

Background:

TasPorts update as at 14 May (emailed to Chairman of TT-Line following a phone call from TasPorts)

1. Technical meetings have continued with TasPorts on the design of Berth Number Three for new vessels and detailed plans and studies progressing well. In fact a further working group meeting was held yesterday with Paul Davis and no issues were identified to be major impediments.
2. A user requirements document has been formulated and under discussion.
3. Some queries re; back of house accommodation for TT-Line's use has not been identified or costed by TasPorts yet.
4. A Steering Committee meeting was held on Tuesday this week where a commercial meeting was planned for this Friday to discuss the term sheet (included) and where the project timeframe jumped from 30 months in the term sheet to now 34 months. TasPorts COO stated that they will not have the infrastructure in place for 2022.
5. The term sheet attached will be discussed on Friday as:
 - a. Not all information is included to allow full costings to be modelled
 - b. The cost of the project is rolled into the wharfage charges (we believe)
 - c. No costings have been provided on bespoke capital works required, ie. Ramps, bow pad, foot passenger terminal , etc.
 - d. The wharfage charges we were told at the last meeting will apply even if we don't buy new ships and stay at berth No 1.
 - e. Rough calculations show an increase in wharfage in 20/21 to be \$9.6m or 262% and overall charges to increase by 126%. (All to be confirmed after the meeting on Friday)
 - f. There is a push to have these terms in place by July 2020 even though we have an agreement till June 2021.

TT-line then sent to TasPorts a letter on 29 May:

"We now have clarity that there are two main streams of financial proposals from TasPorts:

1. *Ongoing volume based wharfage costs; and*
2. *Provisioning of Berth No 3 for the use of TT-Line.*

To ensure the project timeframes are met for the delivery of new ships, we need to separate these two streams.

In relation to volume based wharfage costs, based on our initial calculations, from 2021 the anticipated increase is in excess of 250%. In \$ terms that is moving from circa \$3.5 to more than \$13m in 2021/22. As we have discussed, we find that an unacceptable increase, for no stated improvement or quantity of services from TasPorts. In fact, it was stated by TasPorts that this increase will apply whether or not we move to Berth No 3. Throughout our discussions to date, there has been no valid justification put forward for this level of increase.

TT-Line will need to pass on any increase in fees to our freight clients as well as through passenger fares increases. The proposed fees will amount to an average increase of \$34 for a TEU and \$28 per passenger vehicle."

TasPorts responded in a letter dated 2 June which included a table of charges comparing assumed charges incurred in Victoria:

The tone of your letter suggests that TT-Line wish to directly approve, fund and source bespoke capital items. We are in agreement with this. In order to proceed we require your assurance that the timing and delivery integration of these items will be co-ordinated within the overall delivery schedule. If you require further involvement of TasPorts in the bespoke capital items please advise us.

The table showed that TasPorts had estimated we were paying \$22.065m in fees to Victoria. (we actually only pay circa \$19m (which includes \$4m of tonnage to Port of Melbourne). The table shows TasPorts annual fees going from \$6.169m to \$13.096m.

Splitting the new Marine Services Charge (\$3.4m p.a.) between passengers and vehicles results in an average increase of 756% for passengers and 123% for freight.

