From:	Phil Hoggett
To:	Kym Sayers
Cc:	Bernard Dwyer; Anthony Donald; Stephen Casey
Subject:	FW: TT-Line Commercial Negotiations
Date:	Friday, 22 May 2020 4:14:18 PM
Attachments:	image001.png image002.png image003.png image004.png image005.png

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Hi Kym,

In response to your e-mail of May 20, the following details are provided.

Terminal Operating Agreement
Consists of three elements, pricing and details provided below:

- Marine Services Charge
  - Provision of assets and services for seaside activities, charged by GRT of the vessel per sailing
  - Rate $0.33 per GRT
    - Capped at 365 sailings per year

- Landside Service Charge
  - Provision of licence for use of wharf-side assets, charged by variable unit
  - Rates
    - Full Container $57.00 per unit
    - Empty Container $0.00
    - Vehicle (freight car) $34.20 per unit
    - Vehicle (pax car) $20.00 per unit
    - Pax charge $0.00
  - Conversions
    - Wheeled freight unit to container two units
    - Vehicles (freight car one unit
    - Vehicles (pax car) one unit
    - Vehicles (pax car) - car & trailer/ caravan two units - Vehicle (pax)
  - Notes
    - TasPorts will work with TT Line on any out of gauge conversions with the lower of any unit conversions being applicable
    - Vehicles (cars) are not differentiated on size
    - Minimum volume thresholds for full containers and vehicles commences at 90% of FY18/19 volumes.
      - The minimum volume threshold to increase by 1.5% per year - TasPorts is willing to discuss a 10 year cap on the escalation of the threshold
      - Force majeure clause to be included in drafting

- Property Charge
  - Terminal landside rental
  - Rate $22.50 per square metre
  - Estimated footprint of the leases TT Line currently have with TasPorts is 70,000/m2
  - Estimated footprint of the proposed future lease with TT Line is 81,400/m2
  - Notes
    - Outgoings (rates, land tax, water & sewerage) charged on a pass through basis
    - Outgoings (electricity) is currently contracted directly between TT Line and providers. We envisage that this remains unchanged
    - Property lease to be review to market every 5 years

- Other notes related to the Terminal operating agreement
  - Payment terms 14 days from invoice
  - Annual CPI price escalation of rates (All Groups CPI) effective 1 July

- Prices provided are GST exclusive
- Term 25 years

Bespoke Capital

Separate to the Terminal Operating Agreement, TasPorts has been asked to fund capital elements, these elements normally sit outside of the provision of the port owner.

- The current estimate of providing this suite of Bespoke Capital elements is $77.58M
- Annual cost
    - Given the estimated cost of the bespoke capital, the annual repayment value over a 25 year period (with monthly invoicing cycles) is $7,433,730 p/a
        - TasPorts is seeking a return of 8.4%
        - TasPorts would consider a delay to the start date of repayments to more closely align to the mid-point of expenditure
            - The repayment period would then be reduced and a recalculation of this vlaue
- Notes
    - TasPorts does not carry any price risk associated with bespoke capital elements
    - TasPorts is not seeking to recover internal labour costs through this element
    - The estimated value of the bespoke capital continues move as the requirements from TT Line evolve
    - TasPorts has offered to facilitate value engineering workshops, with the aim of reducing the cost of the bespoke capital
    - TasPorts is comfortable if TT Line wishes to fund the elements directly
    - TT Line is responsible for the maintenance of bespoke capital items
    - TT Line is responsible for any replacements or upgrades required to bespoke capital items
- Further notes related to the inclusions of bespoke capital items
    - The project working group members/ representatives would be best positioned to provide the refined details of how these discussion stand; however in the interest of providing a response my low level of understanding is – :
        - Buildings – Base Build (handover includes external shell, plaster, white paint, power outlets but nothing else)
        - Electrical – Includes distribution boards and power to buildings
        - Network – Conduit only (cables to be pulled through and routed by TT Line)

In addition to the pricing elements and details provided, two key risks that remain outstanding they are, the alignment of the redevelopment/ ship arrive timelines and the outcomes of the harbour/ship simulations for the purpose of increasing the Port limits.

I fully support your position that this needs to be progressed as a matter of urgency and am available to discuss this information if that would be of assistance.

Kind regards
Phil

Phil Hoggett | Executive General Manager Commercial and Trade

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From: Kym Sayers <ksayers@spiritoftasmania.com.au>

Sent: Wednesday, 20 May 2020 10:02 PM
To: Phil Hoggett <[redacted]>
Cc: Bernard Dwyer <[redacted]>; Anthony Donald <[redacted]>
Subject: TT-Line Commercial Negotiations

Hi Phil,

Following on from our meeting on Friday 15th May, we have discussed the material that was presented, the previously issued discussion sheet, and the bespoke capital costing detail that was provided to us for the first time yesterday.

There has been assertions, from a number of parties, that TT-Line is yet to agree commercial terms for the project. For clarity, the discussion sheet cannot be considered a commercial offer that could either be accepted or countered. As yesterday was the first time detailed costings of the proposal have been shared with us, we have not been in a position to undertake any analysis to understand the overall financial implications of the proposed project, nor understand where adjustments can and should be made.

Both parties obviously need to progress the commercial negotiations as a matter of urgency. To that end, we require the following:

- All volume based charges to be treated separately and removed from project discussions – this is a separate matter that needs to be addressed as such.
- A firm commercial offer to be presented that clearly sets out the proposed total annual costs (in dollars), and annual escalation rates if applicable, of:
  - Property lease, and
  - Bespoke capital; and
- Details of what costs are **<u>not</u>** included in the above. i.e. what additional operating (e.g. rates, electricity) and / or capital costs (e.g. building fit out and cabling) are expected to be the responsibility of TT-Line.

Please give me a call if you require any clarity on the above.

Kind Regards

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