MINUTES OF TT-LINE MEETING WITH TASPORTS
AT THE TASPORTS OFFICES HOBART
ON 29 JUNE 2020

Present	Michael Grainger	TT-Line Chairman
	Stephen Bradford	TasPorts Chairman
	Bernard Dwyer	TT-Line CEO
	Anthony Donald	TasPorts CEO
	Kym Sayers	TT-Line CFO
	Phil Hoggett	TasPorts CFO

Meeting commenced at 2:11pm.

Michael Grainger (MG) outlined the importance of the development in Devonport for the current and new vessels for TT-Line, and that while there are some areas of concern in the proposal from TasPorts, TT-Line wants to have these resolved as soon as possible so that TasPorts can move forward with the required developments.

Stephen Bradford (SB) asked if there were some major sticking points, or if there were issues with the whole proposal.

MG outlined to the meeting that MG is a non-Executive Chairman and leaves the technical details and discussions with the TT-Line Management team. The Chairman and the Board guide TT-Line in strategy once a month.

MG advised that discussion should occur in two parts being Capital Expenditure and Wharfage Fees.

SB stated that he thought we had agreed a 30 year lease from 1 July 2021 and asked if TT-Line thought the Capital Requirements and maintenance should be paid by TT-Line.

Bernard Dwyer (BD) stated that TT-Line has already advised that we are not in the business of building infrastructure and that this is a major project for the whole of East Devonport development for all tenants. In addition that TT-Line's original business case for new ships showed and costed TT-Line staying at Berth No 1.

Over the period of the project so far discussions had been had with TasPorts in relation to several sites for TT-Line that fitted with TasPorts overall Master Plan. Berth No 3 was settled on as it allowed development to occur while still operating from Devonport and could be phased for all tenants.

TT-Line are very comfortable with the outcome of Berth No 3 being TT-Line's new facility for use. Details were then shared on the 3 level loading discharge required by the new ships. At the last meeting it had been discussed that TasPorts would run the full development project and TasPorts enquired as to whether TT-Line would fund the Capital component being the Bespoke Capital required on the site. In essence they requested TT-Line to fund everything required from the ground up.

TT-Line are seeking approval to fund the capital for the bespoke items. This is currently estimated by TasPorts to be circa $80m and the technical teams from both organisations are in discussion on how that can be reduced to save costs and also shorten implementation times. For example the Auto-mooring hardware could be in a second phase of an implementation, a terminal for foot passengers could be simplified, and the removal of the immediate need for the air bridge.

TT-Line advised that if approval is given for the new ships that the first will be delivered in November 2022 and expected to go into service in March 2023 and the second vessel to arrive in October 2023.

MG advised that the facility should be very simple. Anthony Donald (AD) advised that the specifications to date had been designed from the requirements from TT-Line.

SB advised that if TT-Line can agree to fund the Bespoke Capital then TasPorts can develop that, but TasPorts need an agreement on the total commercial proposal before it can proceed.

SB then advised that TasPorts would need to strengthen the berth, deepen the Mersey River and put all the hard stand in for the freight yards. SB then clarified that TT-Line are not being lumbered with other site costs, e.g. SeaRoad developments and that he estimated that the component for TT-Line would be $120m.

BD expressed that this is the first time that TasPorts have discussed or divulged that sum for the Berth No 3 project.

SB also expressed that he believes climate change will have more of an impact going forward over the 30 year lease and therefore the Mersey is likely to flood more often. This in turn would push the maintenance and dredging costs up over time.

Discussion was then held around very high level details of the Geelong Port arrangements and impact on TT-Line.

SB asked if TT-Line wanted TasPorts to match Geelong's offer. BD advised that TT-line are comfortable to fund the bespoke capital of Berth No 3 which is not the case in Geelong and also the maintenance from the sub-base up at Berth No 3.

SB than re-stated that TT-Line need to pay for the berth, the dredging and the hard stand.

SB then outlined the reason that the structure of a wharfage rate on TEUs and in TasPorts view a peppercorn rate for Passengers, cars and caravans, is that SB believes there will be an over tonnage on Bass Straight and TT-Line may lose freight business and therefore would pay less. However, if TT-Line would prefer to pay a fixed rental he would get AD and Phil Hoggett (PH) to look at that.

BD re-iterated that in all discussion to date TasPorts have advised that the wharfage would be the same going forward whether we are at Berth No 1 with current vessels or Berth No 3 with new vessels.

SB then corrected that based on a conversation he had with AD the previous day, that of we stayed at Berth No 1 and there was no capital outlay required, TasPorts would strike a new lease based on multiples of CPI and then CPI each year going forward.

BD then outlined the potential impact on Tourism Numbers into Tasmania if TT-Line passed on any material increase in wharfage. MG then outlined the case of needing to pass on cost increases to Passengers and Freight Customers of any significant increases.

SB asked TT-Line to make an offer. MG responded that BD and Kym Sayers (KS) would need to do some work to make an offer. MG restated that TT-Line are prepared to pay for a fair and equitable arrangement and recognised that TasPorts do need to make money out of the arrangement.

SB outlined that TasPorts are invoicing $6m currently and need to fund $120m of capital and ongoing maintenance.

AD clarified that the current proposed arrangements were based on Market Rates but TasPorts could look at purely an Infrastructure Levy.

KS and BD then held a brief discussion around the problems with the proposed minimum volume arrangement.

PH then commented that TasPorts could restructure an arrangement around a property detail that would not have a volume element as opposed to a normal terminal operating agreement that is made up of fixed and volume based components. PH talked about the quantum that TT-Line can absorb?

TasPorts then asked for what headline rate TT-Line can absorb and they will then look at what mechanics and arrangements can be put behind that.

SB then clarified with PH that TasPorts can revert with a property arrangement proposal.

PH clarified that they had currently proposed a $3.3m rebate for the first 2 years of a new agreement to bring some funding into earlier periods.

KS clarified that the structure of the Geelong deal wasn't a big factor in the decision to accept the proposal, but rather the overall costs and certainty for TT-Line.

Agreed that TT-Line will respond to TasPorts with a headline figure for TT-Line and consider the potential for a single annual number with an escalation methodology.

Discussion was held around the staging and timing of delivery of infrastructure for the new vessels.

AD re-stated that the only item stopping TasPorts starting work is a commercial agreement and that TasPorts want to get on with the design and construction.

TasPorts then raised the requirement for the final vessels design so that simulations and risk assessments can be completed. To date these have been completed with the Ulysses Model and the FSG design.

Agreed this needs to be a focus for new ship design as soon as possible once approved. MAST need to be involved in this as well especially in relation to the swing basin. TasPorts and TT-Line will endorse with MAST having to approve the final reports.

BD will call AD once a timeframe for response is ascertained by TT-Line.

There being no further business, the meeting closed at 4:04pm.