		2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	
Volume based	Current Total	\$3,676,395	\$4,063,924	\$4,496,299	\$5,138,319	\$5,187,004	\$5,456,276	\$5,778,051	\$6,123,958	\$6,621,626	\$6,946,291	
	Current Pax	\$717,070	\$927,791	\$940,272	\$1,098,636	\$961,888	\$1,008,493	\$1,059,173	\$1,114,113	\$1,164,276	\$1,207,775	
	Current Freight	\$2,959,325	\$3,136,133	\$3,556,026	\$4,039,683	\$4,225,115	\$4,447,783	\$4,718,878	\$5,009,845	\$5,357,350	\$5,738,516	
	New Total	\$13,039,605	\$14,217,753	\$17,443,034	\$18,775,944	\$18,444,269	\$18,949,844	\$19,527,522	\$20,140,522	\$20,798,477	\$21,466,058	
	New Pax	\$6,460,648	\$7,376,592	\$8,702,594	\$9,359,776	\$8,736,972	\$8,904,427	\$9,083,315	\$9,273,584	\$9,439,014	\$9,573,729	
	New Freight	\$6,578,957	\$6,841,161	\$8,740,440	\$9,416,168	\$9,707,297	\$10,045,417	\$10,444,206	\$10,866,938	\$11,359,463	\$11,892,329	
	Total Var	\$9,363,210	\$10,153,829	\$12,946,735	\$13,637,625	\$13,257,266	\$13,493,568	\$13,749,471	\$14,016,565	\$14,276,852	\$14,519,767	
	Pax Var	\$5,743,579	\$6,448,801	\$7,762,322	\$8,261,140	\$7,775,084	\$7,895,934	\$8,024,142	\$8,159,472	\$8,274,739	\$8,365,954	
	Freight Var	\$3,619,632	\$3,705,028	\$5,184,413	\$5,376,485	\$5,482,182	\$5,597,635	\$5,725,329	\$5,857,093	\$6,002,113	\$6,153,814	Average
	Total Var %	295%	295%	295%	295%	295%	297%	298%	299%	299%	299%	246%
Land based	Current	\$2,895,084	\$2,944,301	\$2,994,354	\$3,045,258	\$3,097,027	\$3,149,677	\$3,203,221	\$3,257,676	\$3,283,961	\$3,339,788	
	New proposal	\$9,296,366	\$9,328,030	\$9,360,233	\$9,392,984	\$9,426,291	\$9,460,165	\$9,494,614	\$9,529,649	\$9,565,280	\$9,601,516	
	Variance	\$6,401,281	\$6,383,730	\$6,365,880	\$6,347,726	\$6,329,264	\$6,310,488	\$6,291,393	\$6,271,973	\$6,274,319	\$6,261,728	
	Variance %	221%	217%	213%	208%	204%	200%	196%	193%	191%	187%	756%
Total	Current	\$6,571,479	\$7,008,225	\$7,490,652	\$8,183,577	\$8,284,031	\$8,605,952	\$8,981,272	\$9,381,634	\$9,805,586	\$10,286,079	
	New proposal	\$22,335,971	\$23,545,783	\$26,803,267	\$28,168,928	\$27,870,561	\$28,410,009	\$29,022,136	\$29,670,172	\$30,363,757	\$31,067,575	
	Variance	\$15,764,491	\$16,537,559	\$19,312,615	\$19,985,351	\$19,586,530	\$19,804,057	\$20,040,864	\$20,288,538	\$20,558,171	\$20,781,496	
	Variance %	240%	236%	258%	244%	236%	230%	223%	216%	210%	202%	123%

Meeting between CEO's and CFO's on 4th June:

We met in person and re-iterated that we are looking to get approval to fund the Bespoke Capital at Berth No 3 but **not** run the RFI, Procurement and actual works. We also clarified that we are not open to changing the current contract prior to the expiry date of 30 June 2021.

We also asked about acquiring the land and undertaking the required developments ourselves (via a third party with the expectation that we would pay the developing entity an annual lease payment). This option was rejected outright by TasPorts.

Through discussions we clarified the amounts we actually pay in Victoria and the surprising assumptions made by TasPorts.

TasPorts then took a few hours to re-crunch the numbers and came back with the same figures but offered to drop the charges from \$13m to circa \$9m per annum for 2 years if we started from July 2020.

The meeting ended with TT-Line looking to only fund the Bespoke Capital items and reviewing the situation with the Board at next meeting.

Since then we have had a further technical meeting and the notes of that meeting are attached.

The TT-Line email was sent this week with the noted reaction from TasPorts, basically not wanting to do anything going forward and cancelling meetings.

Part of the email read:

With regard Bespoke Capital items – following your Board's resolution these will remain the full responsibility of TT-line. From design development through procurement, construction/installation and maintenance. Other than sensible communication associated with integration of these assets with other components, TasPorts will have no role or responsibility

- There will be no further progression of this project for TT-line, nor commencement of works without a commercial agreement. TasPorts requires a commercial agreement as a pre-requisite for our funding
- I have briefed our Chairman this morning. The TasPorts Board remain fully briefed and supportive of our position. Our Chairman remains open to dialogue with your Chairman, noting that he is yet to respond to attempts to communicate