

PAC Attendance 8th October 2024

Opening Statement: Thank you for inviting me to appear before the committee. I'm not interested in political games and only wish to set the record straight with factually correct information.

The Board of TT-Line were very disappointed with comments made in parliament during August by the Premier, in part blaming TT-Line for the fiasco of Devonport whilst suggesting he would not be getting into the blame game.

The Board decided to respond via a press statement on Wednesday 14th August where I took ownership of the commentary and stated that I was looking forward to "setting the record straight" with factually correct information. Prior to that press statement being released, the Premier released his own statement advising he was appointing two industry experts to deliver new Spirits infrastructure. This came as a surprise.

The Premier also stated in that press release that he was "not interested in excuses or the blame game. I want solutions and I want them now. That's what Tasmanians deserve and expect".

Later the same day, I received an E-mail from the Shareholder Ministers advising that they and the government had lost confidence in me and unless I resign by 7:00pm, my position as Chairman would be terminated effective immediately.

It seems bizarre to me that I was being blamed by the Shareholder Ministers for wanting to tell the truth!

What the Premier stated in his press release earlier in the day regarding the blame game was contradictory, as I was obviously being blamed for wishing to set the record straight at the risk of embarrassing the government. The reality is that as Chairman of the Board, I always kept our Shareholder Ministers informed of everything the Board agreed (or disagreed) to via regular, at least monthly, Ministerial briefings. I regularly advised our Shareholders of our "no surprises" policy but unfortunately the same conduct was not returned by government.

The TT-Line Board became extremely anxious earlier this year when on 31st July the Premier was asked in parliament if he had confidence in the TT-Line Board. The Premier failed to answer the question. At that point I believe the relationship between TT-Line Board / Management and our shareholders became strained. The following day (1st August 2024) we held a Board meeting and advisors from the Premiers office were frantically calling to demand information on the fixed price contract to announce in Parliament. We suggested to the advisors that the TT-Line Board were seriously agitated with the lack of support from the Premier. **(refer Annex 3)**

In my time as a Director and Chairman of the Board I worked with 6 x Premiers and 10 x government Ministers from both sides of parliament and have never witnessed such an appalling lack of support from government as experienced over the previous 12 months. It is also interesting to note that from mid 2022 to March 2024, TT-Line only had 1 x shareholder Minister whereas during my tenure as Chairman, we always had 2 x shareholder Ministers (usually the Minister for Infrastructure and the Treasurer) with Ferguson being both.

New Vessels:

25th October 2023 I had a meeting with TT-Line CEO, RMC Chairman and CEO at Helsinki airport. This was the first time we had been informed of the serious financial situation of RMC which rang alarm bells. Prior to this discussion there had been some commentary around RMC financial challenges like cash flow, but nothing of serious consequence. However, no actual demand or financial amount was advised by RMC.

17th January 2024: Letter received from Chairman of RMC suggesting they required a €30 million injection to “keep our contractors going”. (refer Annex 1) I followed this with a telephone call to Minister Ferguson at 1209hrs 17th January 2024 (refer Annex 1).

18th January 2024: 1730hrs video conference call with RMC to discuss financial implications. MG advised RMC Chairman that TT-Line were unable to pay additional money to RMC.

1813hrs MG called Minister Ferguson to advise of discussion where RMC had required €30 million injection (not necessarily from TT-Line) and MG had suggested that TT-Line unable to pay and Minister Ferguson agreed with MG comments. Call ended 1819hrs. (refer Annex 1).

9th February 2024: Letter received from Finnish Government re appreciative of TT-Line to amend payment terms with no increase in contract price, also advising Finnish government has “strong political will” to support RMC and to overcome financial problems. (refer Annex 1).

16th February 2024: Letter sent to Finnish Govt. advising Board had agreed to amend payment terms in an effort to assist RMC financially, but no increase in contract price. Also advised that Tas Govt. in caretaker mode. (refer Annex 1)

20th February 2024: In a letter to Treasury (refer Annex 11) provided an update on vessel replacement status including revision to payment instalments, refund guarantees, RMC solvency, assurances from Finnish Govt., implications of RMC becoming insolvent, options suggested by RMC to alleviate financial pressures, ability of TT-Line to fund additional vessel replacement AND associated capital works in Devonport etc.

29th February 2024: Briefing to Liberal and Labor parties advising both that RMC were experiencing financial difficulties attributed to cash flow and TT-Line had amended some contract payment timings, all fully backed by refund guarantees. Advised both parties that at this date, RMC had not requested additional funding, although it was expected. (refer Annex 1)

13th March 2024: MG Letter to Chairman of RMC advising “out of session” meeting for 15th March and “unable to suggest amendments to existing contract without Shareholder approval and government being in caretaker mode” (refer Annex 1)

15th March 2024 (Friday): TT-Line held out of session Board meeting due to RMC providing a presentation on financial difficulties. The Board approved an increase in the contract price up to €30 million. MG immediately called Minister Ferguson to advise of the Board decision. Call commenced 1337hrs, duration 29 minutes (refer Annex 5)

20th March 2024: Letter received from Finnish Govt. advising requirement for estimated €100 million to complete both vessels and suggesting if TT-Line can commit to increasing contract price by €50 million, Finnish Govt. will cover any additional costs exceeding €50 million. (refer Annex 1)

21st March 2024: TT-Line Board meeting whereby Board agreed to increase the additional contract price to €50 million. MG immediately called Minister Ferguson to advise the Board decision. Minister advised MG to keep Treasury fully informed. Call commenced 1438hrs duration 29 minutes. (refer Annex 5)

22nd March 2024: Advised Treasury via E-mail of agreed increase in contract price and requested confirmation on previous advice that any increase in contract price is a matter for Board to manage and does not require approval from government or Treasury. Treasury replied to E-mail confirming that previous advice is correct i.e. that approval from Minister or Treasury is not required for contracts already in place. (refer Annex 12)

26th March 2024: Letter received from RMC Chairman to Directors of TT-Line Board advising expectation of final cost to complete both vessels will be in excess of €100 million and stating that Chairman “is just days away from a legal requirement to advise my Board of Directors that we can no longer continue the shipyard as a going concern”. (refer Annex 1)

5th April 2024: Provided letter to Minister Ferguson advising agreed increase of €50 million in contract price for two vessels as previously discussed and providing background on compelling commercial circumstances, noting that any and all payments made to RMC were/are backed by refund guarantees from established Finnish banks and credit agencies. (refer Annex 2)

TT-Line Board were forced to make some tough decisions over a short time frame in terms of new vessel construction, with the final option being to either accept an increase of €50 million (less than 10% of the contract price) or walk away from the project and lose both vessels to administrators. The RMC Chairman had advised me that his Board were within days of declaring that they may become insolvent. The RMC contract includes full refund guarantees meaning that TT-Line is eligible to receive every penny it has paid, however if we did not agree to the increase in price, we would end up not having new vessels for the foreseeable future.

The TT-Line Board agreed to the proposed increase in contract price following a commitment from the Finnish Government to guarantee funding to enable both vessels to be completed (refer Annex 1).

On Friday 19th July 2024 we were advised by RMC that the Finnish government had contributed more than €80 million to date and Spirit 5 will not be completed for another 4 - 5 months. It is not uncommon for shipyards to experience financial difficulties. A large Tasmanian shipbuilder went into administration around 22 years ago. I can give you many examples of a number of international shipyards being bailed out by governments, in fact one of the largest cruise ship builders Meyer Werft in Germany was rescued by the German government just 2 weeks ago to the tune of €400 million.....

As previously mentioned, during my tenure as Chairman, I regularly stated to our shareholder ministers that they would not get any surprises from myself or the Board and in return I did not expect any surprises. Unfortunately we were very surprised by the comments made by the Minister and TasPorts during recent PAC meetings.

TT-Line have achieved amazing results, including but not limited to: remaining financially positive and fully operational during and following Covid, completing Geelong Port facility on time and on budget, completing the contract for 2 x new vessels, the largest infrastructure project in Tasmania's history. The first vessel has now been delivered to TT-Line and the second will be handed over early next year. I will repeat: we completed the Geelong terminal project with Geelong Ports as our partner, on time and on budget. Yet we have found it almost impossible to do the same with a Tasmanian SOC in TasPorts, but I will come back to that later.

TT-Line has endured significant pressures in recent times: one example is the tragic Polo Pony situation where legal proceedings were instigated by the DPP on behalf of another Tasmanian Government department (Natural Resources & Environment), only to be cleared by the courts some 4 years later and after TT-Line spending millions of dollars defending the case. We had no support from government in defending our position. Government only became involved when we acted on legal advice to cease carrying livestock on our vessels. Only then did government intervene due to public pressure.

It should be noted that TT-Line Board approved the signing of the new vessel contract with RMC in June 2020. The former Premier advised on 15th July 2020 that the TT-Line Board recommendation to sign the contract had not been approved by government. RMC were notified 17th July of the government decision. On 21st July 2020 government established a taskforce to investigate options for Tasmanian and Australian businesses to have a greater role in the construction of new vessels. I voiced my serious concerns to the former Premier based on my global maritime experience and suggested the taskforce would not achieve anything over and above what we already knew. That taskforce achieved next to nothing and can only be described as a total waste of time and money. The contract was finally agreed and signed with RMC on 15th April 2021 (10 months later) with an additional cost to the contract price of approximately €25 million (AUD\$40 million) So the government made the decision to stop the project and it cost AUD\$40 million.

We have publicly maintained for over a year that the first vessel would be handed over in the 4th Quarter of 2024 (now completed) and the second vessel would be handed over in the first quarter of 2025. I understand that this time commitment remains in place today. So why don't we have a berth in Devonport for the new ships?

