed lack of dependencies between the future Landlord contract activities and the Tenant contract activities;
 - c. the prior agreements between TasPorts and TT-Line to adjust scope to minimise work interface issues;
 - d. the pending completion of documentation obligations arising from the Agreement for Lease; and
 - e. TasPorts' standing offer to undertake urgent tenant works under its Landlord work contract if requested by TT-Line to accelerate the Tenant works

Recommendation is to:

- *terminate the role of Integrator as integration between TasPorts and TT-Line as it is no longer required.*

2. There appears to be significant risk associated with the resolution and execution of the Tenant Contract documents due to the:

- a. incomplete and unchecked nature of the proposed contract program;
- b. potential opportunity to limit scope to accelerate the opening of Berth 3;
- c. unresolved proposed departures from the reference contract;
- d. unresolved repricing;
- e. unresolved contract design elements;
- f. limited project human resources and systems within the TT-Line team;
- g. the limitations on availability and accessibility of appropriate personnel and systems; and
- h. the time imperative to execute Tenant works contract.

Recommendations are to:

- *As reasonably required, implement TasPorts' proposal to progress early tenant works under the TasPorts contract with HBJV to avoid any delays.*
- *Immediately establish a joint project management team consisting of experienced TasPorts and TT-Line personnel and utilise TasPorts' project management system while reporting to a purpose steering committee;*
- *or alternatively to the above, direct TasPorts to take over the management of the Tenant works contract (and incorporate the relevant TT-Line personnel in the management team); and*
- *Immediately deploy the consolidated management team to review and resolve program, scope, departures, pricing and design to finalise 'Tenant Contract' execution.*

3. There appears to be significant risk associated with the ongoing management of the Tenant Works contracts due to:

- a. TT-Line's apparent limited human resources;
- b. TT-Line's apparent limited project delivery experience;
- c. TT-Line's apparent lack of embedded infrastructure management systems and processes (i.e., cost, time, quality safety, environment, community etc); and
- d. the scarcity of externally available appropriate resources and systems.

Recommendation is to:

- *Immediately establish a joint project management team consulting of experienced TasPorts and TT-Line personnel and utilising TasPorts' project management systems while reporting to a purpose steering committee; or*
- *Alternatively, require TasPorts to take over the management of the Tenant works contract (and incorporate the relevant TT-Line personnel in the TasPorts team).*

4. There appears to be significant risk that an appropriate interim operating solution will not be developed in time for operation of the new vessel, given that it is likely that its delivery will be more than (say) eight months prior to the advised Berth 3 completion date of 9 May 2025.

Recommendations are to:

- *Immediately establish a separate, senior joint working group to actively and collaboratively identify, evaluate and develop interim operating opportunities to utilise the new vessel prior to completion of Berth 3;*
- *Include senior experienced representatives of relevant state corporations and agencies; and*
- *Diligently and comprehensively identify and evaluate all feasible interim operation opportunities, including:*
 - *Berth 1;*
 - *Berth 3 with Deck 3 ramp only; and*
 - *other parts and berths.*

5. In the event that the above recommendations are implemented, there appears to be the risk that:

- a. TT-Line does not consider that it has discretion and control in relation to the scope of the Tenant works; and
- b. TT-Line does not consider that the costs for TasPorts' involvement represents the real and reasonable actual costs incurred by TasPorts to provide its resources and systems in relation to the Tenant works project management services.

Recommendations are to:

- *Require TasPorts to advise a budget for its services.*
- *Enable TT-Line to determine its scope discretions.*
- *Require TasPorts to provide justification of costs on a monthly basis.*
- *Appoint an independent person to arbitrate on any disagreements between TT-Line and TasPorts in relation to Tenant scope and/or TasPorts' costs for participation in tenant works.*

Peter Gemell
Devonport QuayLinkProgram Integrator

12 February 2024