



11 October 2019

Mr Bernard Dwyer  
Chief Executive Officer  
TT-Line Company Pty Ltd  
PO Box 168E  
East Devonport Tasmania 7310

Dear Bernard

**RE : TasPorts Redevelopment of Devonport East Port Infrastructure**

I am pleased to provide an update on TasPorts' position with respect to the Devonport East Redevelopment in order to ensure alignment and a clear pathway for progress through the approval milestones and into the Project Delivery phase.

A project of this scale is unique in Tasmania and together with its purpose of enabling the continued growth of Tasmania's freight and tourism markets, this project is of significance to all participants and to the State. It is critical that TasPorts and TT-Line are transparent, communicative and collaborative in finding the right balance of beneficial outcomes for each organisation, its customers, shareholders and the community stakeholders we both seek to serve.

Our respective project teams have been collaborating well through the Project Working Groups and Steering Committee and have identified a port configuration that works operationally for TT Line and SeaRoad. This design is predicated on a safe and practical working berth for TT-Line's new larger vessels noting that the design Length Overall of 212m cannot safely operate in the existing TT-Line lease area without significant disruption to TT-Line and other long term commercial port users.

The current total project estimate based on the agreed conceptual design is an order of magnitude cost of \$169M, exclusive of landside building works above pavement level. Should TasPorts include the TT-Line buildings in the project scope it is expected to add another \$10-20M depending on your user requirements.

The significant amount of change required in the reconfiguration of the Port, and the desire of TT-Line to not tolerate any operational disruption during the construction phase are the two major drivers of total project cost. Whilst there will always be some localised short term disruption to existing tenants during any major redevelopment, the current project design option is based on the customer requirement for no major interruption to service such as interim schedule and port location changes.

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This requirement removes other lower cost options from any consideration and forces a very high total project capital cost outcome that must then be factored into the ongoing lease and berthing costs for TT-Line. Given the importance of this user requirement, can you please confirm TT-Line's position that nil operational disruption is a mandatory criteria for TT-Line, acknowledging that this significantly increases the total project cost and the flow on effect this will have to commercial pricing as part of a new long term lease.

TasPorts acknowledges TT-Line's request for a new long term lease for berth and terminal and is willing to consider a 25 year term with options. This can be progressed in the commercial discussions underway with our respective teams.

The new lease will move to a contemporary structure starting with two Heads of Agreement, being

- a. The Agreement for Lease (AFL) to cover the design costs and the project period of Landlord works and interim operations; and
- b. The Lease and Operating Agreement, including the commercial components of charges being Landside lease with reset mechanisms and outgoings, Operating License charges linked to volumes and market values and Waterside charges including channel and berth pocket access and marine safety. Depending on the outcome of scope allocation, there may also be bespoke landside capital developments that would be subject to a standard capital return model.

These documents will be drafted on the basis of the principles discussed in the Steering Committee and will be shared with TT-Line through the Commercial meetings in the next month.

TasPorts remains acutely aware of its obligations as a State Owned Corporation. Management and the Board understand the complexities of a redevelopment project that will provide access, infrastructure and services to privately owned customers and State owned customers that operate in an open market. TasPorts will adopt a consistent, fair and reasonable approach to all port users.

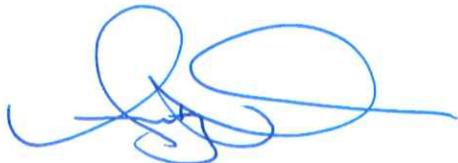
I understand that the timing for the introduction of new vessels into service remains uncertain due to your current commercial negotiations with the ship building contractor. TasPorts understands that these are complex matters and would welcome advice on likely delivery date ranges when such information is available to be shared. Notwithstanding this, the TasPorts project team have developed a baseline schedule for all of the project phases based on an optimised critical path schedule adopting conventional construction methodology. This forms the basis for the planned staged infrastructure redevelopment and needs to be considered and integrated into your ship delivery schedule. The project schedule will be shared in detail through the Project Working Group.

As you are aware, the joint TasPorts and TT-Line Steering Committee continues to discuss scope allocation. TasPorts has maintained its position that the terminal operator be accountable for development above pavement level. The TasPorts Board were surprised that TT-Line would seek TasPorts to develop such a critical customer interface facility. However in the interest of project integration and coordination TasPorts is willing to consider including all development scope into the TasPorts project, subject to the provision of timely functional specifications from TT-Line and adherence to strict governance on scope control and operational site management during construction. These details will be tabled in the Steering Committee.

As we are both aware, it would be problematic for new vessels to arrive without fit for purpose infrastructure and we will continue to work with TT-Line and SeaRoad to ensure fair access and ready built infrastructure through contemporary commercial agreements. The next 3 to 6 months will require diligence and cooperation from both parties in the Project Working Group, the commercial meetings and the Steering Committee. I also request that you and I meet regularly to ensure alignment and consistency in our engagement with shared stakeholders.

TasPorts is absolutely committed to working with our customers to ensure their business can grow successfully and I look forward to working with you during this exciting period of development in the Port of Devonport.

Yours sincerely,



Anthony Donald  
Chief Executive Officer