DEVONPORT BERTH:

May 2020: Received correspondence from TasPorts proposing to increase TT-Line operational costs by 250% originally saying it was not related to costs to construct Berth 3 (refer Chrono sheet)

In June 2021 TT-Line executed a MOU with TasPorts for Berth 3

In terms of the Devonport berth, we made it clear to our Shareholder Minister back in 2022 that we remained sceptical of the ability to complete our requirements due to lack of support from TasPorts. During each Ministerial briefing (following each Board meeting) the Minister was advised of the situation with Devonport berth and TasPorts. (refer Annex 4) As far back as a meeting on 29th June 2020, TT-Line advised TasPorts that "we are not in the business of building infrastructure" (refer minutes of TasPorts meeting Annex 13).

In July 2022 TT-Line and TasPorts executed transaction documents for the lease of Berth 1 and the AFL for Berth 3.

- Noted in TasPorts agreement for lease staging plan, TT-Line was to be provided access to the Berth 3 construction to begin critical path works on 26th June 2023, providing 12 months in total for completion of the project.
- 27th July 2023 CEO and Chairman advised Minister Ferguson that access to Berth 3 site to begin critical path works now September, some 3 months later (refer Annex 4).
- 14th August 2023 CEO and Chairman advise Minister that TT-Line have been advised by TasPorts that company will not be allowed on site until end of August / beginning of September (refer Annex 4).
- 27th September 2023, TasPorts claim TT-Line is able to commence works whilst dredging continues. Ongoing dredging and barge operations prevented any geotechnical or critical path works!
- 4th October 2023 telephone call with TasPorts Chairman Stephen Bradford: Berth 3 schedule changing each fortnight, MG advised that due to current delay in access to shoreside, exorbitant costs (\$100m) will be incurred by TT-Line to have Berth 3 completed by 30/6/24 for Spot 4 (refer Annex 6)
- 23rd October 2023 CEO and Chairman advised the Minister that some 4 months later, TT-Line still does not have access to Berth 3 which was due in June. Also advised the Minister that TT-Line cannot provide an actual date for completion with any confidence until it knows when it can access the site (refer Annex 14).
- 1st November 2023: refer photo of Berth 3 showing TasPorts barge and excavator blocking access to TT-Line for geotechnical or critical path site works (refer Annex 8)

- 17th November 2023 CEO and Chairman advise Minister that project in reasonable shape regarding purchase of main components, notwithstanding ongoing delays in access by TasPorts to Berth 3.
- 21st November 2023: Letter received from Minister Ferguson (following meeting in Launceston office 10th November) advising “I intend to appoint a program integrator to work across both TasPorts and TT-Line”. “I expect to appoint an appropriately qualified project integrator to begin this role in early 2024” Almost one year later, are we any further advanced with completion of Berth 3?
- 21st December 2023 CEO and Chairman advise Minister that operating Berth 3 prior to assembly of main gantry (for multiple deck loading) is being considered.
- 7th February 2024: refer photo of site showing ongoing dredging and barge operations preventing any geotechnical or critical path site works by TT-Line. (refer Annex 9)

14th February 2024 State Election called for 23rd March. Same day Premier's secretary sent a letter advising TT-Line that the government had assumed a caretaker role and the caretaker period will continue until the outcome of the election is clear.

All Board Ministerial Briefings scheduled from February to end of 2024 were cancelled by Minister Ferguson's office during caretaker period.

20th February 2024: The Preferred Tenderer for Berth 3 submitted an updated offer for the project following a review of updated drawings. As stated by the acting Chairman of TT-Line Mr Damian Bugg at the PAC meeting 9th September, the updated offer included a \$76.7 million increase on original tender offer and program alterations. TT-Line management took industry advice (with agreement from the Board) to explore alternative options.

26th March an independent ports infrastructure advisor (North Projects) advised TT-Line that the updated offer from the preferred tenderer did not represent value for money.

28th March North Projects recommends to TT-Line the termination of preferred tenderer status and to re-engage with BMD (builder of Geelong terminal) in a competitive, intensive open-book tendering process.

2nd April 2024 Letter sent to preferred tenderer advising that TT-Line had been unable to satisfy itself that it was receiving value for money from the updated offer. (read final page of chronological report).

24th May 2024: Access finally provided by TasPorts 11 months later than AFL (26th June 2023). As stated by TT-Line Devonport Project Manager Will Harper at the PAC meeting 9th September, if TT-Line had been provided access to the berth 3 pocket in June last year, in accordance with the AFL, the Berth 3 facility would most likely have been completed by December this year (approximate 18 month build time was quoted).

27th May 2024: Following extensive analysis of tenders, incorporating strict probity oversight, a letter was sent to BMD advising of their appointment of preferred tenderer for the Berth 3 redevelopment project.

Tuesday 18th June 2024: Given there was no communication from government we requested briefings re-commence following the appointment of Minister Abetz as Shareholder Minister. (refer Annex 7)

It should be noted that the change of preferred tenderer did not affect the overall timing of the project from TT-Line perspective. TT-Line continued as much as possible to progress major components for the Berth 3 project through a letter of commitment with preferred tenderer, however lack of access to the site remains the single biggest contributor to the delay of Berth 3.

Contract signed with BMD for Berth 3 construction works with approximately 18 month build time. This was fully executed on 3rd July 2024.

Comment re BD resignation:

It is indeed unfortunate that TT-Line has lost arguably one of the finest CEO's in Tasmania in Bernard Dwyer. Bernard put his heart and soul into the company and achieved extraordinary results during his tenure. It is a tragedy that he chose to resign over a lack of support from Shareholders and government, however I'm sure Bernard will comment on this later today.

Maybe: Refer to conversation in November or December 2023 where I advised Minister that "our single biggest risk is Devonport and TasPorts. It is possible that we may need to anchor both vessels in the Derwent River if the port infrastructure is not completed". Minister replied that "you need to learn to play in the sandpit with TasPorts".

Maybe: As an act of desperation, government are suggesting modifications to Berth 1 as an interim solution. On a number of occasions both myself and company experts have raised serious safety concerns re option of Berth 1 modifications for new vessels (longer, wider, deeper) and the 2 x close calls with Seaward vessel whilst existing Spirit vessels alongside. Government are only in support of Berth 1 modifications as they are desperate to maintain a public image in terms of the new vessels operating out of Devonport ASAP.

Maybe: Mention media reports of plan to lay up both new vessels in Singapore, why doesn't government direct SOC TasPorts to provide layup berth in Hobart FOC?

Maybe: Mention Bruny Island ferry terminals: media reports 2/10/24 that it is 3.5 years late and double the original cost?

File Note: Telephone conversation with Minister Ferguson re RMC at 1209hrs 17/01/24

MG advised that Chairman of RMC had written re financial position on 16/01/24.

MG outlined (read) the E-mail.

MG stated that in discussion with BD, we (TT) would not be in a position to agree to a 30m euro additional payment to resolve RMC financial woes. Minister agreed.

Minister asked about ownership of RMC – MG suggested it was privately owned but not sure.

Advised that local council owned land and infrastructure.

Minister stated that who knows what incumbents there are, are TT-Line biggest liability? MG stated that he did not know.

MG advised that a video call was planned for Thursday 18th with RMC CEO and Chairman, BD, MG and KS to discuss situation. MG advised Minister that TT-Line would hold firm and advise that there is no additional funding available from TT-Line. Minister agreed with that approach. Call ended 1228hrs.

Additional Note: Telecon with Minister Ferguson re RMC at 1813hrs 18/01/24

MG relayed a conversation just had via video conference with RMC at 1730hrs.

MG stated that RMC CFO had advised that bank balance was 6 million Euro and RMC requires 16 million Euro before the end of January to remain solvent.

RMC Chairman advised that an equity injection of 30 million Euros was required to “finish the vessels”.

MG advised RMC that TT-Line was at maximum debt levels and therefore unable to pay additional money to RMC. Minister Ferguson agreed with MG's comment.

RMC Chairman advised that the company would most likely go into administration. Minister Ferguson stated that in his opinion 30 million Euros would not save the company.

MG stated that RMC Chairman suggested a meeting between federal governments of Australia and Finland. MG replied that it would be unlikely that Australian federal government would have any interest in becoming involved. Minister Ferguson agreed, stated that “why would they care about a vessel being built in Finland”.

MG advised that RMC meeting with banks again Friday, Bernard heading to Rauma on Saturday and we would know more on Monday 22nd January. Minister Ferguson stated that all we can do is wait to see what happens and MG advised that he (or BD) would keep him up to date with developments.

Call ended 1819hrs.

05/04/2024

— FRIDAY

Hon Michael Ferguson MP
Deputy Premier
Treasurer
Minister for Infrastructure and Transport
Level 5 Salamanca Building
4 Salamanca Place
HOBART TAS 7000

Dear Shareholder Minister

New Ship Build Contract

Following Board Meeting
21/3 (THURSDAY) + TELEPHONE CALL
@ 1438HRS (29 MINUTES)

As previously discussed, I am writing to formally advise of the Board's decision to approve a further increase in the contract price for the two vessels (NB6009 and NB 6010) by €50 million to Rauma Construction Marine (RMC).

As advised in our letter of 24 May 2022 where the contract price for the vessel build was first amended, global factors such as the war in Ukraine and the COVID-19 pandemic have significantly impacted the cost of procurement and timing of delivery of a number of essential major components of the new vessel builds including the price of steel and the costs of construction generally.

These impacts have not abated since that time and while TT-Line has been working with RMC to assist them through difficult financial issues via, for example, bringing forward payment schedules, this has not been sufficient to meet their financial commitments to contractors and others under the terms of the current fixed price contract as amended.

It became clear to TT-Line when RMC advised that without additional support with the amendment to the price of the construction contracts, the RMC Board would need to make appropriate declarations on the solvency of the Company and all work on the two vessels would cease immediately, that an additional financial solution was needed to assist RMC complete the works.

