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THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART, ON FRIDAY 16 AUGUST 2024

INQUIRY INTO THE TT-LINE SPIRITS PROJECT

In camera hearing commenced at 11:49 am.

Ms WHITE - Do you want to talk about the context?

Dr BROAD - The Pre-Election Financial Outlook (PEFO) Report came out, I think, on 28 February [2024].

There's a section in PEFO, that starts on page 11, which is: changes to risks and sensitivities. That's obviously where risks to the budget are outlined. The context for the invitation was that the TT-Line and/or Treasury thought that putting certain risks about the deal with Rauma Marine Construction (RMC) into the public arena could potentially impact the company. From that, we attended the meeting -

CHAIR - Was the impact to TT-Line or RMC?

Dr BROAD - RMC.

CHAIR - Right.

Dr BROAD - If there was some information in the public arena it could impact their creditors and make the situation really bad for RMC.

Basically, what we were told was that there had been issues, mainly due to the Ukraine war. Azovstal was the major supplier of steel to RMC and that had been blown up by the Russians resulting in issues with procuring steel, and also the price had gone up. That had put financial pressure on RMC. There was a potential risk to RMC based on those cost escalations; but everything was fine and it was something that they were managing.

That was the context, so if they put into the PEFO that there was a financial risk to RMCA then that could potentially have an impact on RMC and then subsequently on TT-Line and the contract. That was the context and that was the information that we we received.

We asked a series of questions but the financial situation, from my recall of the briefing, was a risk, but it wasn't a material risk. It wasn't an imminent risk, it wasn't something that would potentially bind a future government, it was just a risk that should be in the PEFO like all the other risks that are currently listed in the PEFO. It was not something material that was just about to happen.

We asked questions like: was the contract on time, would there be a delay, and the information that we received from TT-Line got buried right into detail. They talked about things like potentially using a different route to get the ship from Finland to Tasmania. Instead of going through the Suez Canal, they might have to go around the Horn of Africa, and that would mean they would have to work out places to stop, to refuel, and that would take longer so there would potentially be a delay in the ship arriving.

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This was the context; they weren't saying the delay was going to be six months or more, it was just that they couldn't give us an exact date for the arrival because of these other issues.

CHAIR - So the delay was going to be more about after they've taken delivery to get it to Tasmania as opposed to delivery of the vessel for them to take over.

Dr BROAD - Yes, to get it into their hands.

We were trying to find out when the ships would actually be delivered and we couldn't get a clear answer, and that was the sort of information. They got really buried into the detail quickly instead of saying it'll be delayed three months, six months, 12 months.

We didn't get any information like that. It was just, look, 'we know that the the company has some issues, , and everything's on time, but we need to work out a route to get the ships to Tasmania.' That was the context of the meeting.

CHAIR - Can I just interrupt you for a moment, Shane?

When the decision was made to call you in to discuss this risk - if, as you describe, the risk was a time delay after they'd received ownership -

Dr BROAD - That was subsequent to my questioning.

CHAIR - Okay.

Dr BROAD - The reason to go in there was to talk about the potential financial risks of RMC.

My conclusion, and I'm sure Rebecca can have her own opinion, was that there was a financial risk, but it was all under control. We didn't hear about -

CHAIR - Was there a suggestion they were going to be asked for extra money?

Dr BROAD - No, and no suggestion of having to waive penalty clauses -

CHAIR - What date was your briefing?

Dr BROAD - It was 29 February [2024]. There was no indication of that at all and it was pretty clear that it was Treasury who had almost made TT-Line come in and brief us.

TT-Line didn't seem like they were very forthcoming or even willing to be there but Treasury was insisting. That was the impression that I got, that it was a trivial matter.

Now, we were also doing this in the middle of an election -

CHAIR - If it was a trivial matter, why would they call you in?

Dr BROAD - Treasury insisted.

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Ms WHITE - It was organised by Treasury.

Treasury, I think, were being thorough because there was obviously an absence of any noting of this risk in their report, so the Secretary wanted to explain to us why it wasn't there, and it wasn't there because there could potentially be a commercial risk to RMC. If it was flagged up, it might spook some of their creditors. That was the framework as Dr Broad said.

He's quite right, and I'd agree with him in his assessment of the demeanour of those in the meeting. We were online because we were in the middle of an election campaign, and could not all travel to be in the same room together. Gary Swain was very happy to share as much information as he had to share. I don't believe that he withheld any information from us during that meeting, but it was quite clear that the Chair did not want to be there and thought it was a waste of his time to be briefing us.

