

# Department of Treasury and Finance

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Hon Ruth Forrest MLC  
Chair  
Parliamentary Standing Committee of Public Accounts  
Parliament House  
HOBART TAS 7000

Dear Ms Forrest

## **Inquiry into the TT-Line Spirits Project**

Thank you for your letter of 12 September 2024 in relation to evidence provided by Ms Rebecca White MP and Dr Shane Broad MP to the Parliamentary Standing Committee of Public Accounts, for its inquiry into the TT-Line Spirits Project.

I have considered the in camera evidence and advise that I do not object to its public release. I would, however, like to take the opportunity to clarify a number of matters. For the avoidance of doubt, I provide this letter on the basis that it will be made public.

Firstly, the briefing on 29 February 2024 to Ms White and Dr Broad was provided in the context of my responsibilities under the *Charter of Budget Responsibility Act 2007* and not caretaker conventions.

The purpose of the meeting was to deal with a sensitive issue by providing the same verbal briefing, in a non-partisan way, to the major opposition party as was provided to the Government. The briefings were in lieu of addressing the matter in my Pre-Election Financial Outlook Report, which was released publicly on 28 February 2024. I took this action as to address the matter in the Report would have exacerbated the risk, as further discussed below, that TT-Line was seeking to manage.

Ms White and Dr Broad advised the Committee that it was communicated to them, at the briefing, that RMC faced some risks but that “*everything was fine and it was something that they (TT-Line) were managing*”. Similar comments are made throughout the in camera session, including statements from Dr Broad that there wasn’t a material or imminent risk and it was not a matter that would bind a future Government.

In my view, those comments are difficult to reconcile with the purpose and content of the briefing. While TT-Line did make it clear that the issues were being actively managed, it was also made clear that the risks being communicated to Ms White and Dr Broad were material and likely to require some form of action by TT-Line.

At the time of the briefing, RMC faced a potential declaration of insolvency if its cash flow challenges were not addressed. It was made clear to Ms White and Dr Broad that TT-Line was working with RMC to understand all available options to avoid the declaration of insolvency, owing to a concern that this could put at risk securing the new vessels, but not the payments made for the vessels by TT-Line, which were supported by bank guarantees.

In addition, I would like to comment on some statements made by Mr Bugg AM KC, Interim Chair of TT-Line, made to the Committee on 9 September 2024. Mr Bugg made comments in several parts of the hearing that suggested that Treasury had provided caretaker advice to TT-Line and that Treasury advised TT-Line that it did not need to update its Shareholding Ministers. For example, Mr Bugg advised the Committee that: *“We obtained Treasury advice that because we were operating with an existing contract, what we were proposing to do did not require observation of the normal caretaker convention of notification. I think we've informed you of that already. As far as that is concerned, as I say, we are in consultation with Treasury and we proceeded then to negotiate that increased payment to RMC.”*

I would like to advise the Committee that this statement, and related comments made throughout the hearing on this matter, link two separate issues erroneously. While it is my view that this likely reflects an inadvertent misinterpretation, I consider it important to clarify this matter.

On 22 March 2024, following a meeting with TT-Line and, a follow up email from the company, Treasury confirmed that, because TT-Line was not entering into a new contract and Government approval has already been given for the procurement of the vessels, any increase in contract price was a matter for the TT-Line Board and did not require approval from the Government or Treasury.

This advice was provided in context of the ordinary governance arrangements for Government businesses. Under the corporate governance framework for Government businesses, as specified in the *Guidelines for Government Businesses - Capital Investment*, the Board of a Government business is ultimately responsible for capital investment decisions. However, it is appropriate that the business advises the Government on any proposed major capital investments prior to the implementation of the board approved business case, as the Government has a strategic view that may not exist within each individual Government business. In this case, this had occurred some considerable time earlier, when the decision to buy the new vessels was originally made.

The Guidelines also note that, once a capital investment decision has been allowed to proceed, if it becomes evident to the Government business that its major capital investment is performing poorly or well below expectations, or has produced risks not originally foreseen, the Shareholding Ministers are to be informed immediately, along with proposals for remedial action to mitigate those risks or strategies to exit from the investment.

In this regard, I wish to clarify that Treasury did not advise TT-Line that it did not need to update its Shareholding Ministers on the agreed contract revision with RMC. Instead, Treasury's advice was that the Board did not need to seek the approval of the Shareholders for the revision of the contract.

Similarly, I reiterate that it was in the context of ongoing corporate governance arrangements that Treasury provided its advice to TT-Line on 22 March 2024. It was not in the context of caretaker conventions. As you are aware, the Department of Premier and Cabinet is responsible for the administration of caretaker arrangements and I understand that DPAC wrote to TT-Line on 14 February 2024 in relation to the operation of Government in the caretaker period.

Should you have any queries or require any further information regarding this matter, please contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gary Swain', written in a cursive style.

Gary Swain  
Secretary

27 September 2024

Cc Ms Rebecca White MP, Member for Lyons  
Dr Shane Broad MP, Member for Braddon