TT-Line, through myself, the CEO and CFO, continued to meet regularly with RMC, the Finnish Government and RMC's financiers, SEB Bank, to work through and settle an appropriate solution to the financial difficulties being suffered by RMC.

During this time, the Board also met regularly to discuss the options available to it in order for the construction and delivery of the new vessels to proceed including:

1. the payment of the €50 million as requested by RMC;
2. offering to pay a lesser amount of between €30 and €40 million;
3. allowing RMC to close operations and negotiate with the likely administrator regarding purchasing the existing hulls;
4. seek to buy "off the shelf" new vessels from another yard; or
5. restarting the EOI process.

After considering those options in detail and further communications with RMC and the Finnish Government, it became increasingly obvious that the only viable option available to ensure delivery of the new vessels was for TT-Line to agree to pay the additional €50 million as proposed by RMC.

Based on additional correspondence received from the Finnish Government, on 21 March 2024, the Board resolved to agree to the amendment to the price of the contracts by an additional €50 million but only on the basis that the Finnish Government would underwrite the future financial viability of RMC (over and above the TT-Line contribution of €50 million) to ensure the delivery of both NB6009 and NB6010.

This has been agreed by the Finnish Government. It was also agreed the contract would otherwise continue the same terms with the exception being a likely change in delivery milestones and any payments made by TT-Line will continue to be backed by refund guarantees.

Relevantly, at the forefront of the discussions by the Board to agree to the increase payment was consideration of the Company's continued ability to be able to meet the repayments of the loan facility without imposing additional financial stress on the Company itself noting the increase in purchase cost will initially be managed under the existing loan facility. The Board is of the view that this can be managed appropriately, but consideration needs to be given to the proposed costs associated with the Devonport Terminal 3 Infrastructure project. This will be reflected in the FY25-27 Corporate Plan.

Yours sincerely



Michael Grainger
Chairman,
TT-Line Company Pty Ltd Board of Directors

Annex #3

Mike Grainger

From: [REDACTED]
Sent: Thursday, 1 August 2024 10:23 AM
To: Bernard Dwyer; Mike Grainger; Steve Maycock
Subject: RE: Draft response

Categories: 1. TT-Line

MORNING OF BOARD MEETING
GOVT. IN PANIC MODE - ADVISORS
CALLING ME ETC.

Thanks Bernard, much appreciated.

Kind regards, James.

From: Bernard Dwyer <bernard.dwyer@spiritoftasmania.com.au>
Sent: Thursday, August 1, 2024 10:00 AM
To: [REDACTED]; Mike Grainger <m.grainger@lsames.com>; Steve Maycock <steve.maycock@spiritoftasmania.com.au>
Subject: RE: Draft response

Good morning James.

We have had this reviewed by our Legal Counsel and the Chairman.

From a legal perspective we have no concerns regarding the statement provide (excluding item 7 which we cannot express a view on without additional detail). In our view the statement is a statement of facts that cannot be disputed and are consistent with the oral and written information provided by the company to the PAC.

Regards,

BD

Bernard Dwyer
Managing Director / Chief Executive Officer



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From: [REDACTED]
Sent: Thursday, 1 August 2024 9:43 AM
To: Bernard Dwyer <bernard.dwyer@spiritoftasmania.com.au>; Mike Grainger <m.grainger@lsames.com>
Subject: [EXTERNAL] Draft response
Importance: High

Hi Bernard,

As discussed, please see the below form of words which I would appreciate your views on by 9.55am, noting I have drafted this in a hurry. You'll recall that the Treasurer was reflecting on your earlier answers in the same GBE Scrutiny hearing before the House of Assembly committee on 1 December 2022.

If asked – “fixed” price contract

1. The contract is a fixed price contract, however as is the nature of major projects of this type the contract price may be varied in accordance with the terms of the contract by consent of the parties.
2. Where the variation is at the request of the Builder (RMC) then the variation may be approved by the Buyer (TT-Line) taking into account the reasons for the request and the potential impact on RMC's performance of the whole of the contract.
3. In other words the cost increase must be material enough that non-approval by TT-Line might jeopardise the whole of the project delivery.
4. The 8 million Euro variation referred to by those opposite was a variation to the fixed-price contract in May 2022 requested by RMC in response to a significant escalation in steel costs due to the war in Ukraine.
5. This variation was a marginal element in the context of the total cost of the project and was within the existing project budget contingencies.
6. This is evidenced by the fact that TT-Line did not request the Government for additional funding.
7. I have reviewed the facts of this matter and discussed my statements with TT-Line, and I say with the utmost confidence that I did not mislead Parliament.

Kind regards,

James.

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TT-Line Company Pty Ltd
ABN 39 061 996 174

5 August 2024

RE: MINISTERIAL DIRECTION
(NO REPLY RECEIVED!)

Hon Michael Ferguson MP
Deputy Premier
Treasurer
Level 5 Salamanca Building
4 Salamanca Place
HOBART TAS 7000

Hon Eric Abetz MP
Minister for Transport
Level 5 Salamanca Building
4 Salamanca Place
HOBART TAS 7000

Dear Ministers

Member Direction under Article 27.4

On behalf of the Board of Directors of TT-Line Company Pty Ltd (the **Company**) I refer to your letter to attaching a Member Direction under Article 27.4 of the Company's Articles of Association dated 17 June 2024 (the **Direction**) relating to the redevelopment of Berth 1 (for the Company) and Berth 2 (for SeaRoad) (collectively the **Berths**) at the Port of Devonport to facilitate the arrival and operation of Spirits of Tasmania IV and V (the **Vessels**) from Berth 1 until the construction of the infrastructure at Terminal 3 (**T3**) is completed.

The Board has discussed the Direction in detail, noting with confidence, the certainty the Direction (and the direction provided to TasPorts as the owner of the infrastructure) provides to redevelop the Berths as an interim solution.

The discussion also identified certain obligations, issues and questions with the Board noting:

1. The Company is committed to the completion of the facilities at T3 to provide for the loading and unloading of the Vessels as soon as practicable and for the best price possible, while also acknowledging the complex nature of the site and the infrastructure and the significant delays accessing the site caused by the delay in completion of the Landlord Works by TasPorts related to that complexity;
2. While Directors could take some comfort from the Direction regarding certainty around commissioning the Vessels into service, there was no indication regarding which entity, the Company or TasPorts, is expected to fund the redevelopment of Berth 1 pursuant to the Direction. It is assumed by the Board that, as owner of the infrastructure, it is appropriate that TasPorts will be expected to cover the cost of the redevelopment, but this is not clear from the Direction or the accompanying correspondence;
3. Subject to confirmation of the entity responsible for the cost of the redevelopment of Berth 1, given this may be an additional significant cost to the Company's current projects if the Company is expected to cover the cost of the redevelopment, then additional financial support may be required from the Government;

4. Further clarification of the intention of the statement that the Company *"take all necessary action to support TasPorts complete the works required at Berth 1 and Berth 2 for the new vessels so far as it is reasonable possible to do so"* would assist the Board in properly understanding the intent and extent of the Direction and the potential financial or other exposure of the Directors going forward. While on one interpretation this could simply mean acting collaboratively with TasPorts to ensure minimal disruption to the Company's services and to the redevelopment project, as noted above the Board is concerned this may also extend to providing financial support;
5. Similarly, so the Board correctly understands its position and obligations under the Direction as an independent Board under the *Corporations Act 2001 (Cth)*, could you please provide clarification of the intent and meaning behind the statement *"The Members nevertheless acknowledge that the commercial focus of the Company may not always align with the Government's objectives."*

It would be appreciated by the Board if you could provide a response to the questions and issues raised by Directors in due course so that the Board can understand any potential additional obligations from complying with the Direction that may arise so they can plan accordingly.

Relevantly, the Company will otherwise continue to meet its obligations pursuant to the Direction noting the contract for the construction of T3 was executed with BMD Constructions on 03 July 2024 and the Company should have access to the site from TasPorts to begin preliminary Tenant Works this week.

Should you have any further questions, please do not hesitate to contact me via email mike.grainger@spiritoftasmania.com.

Yours sincerely



Michael Grainger
Chairman of the Board of TT-Line Company Pty Ltd

Draft
Media Release
Date 14/8

13/8 PRESS RELEASE SENT TO NICK TURNER
14/8 SENT TO MEDIA

TT-Line Company Pty Ltd statement

The Board of TT-Line Company Pty Ltd has disputed elements of the evidence presented to the Public Accounts Committee on Monday 12 August.

Chairman Michael Grainger said he looked forward to “setting the record straight” when he and members of the management team presented follow up evidence after an initial appearance on 28 June 2024.

“Out of respect for the PAC process, while noting the significant community interest in the matter, we will be providing ~~that~~ our factually correct evidence to the PAC first,” he said.

“At a high level, the Board, which met on Tuesday, stands by its recent decisions and the processes around those decisions, particularly related to paying ~~an~~ additional ~~to~~ ~~the~~ funds to Finnish shipbuilder Rauma Marine Constructions (RMC) to complete our two new Spirit of Tasmania ships.

“Further, ~~we~~ we look forward to explaining in greater detail the context for the decisions the Board took in relation to the terminal development at berth 3 in Devonport.”

Mr Grainger said the company would shortly take delivery in Finland of the first of its new Spirit of Tasmania vessels to operate between Devonport and Geelong.

“The company is very much looking forward to receiving a date from TasPorts for when berth 1 will be ready to accommodate ~~the~~ our first new Spirit of Tasmania vessel, *Spirit of Tasmania IV*,” he said.

“We have signed a contract with a partnership comprising national and Tasmanian companies – Spirit Partners – to relocate our Devonport base of operations from its existing berth 1 to berth 3.