CHAIR - In your opinion, was the Secretary of Treasury, Mr Swain, aware of the financial implications that were coming down the line at Devonport port with a new berth?

Ms WHITE - I couldn't say because we weren't talking about that. It wasn't mentioned.

Dr BROAD - That definitely wasn't mentioned as a risk. It was just around the finances of RMC. It definitely wasn't around issues at the wharf, issues with timelines, issues with the berth and all the stuff that we've subsequently found out in Question Time.

None of that was discussed at all. The whole genesis of the information was there was a paragraph about the risk of RMC itself that wasn't in the in the Pre-Election Financial Outlook Report. That was why we were called in. We got an opportunity to question TT-Line about other issues like delivery timelines, but none of those other risks were discussed.

I'm not sure, but it didn't seem like Treasury knew that there was a risk to the wharf contract either.

Ms THOMAS - Just to clarify, the port upgrades weren't mentioned at all? There was no discussion of the port upgrades.

Dr BROAD - No, not from my recollection.

Ms WHITE - I think it's also worth noting that the briefing we received on 29 February [2024], we now know on 21 March [2024] there was a payment made which was still during the caretaker period and we were not provided information about that.

CHAIR - A payment made to RMC?

Dr BROAD - Yes, for €50 million.

Ms WHITE - I think the Government has also said that they may have been unaware of that too, based on what the Minister, Mr Ferguson, said publicly.

Dr BROAD - Also, the waiving of the penalty clauses is a significant variation in the contract that we should have also been alerted to.

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Ms THOMAS - Were you aware that the Department of State Growth had been directed by the Minister to engage in the berth/port upgrade projects with an oversight role?

Ms WHITE - No, I wasn't at that stage.

Dr BROAD - I'm not sure when that actually happened.

CHAIR - It happened on 10 November 2023, so it was before caretaker came into effect.

Dr BROAD - Yes, the Government only deals with caretaker anything outside of that point they don't have to disclose, but whether that's in the public interest to disclose is another matter.

Mr BEHRAKIS - I had a similar question to the one I asked in the open part, I just didn't get in there on time, same sort of question. Since you got that briefing - specifically you guys or your party or any of your staff - haven't had any meetings with RMC?

Dr BROAD - RMC? Definitely not.

Ms WHITE - I haven't, I'm not aware anybody else would have either.

Dr BROAD - Or TT-Line, you mean?

Mr BEHRAKIS - No, TT-Line was the first question, and now the same question about RMC.

Dr BROAD - We haven't had any contact with RMC that I'm aware of.

Mr BEHRAKIS - To clarify what you said, when you were in that briefing, your take on it was that - obviously, TT-Line was acting like they didn't want to be there and they didn't need to be there and what have you, and Treasury didn't seem to be - it seemed that TT-Line wasn't even telling Treasury the full picture either?

Dr BROAD - We can't know that.

Mr BEHRAKIS - But that's your take on things?

Dr BROAD - My take was that there was a risk that should have been in the pre-election financial outlook. It should have been in there but it wasn't. Treasury must have known that there was a risk that should have been disclosed but wasn't. Their understanding of the risk is something that we can't answer, but it's obvious that there was a risk. How informed Treasury was is hard to say. It appears that Treasury insisted on us having that briefing and almost dragged TT-Line to the table.

CHAIR - Notionally, if the invitation from the Secretary of Treasury to attend a briefing to discuss a risk that had been omitted from this for the commercial sensitivity of the issue with RMC, you could argue that TT-Line don't need to be there unless you had questions particularly about the contract and the reason why the risk wasn't being disclosed because it's Treasury's decision not to disclose the risk. Obviously, one would expect, on advice from TT-Line on the sensitivity of the situation. They talked about that sensitivity in the public hearing here and

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they provided the Committee with some confidential documents to support that. In that case, did TT-Line - staff, Board members or CEO - discuss at all with you that their concerns about the RMC contract? As I understand that's the reason you were there.

Ms WHITE - For the Committee's information, the briefing was organised on 29 February [2024] at 11:30 am until 12:00 pm on Teams and the organiser was Gary Swain. He was the one who first made contact with our office. Yes, he was the one trying to be helpful and disclose information. Looking at these notes, Fiona Calvert from Treasury was there too. There was definitely Bernard Dwyer, the Chair, and I think it was the CFO as well, who were in that meeting. I thought I'd add that information.