“BMD Constructions, with ~~whom~~ whom we worked closely to deliver Spirit of Tasmania’s Geelong Port facility, will be joined in the partnership by Fitzgerald Constructions Australia (which also worked with BMD in Geelong) and local Tasmanian companies Bridgepro Engineering, Gradco and Vos Constructions.”

Mike Grainger

From: Ferguson, Michael <Michael.Ferguson@dpac.tas.gov.au>
Sent: Wednesday, 14 August 2024 6:13 PM
To: Mike Grainger (mgrainger@spiritoftasmania.com.au); Mike Grainger
Cc: Abetz, Eric; Ferguson, Michael
Subject: TT-Line

Importance: High

Categories: 3. TT-Line

mgrainger@spiritoftasmania.com.au
m.grainger@lsames.com

Dear Mr Grainger

We, the undersigned shareholder ministers, have each attempted to phone you this afternoon to discuss your role as Chair and Director of TT-Line.

Unfortunately, despite these efforts we have not been able to speak. We accept that you may have been unavailable on each occasion.

The Government and we as shareholders, have lost confidence in you.

We indicate that should we not be in possession of your resignation with immediate effect by return email by 7:00pm this evening, we will terminate your appointment as a Director and Chair of the Company, with immediate effect.

Yours sincerely

Hon Eric Abetz MP
Minister for Transport

Hon Michael Ferguson MP
Treasurer

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Mike Grainger

From: Mike Grainger
Sent: Wednesday, 14 August 2024 6:39 PM
To: Ferguson, Michael
Cc: Abetz, Eric; Nick Turner; TT-Line - Anna McMahon; TT-Line - Bernard Dwyer; TT-Line - Damian Bugg; TT-Line - Helen Galloway; TT-Line - Richard Burgess; TT-Line - Yvonne Rundle
Subject: RE: TT-Line
Importance: High
Categories: 3. TT-Line

Deputy Premier Ferguson and Minister Abetz,

Your E-mail below is noted.

You will accept this E-mail reply as confirmation that effective immediately, I resign from my duties and responsibilities as Chairman and Director of the Board of TT-Line Company Ltd.

Regards,

Mike Grainger

CHAIRMAN



The Esplanade P.O.Box 168E
East Devonport TASMANIA 7310
Phone: +61 3 9206-6212
E-mail: mike.grainger@spiritoftasmania.com.au
www.spiritoftasmania.com.au

From: Ferguson, Michael <Michael.Ferguson@dpac.tas.gov.au>
Sent: Wednesday, August 14, 2024 6:13 PM
To: Mike Grainger (mgrainger@spiritoftasmania.com.au) <mgrainger@spiritoftasmania.com.au>; Mike Grainger <m.grainger@lsames.com>
Cc: Abetz, Eric <Eric.Abetz@dpac.tas.gov.au>; Ferguson, Michael <Michael.Ferguson@dpac.tas.gov.au>
Subject: TT-Line
Importance: High

mgrainger@spiritoftasmania.com.au
m.grainger@lsames.com

Dear Mr Grainger

We, the undersigned shareholder ministers, have each attempted to phone you this afternoon to discuss your role as Chair and Director of TT-Line.

ANNEX 4: MINISTER BRIEFINGS RE TASPORTS

MINISTERIAL BRIEFING 21/12/2020

Meeting of the Board of Directors No.306



TASPORTS

The CEO advised the Minister that correspondence has been received from TasPorts advising TT-Line it had terminated its Memorandum of Understanding (MOU) in regard to the Berth 3 Terminal works.

In response to a question from the Minister, the CEO advised that TasPorts did not provide a reason as to why they were cancelling the MOU.

MINISTERIAL BRIEFING 24/05/2021

TASPORTS UPDATE

The CEO advised that the Company has been trying to arrange meetings with TasPorts over the past three months to discuss the lease at East Devonport and the building works required at No 3 Berth East Devonport to accommodate the new vessels. TasPorts have advised that they were not available for these discussions due to their ACCC case and the Government being in care taker mode.

The CEO noted that the Company does have concerns in relation to the structures being in place at Berth 3 to accommodate the new vessels on their arrival.

The Minister advised that he expected a lease to be in place for the East Devonport berth by the time of the next sitting of Parliament on 22 June 2021. He advised that the Shareholder Ministers would not be providing instructions in relation to this matter to either Company and expected this to be resolved by TT-Line and TasPorts.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

MINISTERIAL BRIEFING 21/04/22



4. General Business

[REDACTED]

The Minister was advised the East Devonport development with TasPorts is on a critical path and is in the final stages of trying to agree contracts however there are a few outstanding sticking points to be resolved. The potential delay in the delivery of the new ships may provide some relief however the timeframe suggested by TasPorts is still not promising especially compared with the much shorter delivery timeframe achieved for the GeelongPort development.

[REDACTED]

[REDACTED]

MINISTERIAL BRIEFING 16/6/22



3. Port Infrastructure Update

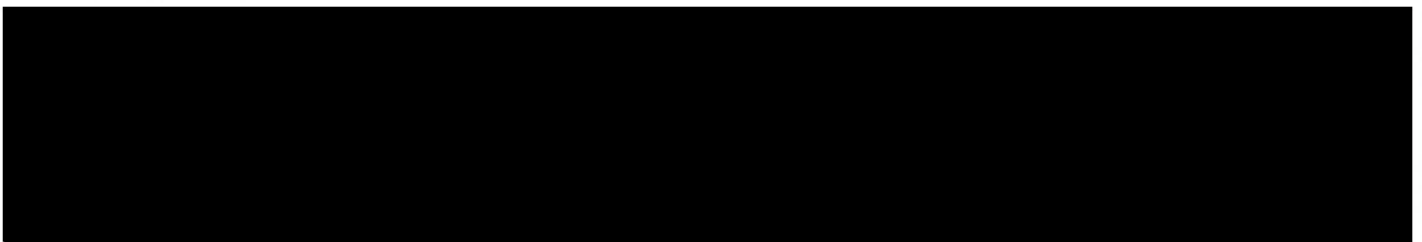
It was noted that the GeelongPorts Project is on track with the first sailing scheduled for 23 October and a media visit scheduled for 1 Jul 2022.

The Company is finalising an Agreement for Lease (AFL) with TasPorts incorporating a staged plan for delivery of the berth for the new vessels. The Minister enquired if TasPorts and the Company are aligned in the project and this was confirmed by the CEO subject to TasPorts delivering on the agreed staging plan.

MINISTERIAL BRIEFING 19/12/2022

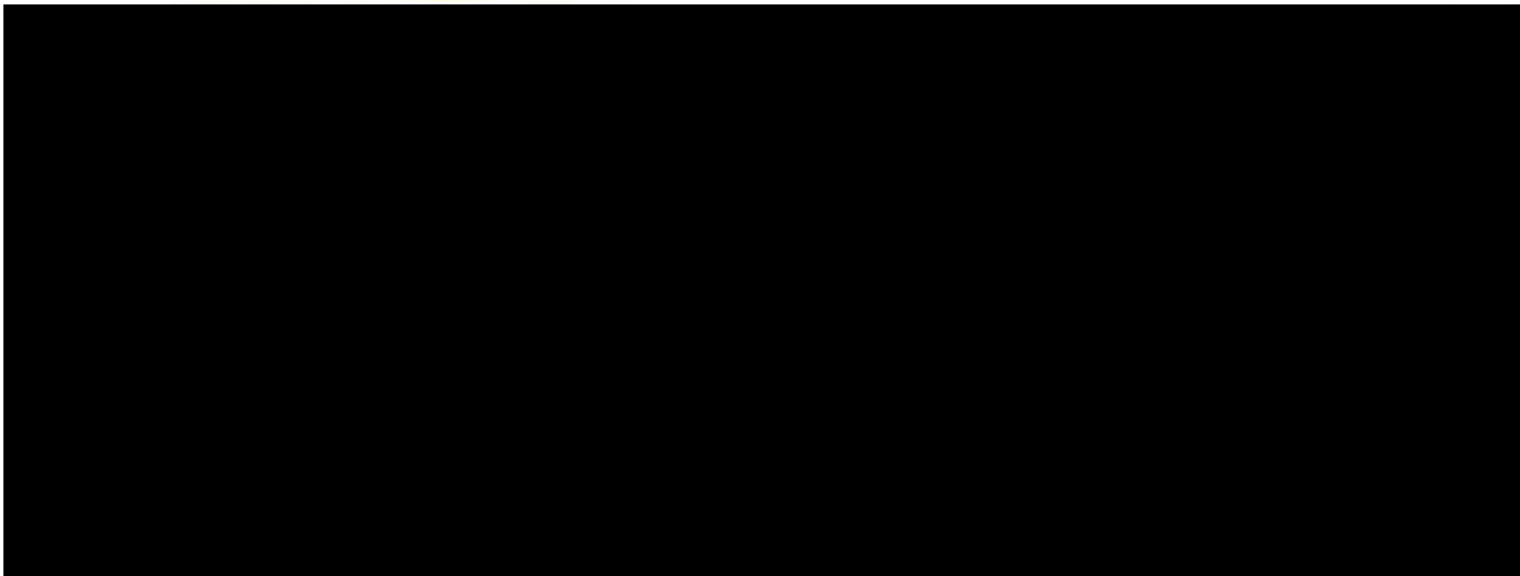


3. Port Infrastructure Update



Devonport

The team is working on making sure TT-Line and TasPorts are working on the same timeframes but it is relevant that this project is considered one of the higher risks to timetable of the new ships beginning passage noting that there is not a lot of breathing room in that critical pathway and any delays may impact delivery.



MINISTERIAL BRIEFING 16/2/23



3. Port Infrastructure Update

The CFO highlighted that work continues to progress between TT-Line and TasPorts and the only concern the Company has is around ensuring the infrastructure is completed in time for the arrival of the new vessel.

The Chairman confirmed it will take 5-6 weeks for Hull-6009 to travel from Finland to Tasmania. Strategies are in place should the port infrastructure not be completed in time, TasPorts have confirmed the vessel could be commissioned and training conducted for the crew in Hobart.

MINISTERIAL BRIEFING 15/6/23

3. Port Infrastructure Update

Devonport

It was noted the Devonport project is at tail end of some tendering processes now especially regarding securing the steel. The Minister was advised the link span structures will be larger than Geelong incorporating 1,500 tonnes of steel for those two structures. It is envisaged access to the site will not be available until 18 August, so TT-Line is working with contractors to condense the various tasks to catch up on any lost time. TT-Line will provide the Minister with a road map to finishing of the program once the timeline has been finalised. In response to a comment from the Minister regarding the timing of the completion of the project, the CEO advised that while TT-Line and TasPorts are under some pressure to complete by the original projected date again there are no red flags.

The Minister noted that the risk of delay has been recognised and are being mitigated. In response to a question from the Minister the CEO advised that the relationship with TasPorts was progressing well.

TT-Line was asked by the Minister to provide an update on the outcome of the construction tender process at the next meeting.

MINISTERIAL BRIEFING 27/07/2023

3. Port Infrastructure Update

Devonport

The Company is expecting access to Berth 3 site in September 2023. The ordering of standard infrastructure and long order time infrastructure is progressing.

There may be an opportunity to provide a presentation on the phasing process by the Company and TasPorts due to the complexity of the process.

The Company will not be providing full terminal services when the Berth opens for use in July 2024. The Minister noted it will be important to forecast early what to expect in delivery and timing of phases.

ANNEX ~~2~~ 4 - MINISTER BRIEFINGS
RE TASPORTS

MINISTERIAL BRIEFING 14/8/23



Devonport

The CEO noted:

- Tenders are in for the construction.
- TT-Line is not allowed on site until end of August / beginning of September.
- There is a lot of staging to take place with TasPorts, TT-Line and SeaRoad to ensure the terminal is fully operational.

The Minister noted there has been feedback from civil contractors regarding the very tight timeframes.

It was noted there is a need to have the combined phasing plan approved by all stakeholders and will need to get the communications right.

The CEOs of TasPorts and TT-Line will collaborate to provide a joint brief to the Minister on the progress of the project.

The Minister noted that as much information is shared with public that can be shared to keep them all on board and normalising public expectations on the development.

MINISTER FOR TT-LINE

FERGUSON

Michael



messa...



call



video



mail

15 March 2024

Annex 5

13:37 Outgoing Call

29 minutes

— FOLLOWING "OUT OF SESSION"
BOARD MEETING

FM

Contact Photo & Poster

work



MINISTER FOR TT-LINE

FERGUSON

Michael



messa...



call



video



mail

21 March 2024

IMMEDIATELY FOLLOWING BOARD MEETING
AGREEING TO BOARD DECISION
FOR £50M INCREASE,

14:38 Outgoing Call

29 minutes

FM

Contact Photo & Poster

work





Tue, 18 Jun at 08:45

Chair

A heads up that a letter with a direction will be with you and the board shortly. Similar has gone to TasPorts. Happy to discuss.

Yesterday 17:16

Chair

Looked at OpEd. Might I suggest a positive forward looking piece in which a para or two is devoted to making the necessary commercially realistic decisions to ensure delivery of this game changer for our tourism and productive sectors? Adverts will be running on the weekend for Board positions. Eric

+ iMessage

4/10/23

ANNEX ~~12~~ 6

Discussion Points for call with Tasports (TP) Chairman Stephen Bradford.

- When will SPOT 4 require a berth at DPO? 30th June 2024. (Bradford stating "arrival of vessel in July")
- What is TP earliest date for handover of Berth 3 (B3) for shoreside construction to commence? (advised by TP 5/9: "completion of reclamation 25/10" but likely now end of November or December)
- When was TT advised that we had to move to B3? Approx 3 years ago
- How many times has the TP schedule changed? (each fortnight from June 23).
- TT currently unable to sign a contract for shoreside construction as we do not know start (or finish) date / when TT will have access to berth pocket.
- TP have advised that TT unable to get an EOT (extension of time) on the AFL (agreement for lease) milestone dates which means TT will have to vacate Berth 1 prior to B3 being available!! TP time blowout for reclamation works is 5 months, which means everything else goes out 5 months; so vessel will not have access to berth 3 until November?
- Due to current delay in access to shoreside, exorbitant costs (\$100m) will be incurred by TT to have B3 completed by 30/6/24 for SPOT 4.

From Will & BD:

Contract milestone dates:

1. TasPorts mobilization Contractor to Berth 3: 16/09/2022
2. TasPorts completion of Reclaim (including dredging & piles ready for TT to commence work berth pocket): 23/06/2023
3. Commence TT-Line Phase 1 works (ramp, linkspan, gantry, freight yard): 23/06/2023
4. Completion TT-Line Phase 1 works: 06/05/2024
5. TasPorts Completion of Wharf and all other works: 26/04/2024
6. Commence TT-Line Phase 2 works (Passenger Vehicle Entry and Marshalling Area and Temporary Terminal Building: 29/04/2024
7. Completion TT-Line Phase 2 works: 24/06/2024
8. Operations from Berth 3 by TT-Line with new ships: 24/06/2024
9. Berth 1 Lease Expiry and required Vacation date: 16/09/2024

Shoreside infrastructure (link span, ramps) delivery 8-9 months from order (access date), TT unable to place order until access provided to berth pocket as link span and ramps are built on site.

- Positives: TP assisting to arrange access to Autocare site which will alleviate the landside works area constraints. Delays removing Bio Security but TP have a solution for relocation. TP have been assisting TT prepare the works consent process and design review.
- TT confident that we can work through as long as we maintain a positive and open dialogue and understanding of each parties challenges.

ANNEX 7

Mike Grainger

From: Mike Grainger
Sent: Friday, 21 June 2024 11:10 AM
To: Eric.Abetz@dpac.tas.gov.au
Cc: Bernard Dwyer; TT-Line - Sophie Wright
Subject: Meeting Confirmation

Importance: High

Categories: 1. TT-Line

Dear Minister,

As discussed with you on Tuesday morning 18th June, we wish to arrange regular (monthly) post-Board meeting briefings with you in accordance with the TT-Line Act.

Our regular Board meetings are held on the 3rd Thursday of each month excluding January and our preference is to brief you as soon as mutually convenient following each Board meeting.

Therefore can you please arrange with your diary secretary to contact TT-Line Executive Assistant Sophie Wright: sophie.wright@spiritoftasmania.com.au in order to schedule regular briefing dates.

We wish to also extend an invitation for you to meet with our Board of Directors at the next available opportunity. Our next Board meeting will be held in Hobart on Thursday 25th July and it would be very much appreciated if you could meet with the Board on this day.

I look forward to hearing from you soon.

Best regards,


Mike

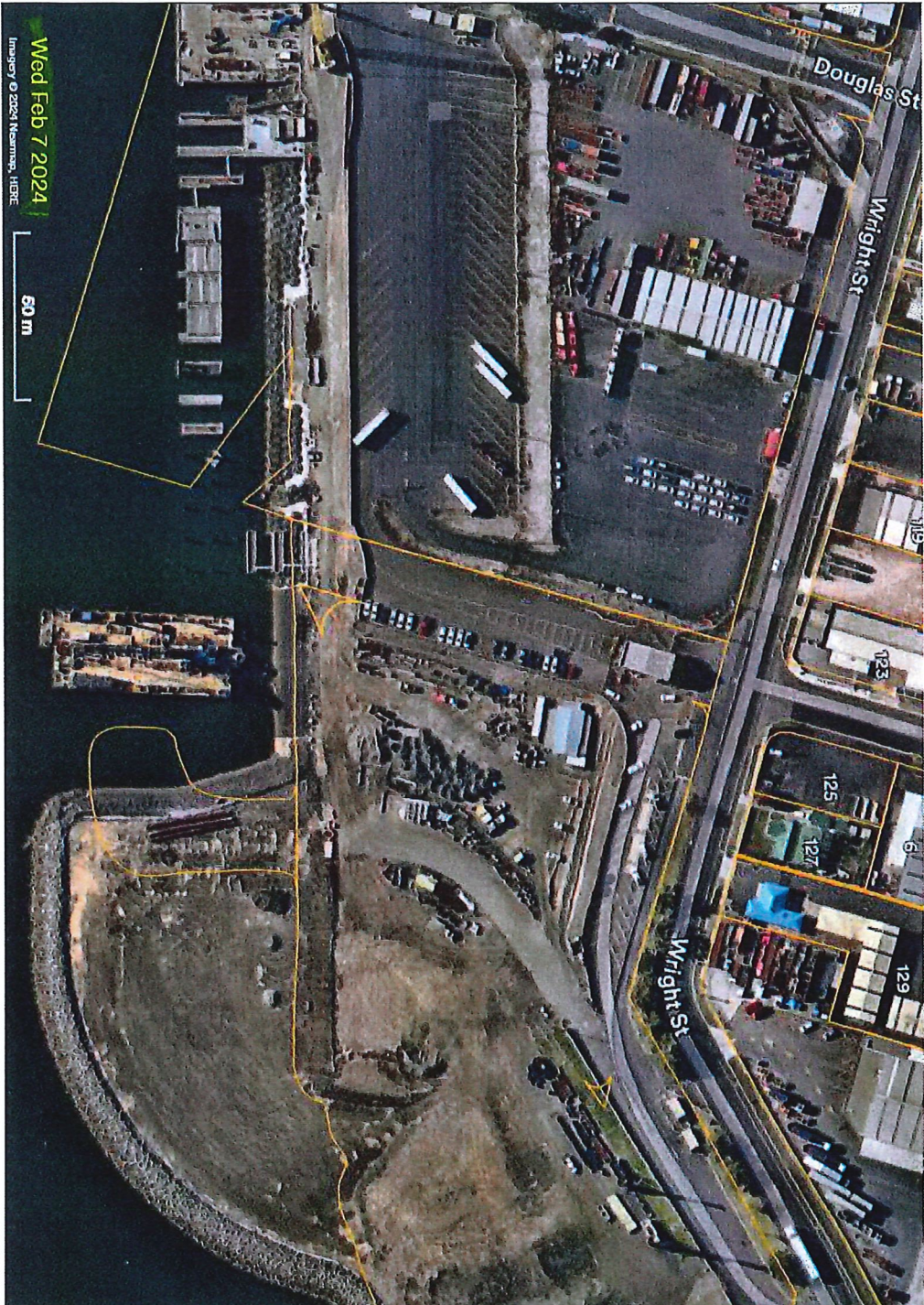
CHAIRMAN



The Esplanade P.O.Box 168E
East Devonport TASMANIA 7310
Phone: +61 3 9206-6212
E-mail: mike.grainger@spiritoftasmania.com.au
www.spiritoftasmania.com.au