CHAIR - That's fine, yes. TT-Line didn't discuss the RMC situation, their financial challenges at the time, with you?

Dr BROAD - No, they did. As I said, they talked about the financial challenges based on the external circumstances, like the increase in steel price, the difficulty procuring steel, and that had put financial challenges on RMC. That was a risk, but that wasn't disclosed. I don't think that we were informed of the level of risk, we were just informed that there was a risk but not that they were just about to pay €50 million to bail the company out and not that also the Finnish Government kicked in €50 million. We were completely unaware that that was the level of risk that the state was facing, it was just that there is a risk. It should have been disclosed. The level of risk we were not informed about.

When we asked questions, they just got buried straight into the detail about things like [inaudible] and deliveries.

Ms WHITE - My recollection of that meeting is that the Secretary of Treasury organised it to make sure that there were no gaps in his obligations- he was fulfilling his duties, and that the representatives from TT-Line were there because they had to be there. Every question that we asked of them was largely dismissed, and the impression given to us was that everything was fine, and they just didn't want to disclose that information publicly because it might spook some creditors, so it needed to be handled sensitively but they thought that they had the ability to do that and everything was under control.

Dr BROAD - Certainly, from my point of view I left that meeting thinking that there weren't any significant problems. Maybe the delivery date was going to be pushed out, but not by a significant period of time, and that RMC would be just fine.

CHAIR - The risk, as they were described to our Committee, was the ships would not be delivered - if RMC went bankrupt and were put into receivership, that the two vessels would be tied up in that process and may never be delivered, even though they had insurance to get the money back but that would be through a long and tortuous process, as you understand.

Dr BROAD - I can't recall the mention of bankruptcy and the ships not being delivered. It was just, 'Look, there's a financial risk here that we probably should have disclosed in this financial report, but we didn't because of commercial sensitivities'. But the impression that I think we both left with was, 'Look, everything still looks okay'.

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Ms WHITE - I think that they were in a roundabout way signalling that they wanted to avoid a run on creditors which could lead to the outcome that was then disclosed to your committee.

Mr WILLIE - There was a second opportunity for them, though, on 21 March [2024] to come back to both of you and update you on where it ended up, and that opportunity wasn't taken?

Ms WHITE - No, there was no further information provided to us, no requests to brief us, no contact at all.

Dr BROAD - Also, there was no report that had just been tabled by Treasury, so the trigger wasn't there either.

Ms WHITE - I think the fact that we were in an election contest, a highly charged political environment, the information that was shared with us was confidential and we weren't going to breach that. But had we thought there was something material there, would we not have asked a question over the next couple of weeks for an update on the *Spirits* or made it a feature of infrastructure program or talked about the Devonport wharf. We didn't do that because there was nothing that we'd learnt at any point that indicated to us that any of these projects were at risk.

CHAIR - In terms of - and we can discuss this again when we go out of in camera - this information being confidential, and I appreciate the reasons you've requested that absolutely, the risk is now changed because there has been that €50 million provided by the State via TT-Line and the €50 million from the Finnish Government to expend on the delivery of the two vessels. We're apparently about to take possession of at least one and bring it to Tasmania. Because of that, the financial risk appears to have been diminished, in terms of the money's already been paid, the horse has bolted on that, if you like.

In terms of disclosing this conversation, disclosing it now - again, acknowledging the confidentiality that you respect in regard to the convention - but there may be matters that wouldn't be sensitive to be released now. On that front, I suggest that we would like to send you the transcript to ask you whether there'd be matters that you'd be happy for us to share with Treasury to ask them for their approval to publish. Also, for any other areas that you think, 'Actually, reading through this, this could be made public or that could be made public', and you can identify those within the transcript.

Ms WHITE - I'd be comfortable with that, because I think, for the most part, a lot of this information is now public. As long as it's understood that information will only become public already by the Government, perhaps, I think it would be reasonable. I'd be happy to have a look at that, but obviously I put in evidence earlier in the public statements my hesitation about giving this evidence in public.

CHAIR - Sure. Are there any other questions while we are still in camera? Is there anything else you want to say while still in camera?

Ms WHITE - Not for me, Chair.

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Dr BROAD - I think we're fairly good. A lot of this has all come out subsequently, but we were definitely not aware of the level of issues with TT-Line until we started dragging it out of the Government.

In terms of the caretaker convention, we definitely weren't informed, and even subsequently to that, the Government never provided information to the public which they should have, but that's obviously another matter.

In camera hearing ended at 12:09 pm.

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