ANNEX 8

01/11/2023	NearMap Aerial Photography photo of site on 01/11/2023		
Period Ending September 2023	AFL Steering Committee update	 <p>Wed Nov 1 2023 Imagery © 2024 Nearmap, HERE 50 m</p>	Ongoing dredging and barge operations prevent any geotechnical or site works
Period ending	AFL Steering Committee update	TasPorts Update: Dredging delayed, 550 m3 of hard rock remaining Reclamation bund still in progress along with other wharf works	
		TasPorts Update: Dredging works completed, trim and handover of SP1 in coming weeks . Wharf construction still in progress	

07/02/2024	<p>NearMap Aerial Photography photo of site on 03/11/2023</p> <p>7/2/24</p>		<p>Ongoing dredging and barge operations prevent any geotechnical or site works</p>
08/07/2024	<p>TASPORTS-TRANSMIT-001886</p> <p>From <https://au1.aconex.com/src/20240814.0609/en_AU_DOC/mail></p>	<p>Notice of Practical Completion for Separable Portion 2 received from TasPorts. This excludes work to complete scour protection as it is awaiting the completion of TTL piling work not able to be completed yet</p> 	

Minister Ferguson (MF) telephone call 17th July 2024 @ 1911hrs (from Singapore Qantas Lounge).

Call was a return from Minister SMS requesting a call the previous day.

MF advise that he wished to discuss the OpEd provided to his office by Nick Turner under my name.

MF advised that he thought the OpEd was very well written although he had not seen the latest draft. He suggested that "the spark had gone out of the debate" and stated that whilst he would accept if the OpEd had already been provided to the media, he wondered if it might be more effective to "keep in our pocket" until a later date, particularly given he would be appearing before the PAC next month. MG advised that Bernard was of the same opinion. MG advised he thought it had already gone to the media but would check with Nick Turner.

MF expressed gratitude and said he was expecting the opposition party to go hard again when MF appears before the PAC and that he was very concerned about being accused of misleading parliament and likened it to being accused of sleeping with someone else's wife!

MG also advised that a response to the Direction paper was forthcoming and the Board are extremely concerned about who will be paying for Berth 1 modification in Devonport. MF said he looked forward to receiving the response from the company and wished us well for the launch of SPOT 5 etc.

Phone call ended 1920hrs

MG followed up with a SMS to MF advising that MG has spoken to Nick Turner and requested a hold on the OpEd going to the media

Abetz call 1538hrs 2/8/24

MG advised EA that we have received a notice from RMC re handover of Spot4 on 23/8/24 and suggested if TT can get a commitment in writing from TasPorts on when Berth 1 will be available, we can then plan delivery of vessel and announce in service date. EA asked if anyone else knew about the handover date and MG stated only management and Board. EA said "I will need to get on to that and see if we can get a letter from TasPorts". MG said we can immediately get some positive media to the public once we have written confirmation from TasPorts.

Call ended 1540hrs

Voice message received from Minister Eric Abetz 14th August 2024 @
1435hrs

"Chair, Eric Abetz calling, just been appraised of the draft media release and just wanted to chat to you about it, there are a few elements in it that I must say, um, I would seek at best some clarification on, if not some, er word alterations, so er, if you could give me a ring I would be much obliged, thanks a lot, bye".

20 February 2024

Gary Swain
Secretary
Department of Treasury and Finance
The Treasury Building
21 Murray Street HOBART TAS 7000

Dear Gary

TT-Line vessel replacement

I refer to your letter of 16 February 2024 requesting written advice on the status of the vessel replacement status and provide the following update:

- **any agreed revisions to the payment instalment schedule and/or anticipated construction timeline, as well as the foreign exchange hedging and overall cost implications for TT-Line;**
 - The TT-Line Board at its meeting of 15th February 2024 approved management's recommendation to agree to the revised payment schedule put forward by Rauma Marine Constructions (RMC). The revision brings forward 2.5% of the remaining contracted payments, over three instalments, for the first vessel only.
 - There is no impact on the foreign exchange hedging as these are currently being managed as they fall due to align with current contractual payments
 - As the Euro is currently held to fund the agreed revised payments, there is no additional cost implications for TT-Line.
- **the ability of RMC, through its financier, to provide refund guarantees for past and future instalments;**
 - RMC have raised their concerns that future refund guarantees may not be able to be provided unless additional equity is raised. This has not been confirmed by their financiers at this time.
 - A refund guarantee for the next due instalment (85% completion payment for hull 6009) has been provided in draft for review by our legal representatives.
 - No payment will be made by TT-Line without approved refund guarantees to support the payment.
- **TT-Line's understanding of RMC's working capital situation and its ability to remain solvent until completion of both vessels;**
 - RMC have advised that if current cash flow issues are not addressed, and further equity raised, they are facing having to become insolvent
 - RMC have 4 months post their financial year end (31 December 2023) to have their accounts audited and for Directors to declare ongoing solvency

- RMC are actively working with the Finnish Government, their financiers (SEB Bank) and TT-Line to find a way forward to avoid insolvency and deliver our two vessels
- **recent assurances provided to TT-Line in relation to the project by RMC, its financiers and/or the Finnish Government;**
 - We recently received a letter from the Permanent Secretary, Ministry of Employment and Economics of the Finnish Government advising that they strongly believe that the appropriate solution for all parties is achievable. He advised the Government of Finland sees a strong political will to support RMC to overcome its present problems and wanting to engage with TT-Line to find an amicable solution.
 - We are currently trying to set up a meeting with our CEO, CFO and Finnish Government representatives to further the discussions.
- **the contractual implications of RMC entering into insolvency or similar arrangements;**
 - We are currently awaiting formal legal advice on the implications of insolvency on the part of RMC
 - We understand that a declaration of insolvency gives rise to TT-Line's right to terminate the contracts and have all contractual payments made to date refunded under the guarantees
 - The bankruptcy proceedings would lead to significant uncertainty regarding the ownership, completion schedule, construction costs, and location of construction for the unfinished vessels. The schedule and budget for the completion of the vessels involve substantial risks that are very difficult to predict in advance.
 - We understand that if an administrator is appointed, they may engage with TT-Line to purchase the vessels, but that this would likely involve significant time delays and potentially significantly increased costs.
- **options that have been proposed by RMC to alleviate its funding pressures, including any leasing options or alternative ownership models, as well as the financial and operational implications these would have for TT-Line;**
 - RMC Board and Management have requested TT-Line explore the option of a lease arrangement with a reputable bank
 - TT-Line has continually reiterated that we are not interested in such an arrangement and that we would require a new business case, and seek Board and Shareholder approval to move forward with such an option
 - We have agreed to meet with representatives from CBA to hear how such an arrangement may work, but CBA has been advised we are not looking to pursue such an option

- **any other alternative strategies that are available to ensure successful completion of both vessels, and the likely cost, risk and contractual implications of such;**
 - We are actively working with RMC to understand all available options
- **potential revisions to the purchase price for the two vessels that would enable RMC to remain solvent through to the completion of the project;**
 - RMC to date have not asked for an increase in the purchase price of either vessel, they have indicated it may be needed to cover the escalation in costs (estimated to €67 million across both contracts) but have not advised what the amount is (from TT-Line, SEB Bank or the Finnish Government) that is needed to avoid insolvency
 - We continue to encourage RMC to put something on the table for discussion and consideration
- **the ability of TT-Line to fund the vessel replacement project and associated capital works at Devonport within existing borrowing limits, including any discussions with Tascorp that have taken place in relation to TT-Line's borrowing requirements;**
 - All contracted payments for TT-Line in relation to the vessel replacement project and associated capital works at Devonport can be funded within existing approved borrowing limits
 - If an increase in purchase price for the vessels is requested and approved by the Board, and Shareholders, this would likely not be able to be supported within our maximum debt facilities
 - Alternative options to fund any potential increase in price would need to be explored including, but not limited to, additional Government equity injection into TT-Line, or the transfer of the cost of port infrastructure at East Devonport to TasPorts who are the Landlords
 - As no increase has been requested or considered, Tascorp has not been engaged to consider any increase, they have however been briefed about the cashflow challenges facing RMC.

Yours sincerely



Michael Grainger
Chairman
Spirit of Tasmania

In attendance: Deputy Premier, Gary Swain, Fiona Calvert, James Abbott, Mike Grainger, Kym Sayers, Bernard Dwyer

Gary Swain – Treasury outlined the conventions required to advise Government and major parties of any issues during Caretaker period of Government.

Mike Grainger.

TT-Line advised that RMC had advised they were having challenges with the contracts for NB 60090 and NB 6010. TT-Line have been and continue to work with the yard to ensure the delivery of the vessels in a timely manner.

The main challenges are that RMC had been experiencing cash flow issues which is not uncommon in the shipbuilding industry.

In response to this TT-Line negotiated to amend the timing of some contract payments all still fully backed by refund guarantees and in line with project millstones

Recently RMC advised that their difficulties were more than just cash flow. The Chairman then detailed the types of cost and supply pressures that RMC were facing.

The Board has instructed the CEO and CFO to meet with RMC in person to define the extent of the current situation.

In response to a question the Chairman advised that there has not been any changes to the expected delivery dates.

The Chairman also advised that at this stage RMC have not asked for any more money.

In attendance: Rebecca White, Shane Broad, Gary Swain, Fiona Calvert, Mike Grainger, Kym Sayers, Bernard Dwyer

Gary Swain

Treasury outlined the conventions required to advise Government and major parties of any issues during Caretaker period of Government.

Mike Grainger.

TT-Line advised that RMC had advised they were having challenges with the contracts for NB 60090 and NB 6010. TT-Line have been and continue to work with the yard to ensure the delivery of the vessels in a timely manner.

The main challenges are that RMC had been experiencing cash flow issues which is not uncommon in the shipbuilding industry.

In response to this TT-Line negotiated to amend the timing of some contract payments all still fully backed by refund guarantees and in line with project millstones

Recently RMC advised that their difficulties were more than just cash flow. The Chairman then detailed the types of cost and supply pressures that RMC were facing.

The Board has instructed the CEO and CFO to meet with RMC in person to define the extent of the current situation.

In response to a similar question from the earlier meeting the Chairman advised that there has not been any changes to the expected delivery dates.

The Chairman also advised that at this stage RMC have not asked for any more money.

ANNEX 12

From: Bernard Dwyer <bernard.dwyer@spiritoftasmania.com.au>

Date: 22 March 2024 at 13:43:29 AEDT

To: Mike Grainger <mike.grainger@spiritoftasmania.com.au>

Cc: Kym Sayers <kym.sayers@spiritoftasmania.com.au>

Subject: Fw: TT-Line Ship Build Contract

Good afternoon, Chairman,

As discussed, please find below the confirmation from Treasury that the government does not need to approve a price change for already approved procurement projects.

We will progress in advising RMC and requesting that the preconditions of the Finnish Letter be completed.

Regards,

BD

Bernard Dwyer

Managing Director / Chief Executive Officer

SPIRIT OF TASMANIA

The Esplanade P.O.Box 168E

East Devonport TASMANIA 7310

P: +61 3 6419 9300 | **F:** +61 3 6427 0588

E: bdwyer@spiritoftasmania.com.au | **W:** spiritoftasmania.com.au

From: Kym Sayers

Sent: Friday, 22 March 2024 1:38 PM

To: Bernard Dwyer

Subject: FW: TT-Line Ship Build Contract

Kym Sayers
Chief Financial Officer



T: +61 3 6419 9138
M: +61 418 996 389
E: kym.sayers@spiritoftasmania.com.au
W: spiritoftasmania.com.au

From: Calvert, Fiona <Fiona.Calvert@treasury.tas.gov.au>
Sent: Friday, 22 March 2024 1:37 PM
To: Kym Sayers <kym.sayers@spiritoftasmania.com.au>
Cc: Swain, Gary <Gary.Swain@treasury.tas.gov.au>; Bailey, David
[REDACTED]
Subject: [EXTERNAL] RE: TT-Line Ship Build Contract

Hi Kym

Just confirming that this is a correct assessment. Also, based on our records, the approach is consistent with the approach taken for the previous increase in contract price.

We appreciate the time taken by you and Bernard to keep us up-to-date on negotiations.

Kind Regards

Fiona



Fiona Calvert | Deputy Secretary, Economic and Financial Policy
Department of Treasury and Finance
p (03) 6145 0707 | m 0407 396 622
e fiona.calvert@treasury.tas.gov.au
w www.treasury.tas.gov.au
21 Murray Street, Hobart, TAS 7000 | GPO Box 147, Hobart TAS 7001

From: Kym Sayers <kym.sayers@spiritoftasmania.com.au>
Sent: Friday, March 22, 2024 1:13 PM
To: Calvert, Fiona <Fiona.Calvert@treasury.tas.gov.au>
Subject: TT-Line Ship Build Contract

You don't often get email from kym.sayers@spiritoftasmania.com.au. [Learn why this is important](#)

Hi Fiona,

Thank you for your time today over video, and later on the phone.

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

Present	Michael Grainger Stephen Bradford Bernard Dwyer Anthony Donald Kym Sayers Phil Hoggett	TT-Line Chairman TasPorts Chairman TT-Line CEO TasPorts CEO TT-Line CFO 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 would 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 a 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 Strait 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 conversation he had with AD the previous day, that if 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.

25/05/2022

Hon Michael Ferguson MP
Deputy Premier
Treasurer
Minister for Infrastructure and Transport
Level 5 Salamanca Building
4 Salamanca Place
HOBART TAS 7000

ADDITIONAL COSTS FOR STEEL
DUE TO UKRAINE WAR

Dear Shareholder Minister

New Ship Build Contract

Further to our discussions at the TT-Line Ministerial Briefing on Thursday 19th May 2022, I am writing to formally advise of the Board's decision to approve an increase in the contract price for the first vessel (NB6009) of up to 8 million euros.

As we advised in our meeting, global factors such as the war in Ukraine and the COVID-19 pandemic have significantly impacted the supply and price of steel, and other major components of the new vessel builds. Our contracted shipbuilder, Rauma Marine Constructions (RMC), have issued a notice of a force majeure event, due to the ongoing war in Ukraine, as prescribed by the terms of the contract for the delivery of the first vessel, hull 6009.

RMC put forward a proposal seeking support to offset the significant increase in steel prices, and other major ship componentry. RMC advised that without some support they would likely not progress with either contract for the two hulls, due to suffering financial losses on the contracts.

In person negotiations were held and the following has been agreed by the TT-Line Board:

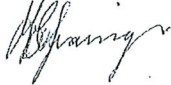
- TT-Line will participate in sharing of the increased steel costs **up to a maximum** of 8 million euros, and the contract price for NB6009 would be amended with an amount that corresponds to the final amount up to this cap;
- All extra payments will be fully backed by refund guarantees to the satisfaction of TT-Line before being made; and
- All increases up to the cap of 8 million Euros would be reconciled to transparent charges by the steel suppliers' documents.

In considering the request to increase the contract sum for Hull 6009, the Board took into account the following:

- The current ship build contracts are fixed price contracts and there is no legal obligation to accept a proposed contract price increase;
- There was a real risk that the contract for the build of the first, and potentially the second vessel, would not be fulfilled. Whilst no money would be lost by TT-Line due to all payments being supported by refund guarantees, the cost of having to go back to market for the new vessel builds, and the opportunity cost of delayed delivery with the increased capacity of new vessel, would far exceed 8 million euros;

- Agreeing to the contract price increase ensured the procurement of steel for hull 6009 immediately, which in a market of limited supply ensures the delivery date will not be further delayed due to steel supply shortages;
- A cap of 8 million euros was negotiated, and the actual price increase, up to this cap, will be directly linked to steel prices obtained by RMC and the documentation shared with TT-Line;
- The cap protects TT-Line from the exposure of further increases in steel prices;
- No additional borrowings will be required as the payments will be funded from TT-Line cash flows;
- The overall vessel replacement project will still be within the originally approved business case parameters; and
- All contract changes will be reviewed and approved by our lawyers, HFW London.

Yours sincerely



Michael Grainger
Chairman

ANNEX 15

Deputy Premier
Treasurer
Minister for Infrastructure and Transport
Minister for Planning



Level 10, Executive Building, 15 Murray Street, Hobart
Public Buildings, 53 St John Street, Launceston
GPO Box 123, Hobart TAS 7001
Phone: (03) 6165 7701; Email: Michael.Ferguson@dpac.tas.gov.au

21 NOV 2023

Mr Michael Grainger
Chairman
TT-Line Company Pty Ltd
By email: mgrainger@spiritoftasmania.com.au

Dear Mr Grainger *Mike*

I write following the meeting held in my Launceston Office on 10 November in relation to the project to construct terminal infrastructure at Berth Three in the Port of Devonport.

As we discussed, in order to ensure this vital construction project proceeds as quickly and efficiently as possible, I intend to appoint a program integrator to work across both TasPorts and TT-Line.

The process for establishing this role will be managed by the Department of State Growth and the appointee will liaise closely between both companies as we work towards the completion of these vital works before the arrival of the first of the new Spirit of Tasmania vessels in mid-2024.

I seek your cooperation with the appointee, who I expect to suggest efficiencies between both companies with their respective projects at the site and identify any unnecessary blockages in the construction timetable.

The role will be independent of both companies but report directly to the CEOs, with fortnightly progress updates to me as Minister for Infrastructure.

I expect to appoint an appropriately qualified project integrator to begin this role early in 2024.

Yours sincerely

Michael Ferguson MP
Deputy Premier
Minister for Infrastructure and Transport

Department of Treasury and Finance

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Doc reference 24/31485

Mr M Grainger
Chair
TT-Line Company Pty Ltd
PO Box 168E
EAST DEVONPORT TAS 7310

Dear Mr Grainger

TT-Line vessel replacement

I am writing in relation to the purchase of TT-Line's new vessels, which are being constructed by Rauma Marine Constructions in Finland.

I understand that officer level discussions have occurred between Treasury and TT-Line regarding RMC's cost pressures and funding challenges that are potentially placing the construction of the vessels at risk. I also understand that RMC is in discussion with its financiers and the Finnish Government about the options available to support the construction of the vessels.

Given that the Tasmanian Government has now entered caretaker mode and noting the critical importance of the vessel replacement project, I request your written advice on the status of the project, including the following matters:

- any agreed revisions to the payment instalment schedule and/or anticipated construction timeline, as well as the foreign exchange hedging and overall cost implications for TT-Line;
- the ability of RMC, through its financier, to provide refund guarantees for past and future instalments;
- TT-Line's understanding of RMC's working capital situation and its ability to remain solvent until completion of both vessels;
- recent assurances provided to TT-Line in relation to the project by RMC, its financiers and/or the Finnish Government;
- the contractual implications of RMC entering into insolvency or similar arrangements;
- options that have been proposed by RMC to alleviate its funding pressures, including any leasing options or alternative ownership models, as well as the financial and operational implications these would have for TT-Line;
- any other alternative strategies that are available to ensure successful completion of both vessels, and the likely cost, risk and contractual implications of such;
- potential revisions to the purchase price for the two vessels that would enable RMC to remain solvent through to the completion of the project;

- the ability of TT-Line to fund the vessel replacement project and associated capital works at Devonport within existing borrowing limits, including any discussions with Tascorp that have taken place in relation to TT-Line's borrowing requirements; and
- any other information that is relevant to a thorough understanding of this matter.

I would appreciate if you could provide the above-mentioned information to me by close of business on Monday 19 February 2024.

Given the conventions that apply to the administration of Government functions in the caretaker period, I may contact you to agree a pathway forward on this matter once I have considered your advice.

If you have any concerns or are unable to provide the above information by the requested timeframe, please contact me directly on (03) 6145 0718 or via email at gary.swain@treasury.tas.gov.au.

Yours sincerely



Gary Swain
Secretary

16 February 2024

Item	Date	Reference	Key Points	TT-Line Comments
53.	26 Jun 2023	TasPorts Agreement for Lease Staging Plan	TT-Line to be provided access to the Terminal 3 construction to begin critical path works providing 12 months in total for completion of the project.	
54.	27 Jul 2023	Monthly Ministerial Meeting	CEO and Chairman advise Minister that access to the Terminal Site to begin critical path works is now September 2023.	
55.	14 Aug 2023	Monthly Ministerial Briefing	CEO and Chairman advised Minister TT-Line have been advised by TasPorts the Company will not be allowed on the site to begin critical path works until end of August/beginning of September	
56.	23 Oct 2023	Monthly Ministerial Briefing	<p>CEO and Chairman advised the Minister:</p> <ul style="list-style-type: none"> • TT-Line still does not have access to begin critical path works which was due in June 2023 • The Company is looking at providing limited service and working around the schedule of the ships should the Project be delayed • TT-Line cannot provide an actual date for completion with any confidence until it knows when it can access the site also noting some parts of the construction cannot be accelerated and it will be important to revisit the staging once the company has more certainty • of the contractor issues and that it is working to leverage existing works especially in relation to mobilisation costs etc. • The Minister advised it is important to keep on track for July 2024 and was advised the last week of July (around 24th July) remains the target. • The Minister advised he will arrange a meeting between the two CEOs and project teams to discuss progress. 	
57.	16 Nov 2023	Board Minutes	The MD/CEO advised that TasPorts have asserted we already have access to the site, but we have not yet received official	



QuayLink: Terminal 3

Monthly CEO Report – March 2024



TasPorts

Devonport QuayLink

Activities complete this month (March 2024):



- All precast elements fabricated
- First wharf deck concrete pour complete
- Works tracking to plan for June 30 completion



- Preliminary works progress under Letter of Commitment including Temporary works designs, procurement of key items, site investigations and mobilization preparations
- Issued-for-Construction Design Drawing Issue and constructability reviews
- Due to significant increase in lump-sum offer for the project that was unable to be validated by TTL or its advisors, HBJV Preferred Tenderer Status has been rescinded – BMD and HBJV to partake in intensive competitive tender process through April for T3 Contract.
- Delivery AMUs into Tasmania

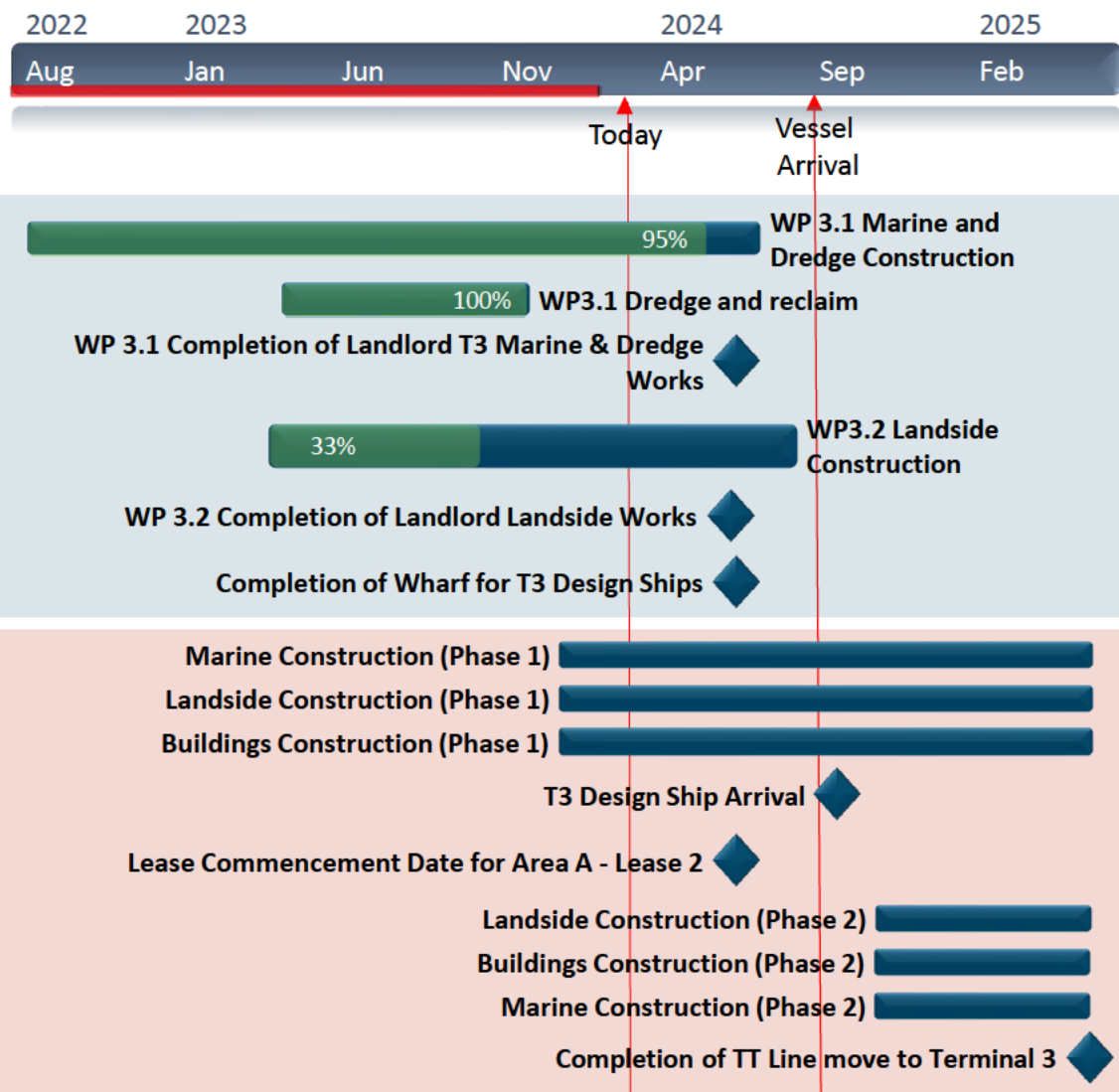
- Combined**
- Reviewing TT-Line Contractors Management Plans to enable site mobilisation
 - Interim construction licence varied to allow site mobilisation and site investigation of TT-Lines contractor
 - Regular steering committee and interface meetings held
 - Revised project staging plans finalised

Activities planned next month (April 2024):

- Final barge work to be complete
- Final precast elements placed on wharf
- Second wharf concrete pour
- Development Application Lodged for Biosecurity
- Continue to support TT-Line with pre-commencement of works obligations under the Agreement for Lease
- Continue construction of the wharf

- Complete intensive tender phase through April with BMD and HBJV
- Finalize contract for project
- Finalize approvals required to commence contract works
- Progress site early works with HBJV under Letter of Commtiment. Site preparation and mobilization of facilities
- Continue Site investigations
- Continue key long lead time procurements including Steel, Linkspans, Stormwater Systems

- Combined**
- Integration of construction schedules



Notes – High level schedule based on forecast dates only not to supersede the AFL Master Schedule

Activities under agreement between parties (AFL)	Baseline End Date	Forecast End Date (previous month)	Actual End Date	Comments
TasPorts Milestones				
Completion of Marine and Dredge Works	24/4/24	30/6/24	-	Extension of time entitlement under the Agreement for Lease with TT-Line
Completion of Landlord Landside Works	6/04/24	20/6/24	-	Extension of time entitlement under the Agreement for Lease with TT-Line
TT-Line Milestones				
Marine Package - Construction (Ramp, Linkspan, Spaceframe)	6/05/24	31/05/25	-	Deck 3 only operation option date TBC upon review of Contractor Programme
Landside Package - Construction (Freight Yard & related civils)	6/05/24	31/05/25	-	
Landside Package - Construction (Freight Yard & related civils)	6/05/24	31/05/25	-	
Landside Package - Construction (Passenger Vehicle Entry & Marshalling)	24/6/24	31/05/25	-	
Buildings Package - Construction Temporary Terminal	24/6/24	31/05/25	-	
Marine Package - Construction (Wharf) (Area A)	25/6/24	16/08/24	-	AMU commissioning by 16/08/24
Notes – Stages 4 onwards omitted for clarity; only millstone activities required for operational terminal shown				